JLBC - Monthly Fiscal Highlights

August 2020

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"July posted a forecast gain of $212 million, with gains across the categories of Sales Tax, Individual Income Tax, and Corporate Income Tax."

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on August 20, 2020.

Summary

July General Fund revenue collections were $1.52 billion during the month, an amount which was significantly higher than any previous July due to the state's deferral of the income tax filing due date from April 15 to July 15.

With the deposit of most final payments occurring in July this year, collections grew by 53.3% above the prior year. While some of this growth was expected due to the deferral issue, revenues still significantly exceeded the June Update forecast. July posted a forecast gain of $212 million, with gains across the categories of Sales Tax, Individual Income Tax, and Corporate Income Tax.

Below summarizes the July results for each main revenue category.

Sales Tax
July Sales Tax collections (which represent June sales activity) grew by 13.0% above July 2019, the highest year-over-year growth since the beginning of the pandemic. Compared to the modest decline of (1.2)% projected by the June Budget Update, Sales Tax generated a forecast gain of $62.1 million. In terms of the Sales Tax subcategories, below describes the July 2020 collections of each sector compared to July 2019:

- Retail – Collections under the Retail classification grew by 13.4%. Much of the July retail growth was driven by: 1) Automotive sales (15.3% growth); 2) Building materials and garden supply, which involves sales made at home improvement stores (23.8% growth); and 3) Food and liquor sales, which includes takeout food and alcohol for home consumption (27.7% growth).
- Contracting – July 2020 contracting tax collections grew by 25.1% over the prior year, continuing a trend seen over the last several months. While this category has been helped by growth in residential construction (new homes, new apartments and remodeling), other areas are showing growth as well – including non-residential (commercial) construction and significant growth in the heavy construction sector (which includes highway construction).
- Restaurant and Bar – Collections for the Restaurant/Bar classification declined by (11.1)% during the month compared to the prior year. This is a relative improvement to the worst months during the stay-at-home order, where the sector's April sales activity declined by (42)%.
- Utilities – The utilities classification grew by 7.6% during July, likely due to above-average temperatures seen in the state this summer. Initially, it was unknown whether the broad trend of remote work due to COVID-19 would impact utility sales – based on recent reports from Arizona utilities, it appears increased "base" residential consumption is being generally offset by reduced business usage, with overall power consumption changes being driven by recent weather trends.

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Individual Income Tax
Due to the tax deadline deferral, IIT collections were $987.2 million during the month, which was significant growth over the July 2019 collection amount of $446.2 million. Net IIT revenues during July 2020 were $95.2 million above forecast. However, the performance compared to the forecast varied across the IIT components:

- Withholding – Given the impact of COVID-19 on the state's employment levels, the forecast assumed withholding tax collections would decline by (8.4)%. Instead, withholding posted a modest increase of 1.5% and revenues were $42.6 million above forecast. In the months since the beginning of the pandemic, withholding collections have either increased or not declined as forecasted.
- IIT payments – Estimated and final payments combined exceeded the forecast by $86.8 million. This forecast gain was helped by significant growth in final payments (which are based on Tax Year 2019 liability), even beyond what was expected due to the tax deferral. In addition, the state saw large growth in estimated payments in July, which is unusual given that July is typically a smaller month for estimated payments. This estimated payment growth could be due to: 1) Taxpayers may have deferred their June estimated payment into July, which is difficult to explain given those estimated payments were unaffected by the deferral policy change; 2) Estimated payments overall may be increasing due to growth in Tax Year 2019 liability – taxpayers who maintain their estimated payment levels consistent with prior year liability are able to have "safe harbor" from penalties and interest related to underpaying estimated payments.
- Refunds – The dollar amount of IIT refunds issued in July was larger than expected, generating a forecast loss of $(34.2) million. As we have noted in prior commentary, it appears that more tax filers have taken advantage of the extended July filing deadline even though they are owed refunds, resulting in more July refunds than expected.

Corporate Income Tax
Corporate Income Tax (CIT) collections were $80.5 million, resulting in a large forecast gain of $47.6 million. The significant increase in July CIT collections is challenging to interpret, given that July is typically a smaller month for CIT revenues. One potential reason is that the income tax deferral policy had a greater impact on CIT than previously expected. The June Update forecast had assumed a minimal impact of the policy change for CIT because the tax deferral applied to final payments, where most CIT activity relates to estimated payments. If some corporations actually deferred their estimated payments until July, that may explain why the state saw a drop in CIT revenues in June and this unexpected increase in July.

Insurance Premium Tax
The state only received a minimal amount of Insurance Premium Tax (IPT) collections during July, which was a significant drop from the $38.9 million amount collected in July 2019. This large decrease is due to a timing issue with the deposit of scheduled installment payments that are typically made in July. The Department of Insurance and Financial Institutions (which collects IPT) reports these amounts will instead be deposited in August. To avoid an artificial forecast loss, we have revised the July Insurance Premium Tax projection downward, resulting in a modest forecast loss of $(4.7) million for the month.

FY 2020 Ending Balance Update
In its June Budget Update, the JLBC Staff projected the state would have a $(190) million FY 2020 shortfall. After reviewing complete FY 2020 revenue data, the July *Monthly Fiscal Highlights*, noted that revenue gains appeared sufficient to end FY 2020 with a positive balance. However, because the state's book closing process was not complete, we were unable to estimate the magnitude of the ending balance.

Since that time, the state's General Accounting Office has continued the book closing process and has provided our office with additional information. At this time, we can estimate an approximate FY 2020 ending balance of $377 million based on the following:

- FY 2020 revenue forecast gain of $248 million (as compared to the June Budget Update)
- A gain of $319 million from lower-than-expected spending (as compared to the June Budget Update). This significant spending gain is mostly related to the use of COVID-relief federal funds to offset existing General Fund spending. These offsets occurred mostly in the Department of Corrections and the Department of Health Services.

The state will continue its book closing process over the next several months. The Executive Branch is required to provide a preliminary estimate of the FY 2020 ending balance by September 15, 2020.

Potential FY 2021 Balance Impact
In terms of the FY 2021 balance, the June Budget Update projected the state would have a $(518) million FY 2021 shortfall. That FY 2021 ending balance can be re-estimated as follows:

- A net gain of $377 million from the higher-than-expected FY 2020 ending balance described above.
- A gain of $79 million for additional COVID-relief federal funds savings. These savings are a preliminary estimate and relate to the use of federal funds in FY 2020 to offset non-General Fund spending. Those savings can then be transferred to the General Fund in FY 2021.

Summary (Continued)

Combining the above factors results in a revised FY 2021 shortfall estimate of $(62) million. However, this estimate should be considered very speculative and should not be used for budget planning purposes.

The JLBC Staff will release an official update of the FY 2021 ending balance projection at the October meeting of the Finance Advisory Committee.

Recent Economic Data
Beyond revenue information, other real-time data provides additional information on the Arizona economy.

Unemployment Insurance Claims/Benefit Payments
Recent reported data on Arizona unemployment insurance (UI) claims typically lists a number for "continued claims" to quantify how many persons continue to remain unemployed and receive UI benefits. However, these figures often have several technical issues: 1) Claims data are duplicated, and count any retroactive benefit payments multiple times as benefits are paid for several back-dated weeks; and 2) The counts are sometimes stated in cumulative terms since the beginning of the pandemic, which does not provide a point-in-time estimate of those currently on the UI program.

A more useful number in understanding the current status of Arizona's employment market is the literal number of individuals receiving benefits in a given week. That recent data is as follows:

- For the base UI program, 168,381 persons received benefits for the week ending August 15. This represents a decline of (5.7)% from the prior week.
- For the Pandemic Unemployment Assistance (PUA) program, 170,367 persons received benefits for the week ending August 15. This represents a decline of (7.7)% from the prior week. The PUA program mostly provides benefits to individuals that were self-employed or worked in the "gig economy".

In addition to these declines in the number of individuals, the total amount of payments declined significantly as a result of the elimination of the $600 federally-funded additional payment, which expired the week ending August 1. After the expiration of the $600 additional federal benefit, the total UI benefits paid by the state decreased from $395 million paid during the week ending August 1 to $142 million paid during the week ending August 8. With the approval of the state’s waiver to pay the federal $300 additional payment effective this week, we expect the total payments to increase significantly beyond $142 million for at least the next few weeks.

OpenTable Restaurant Data
The dining reservation app OpenTable provides information on Arizona restaurant reservations. While not all in-person dining uses reservations, and not all reservations are made through the OpenTable app, this data does provide a proxy for in-person dining activity in the state.

Based on data from Saturday August 15, OpenTable reservations compared to a year prior (also on a Saturday), fell by (45.3)%. While this August data represents a significant decline, it is an improvement from the data seen for April during the state's stay-at-home order. Saturday April 18 OpenTable reservations compared to a year prior (also on a Saturday), fell by (99.98)% as dine-in activity was essentially closed throughout the entire state.

July Revenues

Table 1

General Fund Revenues ($ in Millions)

	FY 2021 Collections	Difference From Updated June Forecast	Difference From FY 2020
July	$ 1,515.8	$ 212.3	$ 527.0
Year-to-Date	$ 1,515.8	$ 212.3	$ 527.0

Sales Tax collections of $492.8 million were 13.0% above July of last year and $62.1 million above forecast.

July collections reflect sales that occurred in June. The first executive order to protect against COVID-19 was issued on March 19. This was followed by several additional executive orders, including an order to allow businesses to resume their operations in compliance with federal guidelines, beginning on May 16. On June 29, Governor Ducey ordered gyms, bars, movie theaters, waterparks and tubing rentals to pause their operations. This means that the data reported this month reflects sales activity before the pause of these business operations.

July Revenues (Continued)

As shown in *Table 2* below, all sales tax categories except for restaurant and bar performed well in July when compared to the same month in the prior year. Restaurant and Bar Sales Tax growth rates have showed declines since March, when Governor Ducey issued his first executive order to protect against Covid-19. However, the decline for this category was considerably smaller in July than in the prior 3 months. Strong growth rates in retail could be attributed to large increases in several retail classes, including auto dealerships (+15.3%), building materials and garden supply stores (+14.9%), and food and liquor stores (+27.7%).

Table 2
Sales Tax Growth Rates
Compared to Prior Year

	July	YTD
Retail	13.4%	13.4%
Contracting	25.1%	25.1%
Use	7.6%	7.6%
Restaurant & Bar	(11.1)%	(11.1)%
Utilities	7.6%	7.6%

Individual Income Tax (IIT) net revenues of $987.2 million in July were $95.2 million above the amount forecasted under the June Budget Update. The coronavirus-related tax filing deferral meant much higher final payments than normal but even so overall July net IIT revenues were still considerably higher than expected.

As indicated in *Table 3*, July withholding revenues of $437.3 million were 1.5% above last year and $42.6 million above forecast. The tax deferral did not affect withholding so this slight growth was not anticipated. The increased unemployment benefits ran through the end of the month, which may have contributed to the higher revenue.

The tax deferral essentially created a second tax filing season, so payments and refund totals were much higher than normal. July final and estimated payments totaled 710.6 million, $675.9 million above last year. Refunds totaled $(160.7) million compared to last July's $(19.5) million.

Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	July	YTD
Withholding	1.5%	1.5%
Estimated/Final Payments	1,945.3%	1,945.3%
Refunds	724.6%	724.6%

Although the June Budget Update did account for the filing deferral, actual payments still outpaced the forecast by 13.9%. Refunds were 27.0% higher than forecast.

Corporate Income Tax net revenue was $80.5 million in July, which was 128.1% above the July 2019 level and $47.6 million above the updated June forecast. This is the largest amount of net collections for the month of July that the JLBC Staff has on record (historical data is going back to 1986). This followed June's 27-year low level of net collections. The sharp decline in June followed by the record-high level of collections in July suggests that the tax filing deferral had a larger impact on corporate income tax revenue than originally anticipated.

Insurance Premium Tax revenue was $265,700 in July, which was (99.3)% lower than last year and $(4.7) million below the updated June forecast. The larger-than-expected decrease is the result of a delayed recording of a significant amount of July payments that will likely be deposited in August.

Due to a delay in receiving July **tobacco** and **liquor** tax revenue data, July collections are reported at forecast.

The **Lottery Commission** reports that July ticket sales were $120.0 million, which is $40.2 million, or 50.3% above sales in July 2019.

Highway User Revenue Fund (HURF) collections of $129.3 million in July were (1.8)% below the amount collected in July 2019 but $23.5 million above forecast.

Table 4

General Fund Revenue:
Change from Previous Year and June Budget Update Forecast
July 2020

	Current Month					FY 2021 YTD (One Month)				
		Change From					Change from			
	Actual	July 2019		June Budget Update Forecast		Actual	July 2019		June Budget Update Forecast	
	July 2020	Amount	Percent	Amount	Percent	July 2020	Amount	Percent	Amount	Percent
Taxes										
Sales and Use	$492,774,410	$56,738,619	13.0 %	$62,085,801	14.4 %	$492,774,410	$56,738,619	13.0 %	$62,085,801	14.4 %
Income - Individual	987,245,915	541,068,323	121.3	95,203,443	10.7	987,245,915	541,068,323	121.3	95,203,443	10.7
- Corporate	80,489,057	45,198,975	128.1	47,609,187	144.8	80,489,057	45,198,975	128.1	47,609,187	144.8
Property	220,029	(894,610)	(80.3)	(349,555)	(61.4)	220,029	(894,610)	(80.3)	(349,555)	(61.4)
Luxury - Tobacco	1,835,371	(124,219)	(6.3)	0	--	1,835,371	(124,219)	(6.3)	0	0.0
- Liquor	3,251,750	168,299	5.5	0	--	3,251,750	168,299	5.5	0	0.0
Insurance Premium	265,700	(38,671,108)	(99.3)	(4,699,715)	(94.6)	265,700	(38,671,108)	(99.3)	(4,699,715)	(94.6)
Other Taxes	997,276	153,651	18.2	(41,084)	(4.0)	997,276	153,651	18.2	(41,084)	(4.0)
Sub-Total Taxes	$1,567,079,508	$603,637,928	62.7 %	$199,808,077	14.6 %	$1,567,079,508	$603,637,928	62.7 %	$199,808,077	14.6 %
Other Revenue										
Lottery	0	0	--	0	--	0	0	--	0	--
License, Fees and Permits	3,072,042	(434,883)	(12.4)	(540,302)	(15.0)	3,072,042	(434,883)	(12.4)	(540,302)	(15.0)
Interest	2,017	(206,821)	(99.0)	2,017	N/A	2,017	(206,821)	(99.0)	2,017	--
Sales and Services	2,853,430	1,515,311	113.2	1,920,007	205.7	2,853,430	1,515,311	113.2	1,920,007	205.7
Other Miscellaneous	294,767	167,221	131.1	(402,419)	(57.7)	294,767	167,221	131.1	(402,419)	(57.7)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	11,568,256	11,340,309	--	11,468,712	--	11,568,256	11,340,309	--	11,468,712	--
Sub-Total Other Revenue	$17,790,512	$12,381,138	228.9 %	$12,448,014	233.0 %	$17,790,512	$12,381,138	228.9 %	$12,448,014	233.0 %
TOTAL BASE REVENUE	**$1,584,870,020**	**$616,019,066**	**63.6 %**	**$212,256,091**	**15.5 %**	**$1,584,870,020**	**$616,019,066**	**63.6 %**	**$212,256,091**	**15.5 %**
Other Adjustments										
Urban Revenue Sharing	(69,041,072)	(7,577,640)	12.3	0	0.0	(69,041,072)	(7,577,640)	12.3	0	0.0
One-Time Transfers	0	(81,453,000)	--	0	--	0	(81,453,000)	--	0	--
Public Safety Transfers	0	0	--	0	--	0	0	--	0	--
Sub-Total Other Adjustments	(69,041,072)	(89,030,640)	(445.4) %	0	0.0 %	(69,041,072)	(89,030,640)	(445.4) %	0	0.0 %
TOTAL GENERAL FUND REVENUE	**$1,515,828,948**	**$526,988,426**	**53.3 %**	**$212,256,091**	**16.3 %**	**$1,515,828,948**	**$526,988,426**	**53.3 %**	**$212,256,091**	**16.3 %**
Non-General Funds										
Highway User Revenue Fund	129,297,609	(2,430,021)	(1.8) %	23,497,700	22.2 %	129,297,609	(2,430,021)	(1.8) %	23,497,700	22.2 %

Monthly Indicators

NATIONAL

The U.S. Bureau of Economic Analysis' advance estimate of the **U.S. Real Gross Domestic Product (GDP)** indicates that GDP decreased at an annual rate of (32.9)% in the second quarter of 2020. While this was by far the sharpest decline in American (recorded) history, it was not as steep of a drop as many economists had anticipated. Much of this decline was due to the COVID-19 pandemic and attendant policy aimed at slowing the spread of the disease. This led to large decreases in personal consumption expenditures and investment, which were partially offset by a large increase in non-defense federal spending. Another factor causing downward pressure on GDP was the large increase in the personal savings rate, which meant that consumers did not spend as much of their income as before the pandemic.

The Conference Board's **U.S. Consumer Confidence Index,** which is based on consumers' perceptions of current conditions, as well as their expectations 6 months into the future, fell by (5.8)%, or (5.7) points, from June's revised 98.3 to 92.6 in July. This drop reflects concerns surrounding spikes in COVID-19 cases, which occurred mid-July, and which had the effect of dampening the optimism present in the latter part of May through June.

The Conference Board's **U.S. Leading Economic Index (LEI)** increased from 99.8 in May to 102.0 in June. The first half of 2020 saw an (8.4)% drop in the LEI. June's increase was mostly caused by improvements in unemployment insurance claims, average hours worked in manufacturing, and stock prices. However, the six-month growth rate is still negative, indicating that the economy will likely remain in recession for the time being.

Consumer prices, which are measured by the U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)**, increased by 0.6% in July over the prior month. This reflects a 1.0% increase above July 2019 prices. The energy index rose by 2.5%, which includes an increase of 5.6% in the gasoline index. This was partially offset by a 0.4% decrease in the food index. Core inflation (all items less food and energy) rose by 0.6% for the month. Compared to July 2019, the core CPI is up by 1.6%.

ARIZONA

Single-family housing construction is slowly growing. In June, Arizona's 12-month total of **single-family building permits** was 34,806. This is up 2.0% from the prior month and is 10.7% above June 2019. This was the largest year-over-year increase since March 2019.

In June, Arizona's 12-month total of 14,659 **multi-family building permits** was 28.7% more than for the same 12-month period in 2019. June marked the 8th consecutive month with a double-digit year-over-year growth rate in multi-family permitting activity.

Tourism and Restaurants

Several tourism indicators fell compared to the prior year, as expected. For example, **Revenue per available room** was $43.77 in June, an 45% increase from the prior month. However, this amount is (36.8)% below the same month in the prior year. **Hotel occupancy** increased to 49.2% in June, compared to 37.5% in May and 24.8% in April. However, occupancy is still (26.3)% below June 2019.

In addition, **Phoenix Sky Harbor Airport Ridership** during June was 88% above the prior month, but (85.2)% below the same month in the prior year.

On the other hand, visits to state parks increased. **State park visitation** was 300,374 in May, 10.7% above the same month in the prior year.

Daily restaurant reservations were (45.2)% below the prior year on August 15, according to OpenTable data. While the year-over-year decline is still large, the trend continues to show more diners returning to restaurants.

Employment

According to the latest employment report released by the Office of Economic Opportunity (OEO), the state lost (19,500) **nonfarm jobs** in July compared to the prior month, of which the private sector lost (18,000) jobs.

Compared to the same month in the prior year, the state lost (103,800) jobs, a decrease of (3.6)%. Only three of the major eleven job sectors had a year-over-year job gain in July. The largest gains were recorded in the Trade, Transportation & Utilities sector, which added 6,500 jobs, year over year. The Leisure and Hospitality sector recorded the largest losses, with (60,600) jobs lost compared to the same month in the prior year.

The state's seasonally adjusted **unemployment rate** increased from 10.0% in June to 10.6% in July. The U.S. seasonally adjusted unemployment rate decreased from 11.1% in June to 10.2% in July.

OEO reported that a total of 11,655 **initial claims for unemployment insurance** were filed in Arizona in the week ending on August 8th. (This figure excludes the claims under the Pandemic Unemployment Assistance (PUA) program, which is discussed below.) For the same week in the prior year, 3,857 initial claims were filed.

Monthly Indicators (Continued)

According to OEO, for the week ending on August 1st, there were a total of 219,460 **continued claims for unemployment insurance** in Arizona. A year ago this time, the continued claims were 28,441.

The federal Coronavirus, Aid, Relief and Economic Security (CARES) Act enacted in March provides unemployment insurance compensation to individuals who are not otherwise eligible for regular unemployment insurance benefits, such as self-employed individuals and independent contractors. The unemployment insurance benefits under this federal program, referred to as **Pandemic Unemployment Assistance (PUA),** are available from February 2 through December 26. The PUA program provided an additional $600 in weekly federal unemployment compensation benefits from March 29 through July 25. After this time, the weekly benefit ranges from $117 to $240 until the PUA program ends on December 26.

On August 14, the Executive announced the state would be applying to the federal government to provide $300 in additional weekly unemployment benefits retroactive to August 1st pursuant to President Trump's recent executive order, called the "lost wages assistance" program. Arizona's application was approved, and the current (non-retroactive) $300 benefit payments began to be distributed this week (the week ending on August 22nd).

For the week ending on August 15, the federal Department of Labor (DOL) reported that a total of 19,228 initial PUA claims were filed in Arizona. For the week ending on August 8, DOL reported that 284,043 continued PUA claims were filed in the state. Both of these figures are advance estimates subject to change.

As noted in July's *Monthly Fiscal Highlights*, the continued PUA claim figure represents a duplicated count. Individuals may have applied more than once. In addition, individuals may be receiving multiple weeks of benefits at one time, potentially resulting in a duplicated count.

<u>State Agency Data</u>

At the beginning of August 2020, the total **AHCCCS caseload** was 1.99 million members. Total monthly enrollment increased 1.2% in August over July and increased 8.2% compared to a year ago. Parent and child enrollment in the Traditional population increased by 0.9% in August, or 6.7% higher than a year ago.

Enrollment in Other Acute Care populations, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 820,766 in August – an increase of 1.8% over July and 11.0% above last year.

For August 2020, the Long-Term Care EPD and DD populations decreased (0.7)% compared to last month. At 66,121, this population is 0.6% higher than a year ago.

There were 18,218 **TANF Cash Assistance recipients** in the state in June, representing a 2.6% monthly caseload increase from May. The year-over-year number of TANF Cash Assistance recipients has increased by 37.5%. The monthly and yearly increases are likely a consequence of the pandemic economic downturn. This data does not include Tribal recipient exclusions.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. SNAP is another program affected by the pandemic. In June, 901,822 people received food stamp assistance in the state, representing a (1.5)% decrease from May caseloads. Compared to June 2019, the level of food stamp participation has increased by 11.3%.

The Arizona Department of Correction's **inmate population** was 39,339 as of July 31, 2020. This was a decrease of (2.0)% since June 30, 2020 and a (7.0)% decrease since July 2019.

Based on information the Department of Child Safety provided for June 2020, **reports of child maltreatment** totaled 44,356 over the last 12 months, an increase of 0.2% over the prior month.

There were 14,182 **children in out-of-home care** as of May 2020, or (0.2)% less than in May 2019. Compared to the prior month, the number of out-of-home children increased by 0.3%.

Table 5

MONTHLY INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
Employment				
- Regular Unemployment Rate	July	10.6%	0.6%	5.9%
- Total Unemployment Rate (discouraged/underemployed)	2nd Q 2020	11.3%	2.1%	2.1%
- Initial Unemployment Insurance Claims	Week Ending Aug 8	11,665	(25.1)%	202.2%
- Continued Unemployment Insurance Claims	Week Ending Aug 1	219,460	(5.6)%	671.6%
- Non-Farm Employment - Total	July	2,756,400	(0.7)%	(3.6)%
Manufacturing	July	171.300	(0.4)%	(4.1)%
Construction	July	168,400	(0.7)%	(2.7)%
- Average Hourly Earnings, Private Sector	June	$27.22	(1.3)%	3.7%
Building				
- Single-Family Building Permits (12 months rolling sum)	June	34,806	2.0%	10.7%
Multi-family	June	14,659	2.4%	28.7%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	June	7,956	28.5%	36.4%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	June	$ 325,000	3.2%	10.2%
- Maricopa Pending Foreclosures	June	1,553	(10.5)%	(34.1)%
Tourism and Restaurants				
- Phoenix Sky Harbor Air Passengers	June	1,102,143	88.6%	(85.2)%
- State Park Visitors	May	300,374	45.8%	10.7%
- Revenue Per Available Hotel Room	June	$43.77	45.6%	(36.8)%
- Arizona Hotel Occupancy Rate	June	49.2%	31.2%	(26.3)%
- Arizona OpenTable Reservations – Y/Y % Change	August 15	N/A	N/A	(45.3)%
General Measures				
- Arizona Personal Income, SAAR	1st Q 2020	$346.0 billion	3.3%	7.0%
- Arizona Population	July 2019	7,278,717	N/A	1.7%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Negative/Stable	N/A	N/A
Agency Measures				
- AHCCCS Recipients	August 1st	1,985,588	1.2%	8.2%
Traditional Acute Care		1,098,701	0.9%	6.7%
Other Acute Care		820,766	1.8%	11.0%
Long-Term Care – Elderly & DD		66,121	(0.7)%	0.6%
- Department of Child Safety (DCS)				
Child Maltreatment Reports (12 months)	June	44,356	0.2%	(3.9)%
DCS Out-of-Home Children	May	41,730	0.3%	(0.2)%
- ADC Inmate Growth	July	39,339	(2.0)%	(7.0)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	June	18,218	2.6%	37.5%
- SNAP (Food Stamps) Recipients	June	901,822	(1.5)%	11.3%
United States				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	2nd Q, 2020 (1st Estimate)	$17.2 trillion	(32.3)%	(9.5)%
- Consumer Confidence Index (1985 = 100)	July	92.6	(5.8)%	(31.8)%
- Leading Economic Index (2016 = 100)	June	102.0	2.0%	(8.5)%
- Consumer Price Index, SA (1982-84 = 100)	July	258.7	0.6%	1.0%

JLBC/JCCR Meeting Follow-Up

Arizona Department of Emergency and Military Affairs - Report on West Valley Readiness Center – Pursuant to a provision from the September 2019 JCCR meeting, the Arizona Department of Emergency and Military Affairs (DEMA) submitted a status update on expenditures for construction of the West Valley Readiness Center. The FY 2020 Capital Outlay Bill appropriated $3.9 million from the state General Fund to DEMA for construction of the readiness center. Laws 2020, Chapter 57 extends the lapsing date of this appropriation to FY 2023.

As of July 31, 2020, DEMA reports that no monies from the appropriation for the West Valley Readiness Center have been spent. When reviewed at the September 2019 JCCR meeting, the original construction start date was December 2021 with completion in October 2023. DEMA reports that the construction start date is now estimated to be FY 2023 with project completion in FY 2026. DEMA states that the delay is due to U.S. Department of Defense budget reprogramming of military construction, delaying the federal match award until FY 2023. (Alexis Pagel)

Arizona Exposition and State Fair Board – Report on Status of Capital Improvement Projects – Pursuant to provisions from the June 2019 and April 2020 JCCR meetings, the Arizona Exposition and State Fair Board (AESF) has reported on the status of all capital improvement projects and capital improvement expenditures, including repairs to the 1938 Works Progress Administration (WPA) Civic Building. In FY 2020, AESF had 4 capital projects reviewed by the JCCR, which combined for a total cost of $1.2 million. As of June 30, 2020, AESF reports that all projects are in progress in the contracting or design phases.

In addition, the FY 2020 Capital Outlay Bill appropriated $400,000 from the AESF Fund to repair the roof of the WPA Building. AESF is working with the Arizona Department of Administration, General Services Division to manage the WPA roof repair project. As of July 2020, AESF reports that the truss repairs identified in the original assessment have been completed and the new roof will be installed at the end of August. AESF anticipates all work on the roof repair project will be completed before October 2020.

During the roofing project, an estimated $35,000 in additional structural damage was discovered. The additional structural damage will not affect the completion of the roof repair project. The damaged area has been temporarily shored up for stability but will need to be repaired as part of a separate project before the building is put back into service. (Henry Furtick)

Pima Community College District – Pima Aviation Technology Center Expansion - Pursuant to provisions from the September 2019 JCCR meeting, the Pima Community College District (PCCD) submitted its annual project status update and expenditure report for the $19.3 million Aviation Technology Center expansion project.

PCCD reports that the scope of the project remains unchanged. The expansion is projected to be completed by July 2021. PCCD reports that a general contractor for the project was selected and was authorized to begin construction on July 1, 2020. Total expenditures were $116,074 as of June 30, 2020. (Lydia Chew)

Pima Community College District - Report on 2019 Bond Issue - Pursuant to provisions from the September 2018 JCCR meeting, the Pima Community College District (PCCD) submitted its annual project status update and expenditure report for the $65.0 million bond project to construct and renovate the Downtown Campus, East Campus, and West Campus.

PCCD reports that the scope of the project remains unchanged at this time. All projects being financed from the bond issue are projected to be completed by September 2022. This completion date is later than the timeline in the 2019 report, which projected completion of all projects by December 2021. PCCD reports total expenditures of $12.9 million as of June 30, 2020 (see *Table 7*). (Lydia Chew)

Table 7

Expenses by Campus

	Budgeted Expenses	Actual Expenses
Downtown	$45,770,000	$11,902,279
East	5,150,000	35,480
West	5,500,000	469,725
Multiple Campuses	500,000	500,000
Contingency	8,080,000	0
Total	**$65,000,000**	**$12,907,484**

Table 6

Arizona State Fair FY 2020
Capital Improvement Projects

	Amount Budgeted	Amount Expended	Balance
Coliseum Fire Alarm Replacement	$ 20,000	$ 25,000	$ (5,000)
Agriculture Center Fire Alarm	100,000	9,500	90,500
Plumbing Repairs	50,000	1,000	49,000
Coliseum Roof Repairs	1,000,000	669,000	331,000
Total	**$1,170,000**	**$704,500**	**$465,500**

Summary of Recent Agency Reports

Arizona Department of Administration – Report on the Financial Status of the Special Employee Health Insurance Trust Fund – Pursuant to A.R.S. § 38-654G, the Arizona Department of Administration (ADOA) submitted their required annual actuarial report on the financial status of the Health Insurance Trust Fund (HITF). The actuarial assumptions used to develop HITF projections include healthcare trends (cost, utilization, and severity of services), enrollment trends, and revenue projections including one-time employer premium increases. ADOA reported that the plan was not considered actuarially sound for Plan Year (PY) 2019 and is projected to not be actuarially sound in PY 2020. ADOA reports that plan structure changes for PY 2021, including increasing employee premiums and deductibles, were implemented to improve the structural soundness of HITF, although the plan will still run a structural shortfall in the absence of the one-time employer premium increase. The preliminary estimates for PY 2021 for insurance benefits are not actuarially sound, as ADOA projects virtually no ending balance for the end of PY 2021 in addition to the structural shortfall. In addition, ADOA reports uncertainty due to member behavior, COVID-19, and changes to medical trends in the market.

ADOA's projections assume the FY 2021 employer premium increase will not continue in FY 2022. For PY 2020, ADOA assumes a combined medical and pharmaceutical trend of 4.0%, which consists of medical costs increasing by 2.26% and pharmaceutical costs increasing by 9.06%. For PY 2021, ADOA assumes a combined medical and pharmaceutical trend of 4.11% which consists of medical costs increasing by 2.45% and pharmaceutical costs increasing by 8.94%. ADOA expects medical enrollment to increase by 0.13% for PY 2020 and 0.30% for PY 2021. (Rebecca Perrera)

Arizona Department of Administration – Report on Performance Standards for Health and Dental Plans – Pursuant to A.R.S. § 38-658B, the Arizona Department of Administration (ADOA) submitted its report on performance standards for health and dental plans during Plan Year (PY) 2019. If a vendor fails to meet any of the measures within the specified performance range, the vendor is required to submit a Corrective Action Plan detailing why the measure was missed and any actions taken to address the issue and improve performance to meet the standard. A percentage of the vendor's annual payment, or a previously agreed upon amount, is then withheld by ADOA as a performance penalty. ADOA estimates that performance penalties paid to Benefit Services Division related to PY 2019 will total $532,000. In comparison, ADOA collected $130,000 from PY 2018 penalties. (Rebecca Perrera)

Arizona Department of Administration – Automation Projects Fund Quarterly Report and Third-Party Reports – Pursuant to an FY 2020 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) provided its fourth quarter FY 2020 update of all current projects funded through the Automation Projects Fund (APF). ADOA evaluates the health of each project on a quarterly basis and labels each as on track, at risk, or off track. Of the 13 active projects, ADOA has labeled 6 on track, 3 at risk, 1 not yet started, and 1 on hold due to lapsed funding. Some projects listed as at risk cited potential delays due to the COVID-19 pandemic. ADOA has labeled the following 3 projects as off track or on hold. Of the 3 projects, 1 is still in development while 2 projects have been closed.

CHILDS Replacement (DCS)
ASET lists the Department of Child Safety (DCS) Children's Information Library and Data Source (CHILDS) Replacement project as off-track. ADOA reports several issues which have resulted in delays to the go-live date including security issues, data migration, and caseworker training. To mitigate further delays, DCS has obtained additional staffing resources. DCS has not yet determined if there will be additional changes to the project timeline or budget.

Closed Projects
ADOA reports that the Adult Inmate Management System (AIMS) replacement project at the Arizona Department of Corrections continues to be labeled as off-track because the system still has critical bugs that require manual workarounds. The project however is no longer open because the development phase is complete. ADOA is not required to report on the operations for closed projects.

In addition, ADOA also reported that the Network Operations Center Power Upgrade project at the Department of Public Safety (DPS) is closed. The project was never initiated due to issues with the scope and budget. The project appropriation lapsed at the end of FY 2020.

Both the ADC and DPS projects were listed as off-track in prior 2020 quarterly reports.

ITAC 3rd Party Reports
Additionally, pursuant to A.R.S. § 18-104, any large-scale IT projects with a total cost greater than $5 million must receive third-party analysis from an independent contracted vendor. The third-party vendor is required to review and provide guidance on the project and submit

Summary of Recent Agency Reports (Continued)

quarterly reports on project progress. The IVV reports were submitted for the following projects: Shared Hosted Datacenter (ADOA), Electronic Visit Verification project (AHCCCS), Provider Management System upgrade (AHCCCS), CHILDS replacement (DCS), School Finance System Replacement (ADE), Medical Marijuana Licensing Management System (Department of Health Services), and Criminal Justice Information System upgrade (DPS). The reports provided commentary on project progress that matched that of the quarterly APF reports from ASET. (Rebecca Perrera)

Arizona Department of Administration – Report on Private Leases – Pursuant to A.R.S. § 41-792D, the Arizona Department of Administration (ADOA) is biennially required to submit a report on all approved office leases that exceeded the Lease Cost Review Board's (LCRB) estimated average cost per square foot for privately-owned office space during the prior 2 years. ADOA approved 83 leases in FY 2019 and FY 2020. Six of the leases approved in FY 2019 exceeded the LCRB's $21.02 average cost per square foot for FY 2019. In addition, 7 of the leases approved in FY 2020 exceeded the LCRB's $22.93 average cost per square foot for FY 2020. (Rebecca Perrera)

Auditor General – A Special Report of the Arizona Department of Child Safety - Caseworker Caseload Standards – Pursuant to the FY 2018 Human Services Budget Reconciliation Bill (BRB) (Laws 2017, Chapter 311, as amended by Laws 2018, Chapter 282), the Auditor General submitted its report on the Department of Child Safety's (DCS) process for determining caseworker caseload standards and compare the department's caseload standards with best practices and other states' caseload standards.

The report concluded that DCS does not currently use caseload standards to establish maximum caseloads for its caseworkers, but instead has implemented practices to move cases or caseworkers within the field in an effort to balance caseworker workloads and reach set metrics within the agency.

The department oversees these practices through ongoing management reviews. As part of these reviews, the department uses scorecards for each region and section that included up to 37 performance metrics in FY 2020 related to caseworkers, quality, service level, cost, and process adherence.

The Auditor General had no recommendations regarding this report. (Nicole Lovato)

Auditor General – Report on Phoenix Convention Center Economic and Fiscal Impact – Pursuant to A.R.S. § 9-626, the Auditor General submitted its report on the economic and fiscal impact of the Phoenix Convention Center. The consulting firm HVS Convention, Sports & Entertainment Facilities Consulting (HVS) conducted the analysis under its contract with the Auditor General. The analysis estimates the additional tax revenues generated for the State of Arizona from regional and national conventions and trade shows held at the Phoenix Convention Center due to the expansion of the Center.

Statute requires the Auditor General to estimate annually how the increased amounts of General Fund revenues resulting from the Convention Center expansion compare to debt service payments made by the state since the project's calendar year (CY) 2009 completion. If the cumulative estimated revenue increase from the project fails to meet the state's cumulative debt service payments, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

For the calendar year that ended on December 31, 2019, HVS estimated that increased event activity due to the Convention Center expansion generated $23.6 million in additional tax revenues for the state, which is more than the $23.5 million the state contributed in debt service during CY 2019 (FY 2020) for the Convention Center's expansion. Since its expansion, the Convention Center generated an estimated additional $218.9 million in state tax revenues, which is greater than the $171.4 million that the state distributed for the Convention Center debt service. Therefore, the analysis found that the state's debt service payment to the City of Phoenix will not be reduced in FY 2021. (Ryan Fleischman)

Department of Corrections – Report on Annual Reduction of Appropriated Expenses – Pursuant to A.R.S. § 35-142.01A the Arizona Department of Corrections (ADC) reported the amounts of reimbursements received for appropriated expenses in FY 2020. ADC reported reimbursements in 19 categories totaling $28.2 million in FY 2020, a $2.4 million increase over FY 2019.

The largest reimbursement increases were $5.5 million for Health Care Contract Medicaid Eligibility ($13.7 million in total) and $826,000 for Health Care Contract Staffing Offsets ($6.6 million in total). The largest decreases were $(2.4) million for Health Care Contract Sanctions ($2.1 million in total) and $(812,000) for Personal Services and Employee Related Expense reimbursements associated with contracts with private vendors or federal agencies ($1.4 million in total).

ADC reports that some reimbursement amounts in FY 2020 were impacted by the department's policies to inhibit the spread of COVID-19. (Geoffrey Paulsen)

Summary of Recent Agency Reports (Continued)

Department of Corrections – Report on Building Renewal Expenditures – Pursuant to an FY 2020 Capital Outlay Bill footnote, the Arizona Department of Corrections (ADC) reported the status of all current building renewal projects and building renewal expenditures. As of June 30, 2020, ADC has spent or encumbered $2.8 million of its $6.9 million FY 2020 building renewal appropriation, or 40.1%. ADC also reports it has spent or encumbered 99.1% of its $5.5 million FY 2019 building renewal appropriation and 93.0% of its $5.5 million FY 2018 building renewal appropriation. ADC reports that all pre-FY 2019 building renewal projects are complete.

While not required by the footnote, ADC also reported on selected non-building renewal capital improvement projects. The 6 projects had total project costs of $1.2 million. ADC reported 5 of the projects were completed and 1 was on hold while they evaluate their overall bed management strategy during the COVID-19 pandemic. (Geoffrey Paulsen)

Department of Economic Security – Report on Filled FTE Positions for Developmental Disabilities Programs – Pursuant to an FY 2021 General Appropriation Act footnote, the Department of Economic Security (DES) submitted its report on the number of filled FTE Positions for case managers and non-case managers within the Division of Developmental Disabilities (DDD) as of June 30, 2020. *Table 8* below shows the total number of filled positions by classification. A total of 2,259 FTE Positions were filled in DDD as of June 30, 2020, including 1,173 case management FTE Positions and 1,086 non-case management FTE Positions. These amounts represent an increase of 164 positions compared to June of last year, including an increase of 23 case management FTE Positions and an increase of 141 non-case management FTE Positions. These increases are a result of decreased attrition during the COVID-19 pandemic and include an increase of 59 Habilitation Technicians and 21 Quality Management staff, the latter reflecting an increase outlined in the department's September 2019 Expenditure Plan. With the increases in non-case management staffing, DDD case management staffing is currently at 52% of total DDD staff, a decrease from 55% in the June 2019 report. DES is required to submit an expenditure plan to the Committee for its review if the department intends to hire non-case manager positions beyond the 1,086 FTE Positions included in the report. (Lauren Jorgensen)

Table 8

DDD Filled FTE Positions as of June 30, 2020

Classification	FTE Positions
Case Management	1,173
Direct Care	791
Managed Care	295
Total	**2,259**

Arizona State Parks Board – Report on the Status of Capital Improvement Projects – Pursuant to an FY 2020 Capital Outlay bill footnote, the Arizona State Parks Board (ASPB) reported on the status of all capital improvement projects and capital improvement expenditures, including progress on the Tonto Natural Bridge Replacement project.

The FY 2020 Capital Outlay Bill appropriated $1.3 million from the State Parks Revenue Fund (SPRF) to demolish

Table 9

ASPB Status of Active Major Capital Projects

Project Title	Year Reviewed	Amount Reviewed	Expenditures as of June '20	Remaining Balance
State Lake Improvement Fund (SLIF)				
Upper Cattail Cove Development	FY 2017	$ 5,307,500	$3,550,000	$ 1,757,500
Cattail Cove Compost Toilets	FY 2018	250,000	0	250,000
Roper Waste Water System	FY 2018	368,600	0	368,600
Buckskin Redevelopment	FY 2019	1,000,000	0	1,000,000
SLIF Subtotal		**$6,926,100**	**$3,550,000**	**$3,376,100**
State Parks Revenue Fund (SPRF)				
Rockin' River Ranch Development	FY 2018	4,000,000	550,300	3,302,800
Oracle Redevelopment	FY 2019	4,000,000	75,500	3,924,500
Buckskin Redevelopment	FY 2019	1,500,000	77,300	1,422,700
Tonto Natural Bridge	FY 2020	1,250,000	1,250,000	0
SPRF Total		**$10,750,000**	**$1,953,100**	**$8,650,000**
Total		**$17,676,100**	**$5,503,100**	**$12,026,100**

Summary of Recent Agency Reports (Continued)

the existing pedestrian bridge and construct a new pedestrian bridge at the Tonto Natural Bridge State Park. As of July 2020, ASPB reports that construction on the project is underway with the new viewing platform expected to be open to the public by November 2020.

The funding sources for ASPB's capital projects include $6.9 million from the State Lake Improvements Fund (SLIF) and $10.7 million from the SPRF Fund for a total of $17.7 million in reviewed capital project funding. Of the $17.7 million amount, ASPB has expended $5.5 million on capital projects as of June 2020. Please see *Table 3* below for more details. (Henry Furtick)

Arizona Department of Transportation – Report on Non-Highway Capital Projects and Expenditures – Pursuant to a footnote in the FY 2020 Capital Outlay Bill, the Arizona Department of Transportation (ADOT) submitted a report on the status of all non-highway construction capital projects and expenditures. The report covers both FY 2019 and FY 2020 appropriations, ADOT has expended $2.3 million of their $12.7 million budgeted expenditures on non-highway construction capital projects, with one FY 2019 project completed and 4 other projects underway. ADOT has expended $10.1 million ($9.9 million from the State Highway Fund and $251,300 from the State Aviation Fund) of their $18.8 million ($18.3 million from the State Highway Fund and $523,700 from the State Aviation Fund) budgeted expenditures on building renewal. (Jordan Johnston)

Arizona Department of Transportation – Annual Report on ServiceArizona Retained Fees – Pursuant to an FY 2021 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) reported on the state's share of fees retained by the ServiceArizona vendor in the prior fiscal year.

As an authorized third party, the vendor for ServiceArizona (the state's vehicle registration renewal website) retains a portion of each transaction it completes, including those for the vehicle license tax, registration fees and title fees, among others. The vendor for ServiceArizona keeps roughly half of its retained fees as compensation. The other half of the retained fees belong to the state and are treated as non-appropriated monies by ADOT. The state's share of the retainage is retained and managed by the ServiceArizona vendor, which disburses funds directly to vendors on behalf of the state, as directed by ADOT.

In FY 2020, the state's share of the retained fees totaled $16.2 million. The vendor spent $17.1 million in FY 2020 on behalf of ADOT, an amount greater than the yearly revenues due to a carry-forward balance of $1.7 million from prior years. The majority of these monies ($11.2 million) were spent on development of the Motor Vehicle Modernization (MvM) automation project, which updates the Motor Vehicle Department (MVD) computer system. The MvM project was completed on June 30, 2020. The new system provides MVD customer service representatives with a suite of new applications for motor vehicle transactions. In addition, residents of Arizona can now use the new MVD customer portal (AZ MVD Now) which offers 44 online services; the AZ MVD Now project received enhancements funded by ServiceArizona fees. The total cost of the MvM project was $62.8 million. The project began in FY 2014 and was completed in FY 2020.

Besides funding for MvM project development, the remaining $5.9 million was spent as follows:

- $4.2 million for solution deployment and operations.
- $1.0 million for portal enhancements.
- $410,000 for legacy system support.
- $183,100 for contract administration.
- $58,100 for organizational change management.

(Jordan Johnston)

Arizona Department of Transportation – Annual Report on Motor Vehicle Division Wait Times – Pursuant to an FY 2020 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) reported on Motor Vehicle Division (MVD) field office customer wait times. Between arrival at an MVD office and departure, the average customer experience time in metropolitan areas increased from 25.1 minutes in FY 2019 to 29.6 minutes in FY 2020. Average customer experience times in metropolitan areas ranged from 20.2 minutes in the Tucson Regional office to 34.1 minutes in the West Phoenix office in FY 2020. In non-metropolitan areas, the average customer experience time increased from 21.5 minutes in FY 2019 to 22.5 minutes in FY 2020. In addition to customer experience time, the department measures the percent of customers spending more than 15 minutes waiting in the lobby. This metric increased from 28.2% in FY 2019 to 42.9% in FY 2020 in metropolitan areas and increased from 28.4% to 32.7% over the same time period in non-metropolitan areas.

The department attributes the significant increase in wait times to the launch of the new MAX computer system at MVD locations across the state as well as the current COVID-19 pandemic. Also, the previous Travel-ID deadline of October 1, 2020, which has since been moved back 1 year to October 1, 2021, increased overall credential issuance volume by 20%. ADOT states that wait times from April through June reflect only customers who had appointments at the MVD. Due to the COVID-19 pandemic, most transactions that occurred during that time period took place over the phone. The

Summary of Recent Agency Reports (Continued)

department reports that in June the average wait time on the phone to get into the call center was 30 minutes.

The number of customers visiting MVD field offices declined by (15.9)% from 2.43 million customer visits in FY 2019 to 2.04 million in FY 2020. In addition, kiosk transactions decreased by (12.6)% from FY 2019 to FY 2020 and transactions via ServiceArizona (the state's vehicle registration renewal website) decreased by (12)% from FY 2019 to FY 2020. ADOT attributes a portion of the decline in ServiceArizona transactions to the creation of the new AZMVDNow portal which offers MVD services online. Including AZMVDNow, overall transactions declined approximately (7.5)%.

The average turnaround time for vehicle registration renewal by mail stayed level at 1.2 days in FY 2019 and the first 8 months of FY 2020. Subsequent to the onset of COVID-19 in March and the launch of MAX go-live in April, the average turnaround time increased to 4.7 days by the end of FY 2020. Renewal by mail transactions decreased (5.3)% from FY 2019 to FY 2020. (Jordan Johnston)

Arizona Board of Regents – Report on University Retention and Graduation Rates – Pursuant to A.R.S. § 15-1626, the Arizona Board of Regents (ABOR) is required to submit an annual report on retention and graduation rates at each university campus.

ABOR reports retention and graduation rates based on the federal government's definitions, which track the outcomes of first-time, full-time, degree-seeking students after 1 year for retention rates and after 6 years for graduation rates. The standard federal definitions of retention and graduation rates exclude community college and transfer students.

- Fall 2019 retention rates reflect the percentage of first-time, full-time, degree-seeking students who initially enrolled in fall 2018 and who re-enrolled in the same university in fall 2019.
    - Arizona State University (ASU) 86.7%; Northern Arizona University (NAU) 77.5%; and the University of Arizona (UA) 83.2%.

- Six-year graduation rates reflect the percentage of first-time, full-time, degree-seeking students who received their degree within 6 years of their initial fall enrollment at the same university. The report shows the percentage of students who enrolled in fall 2012 who graduated from the same university within 6 years (by spring 2019).
    - ASU 67.0%; NAU 56.6%; UA 64.7%.

ABOR also uses a 4-year community college transfer graduation rate to monitor student progress, citing student mobility as a significant factor in postsecondary education.

- The 4-year community college transfer graduation rates for students who transfer to an ABOR university from community college and graduate within 4 years.
    - ASU 70.6%; NAU 68.6%; UA 66.3%

(Morgan Dorcheus)

Arizona Board of Regents – Report on Private Leases - Pursuant to A.R.S. § 41-792D, the Arizona Board of Regents (ABOR) is biennially required to submit a report on all approved office leases that exceeded the Lease Cost Review Board's (LCRB) estimated average cost per square foot for privately-owned office space during the prior 2 years. According to the report, ABOR approved the following new or renewed lease contracts:

- 7 leases that exceeded the LCRB's $21.02 average cost per square foot in FY 2019.
- 5 leases that exceeded the LCRB's $22.93 average cost per square foot in FY 2020.

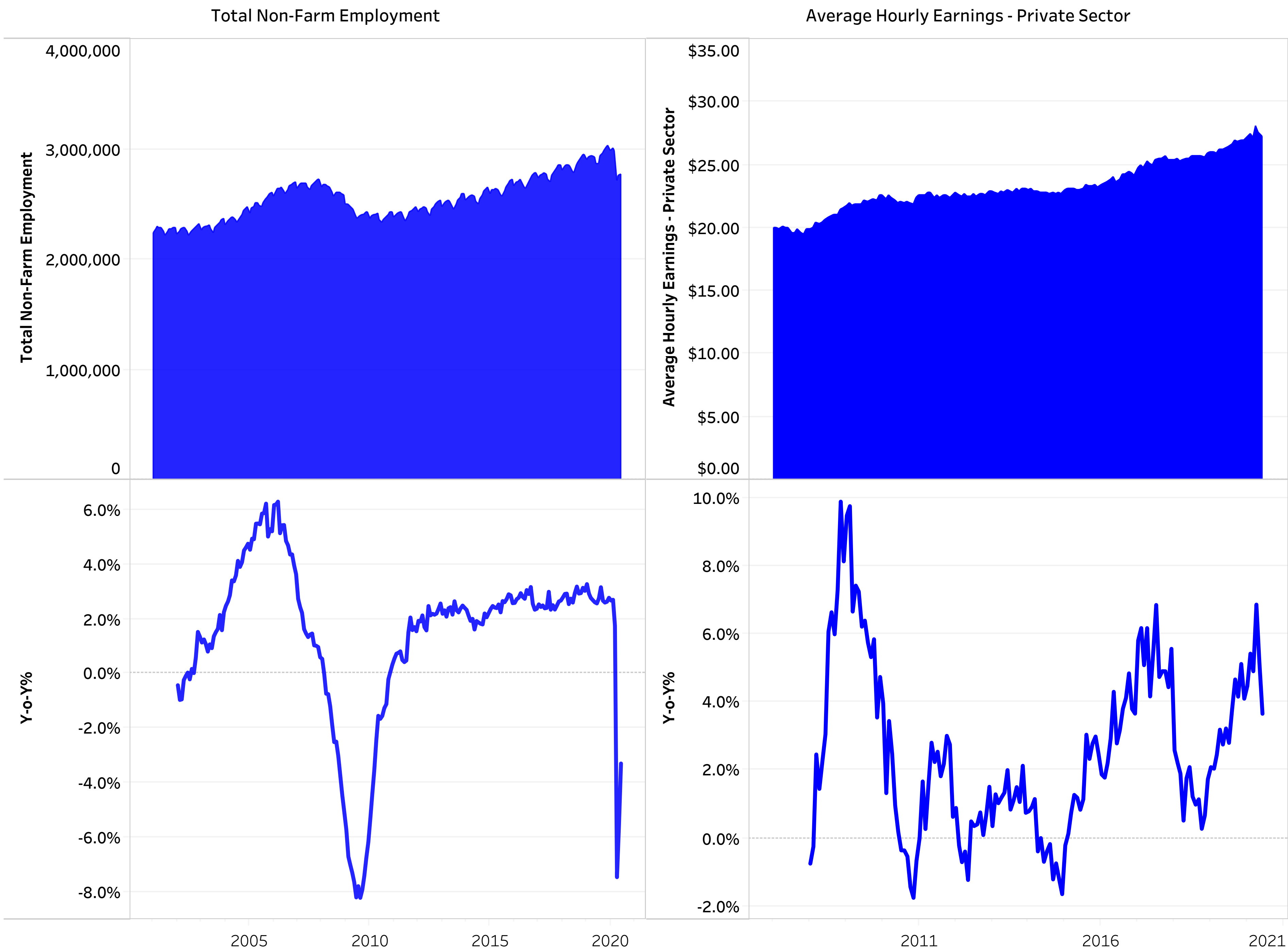
Including lease contracts continuing from prior years that did not require renewal, 40 university leases exceeded the LCRB's average cost per square foot as of FY 2020. (Morgan Dorcheus)

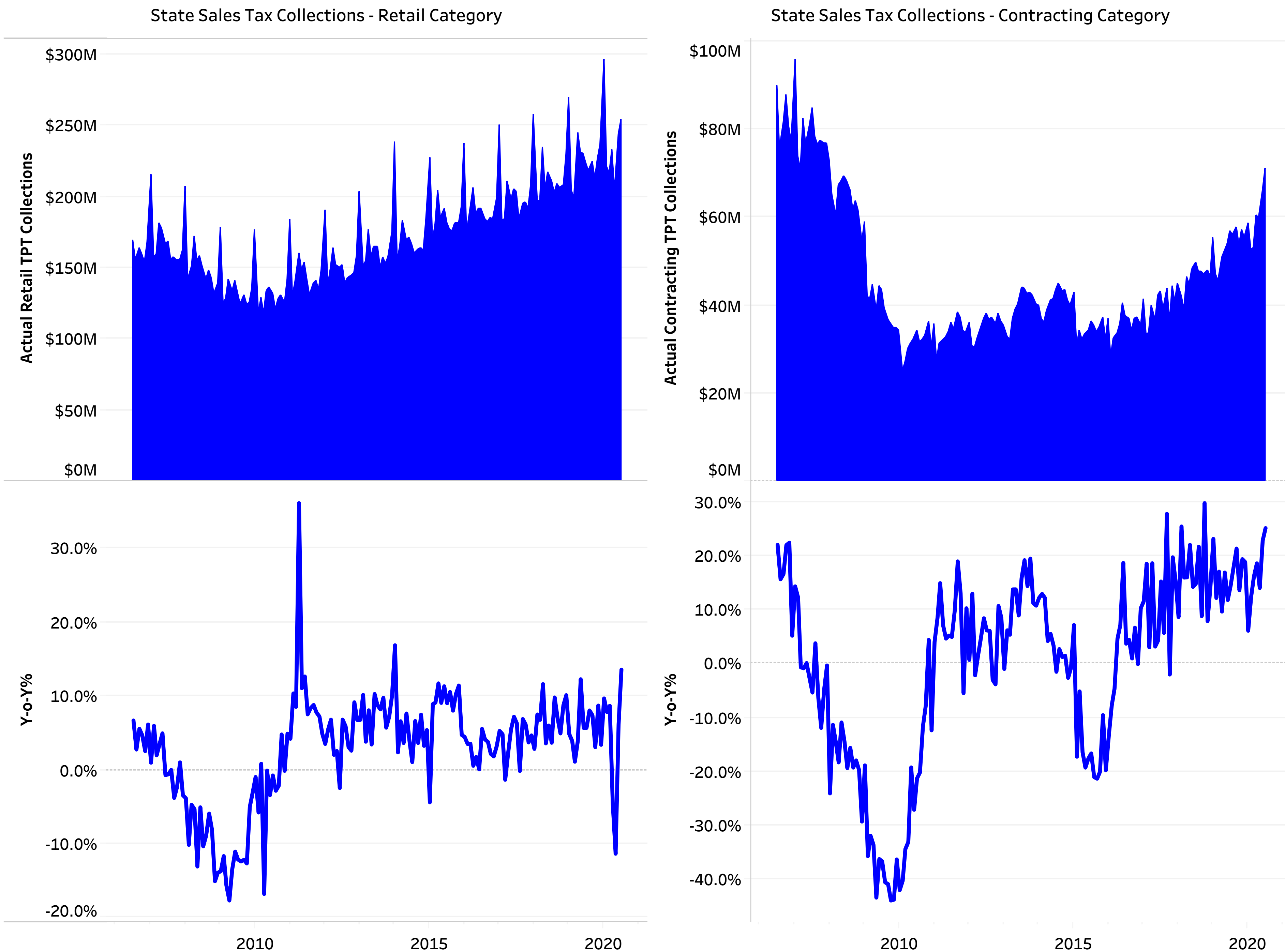
Arizona Economic Trends

Appendix A
August 2020

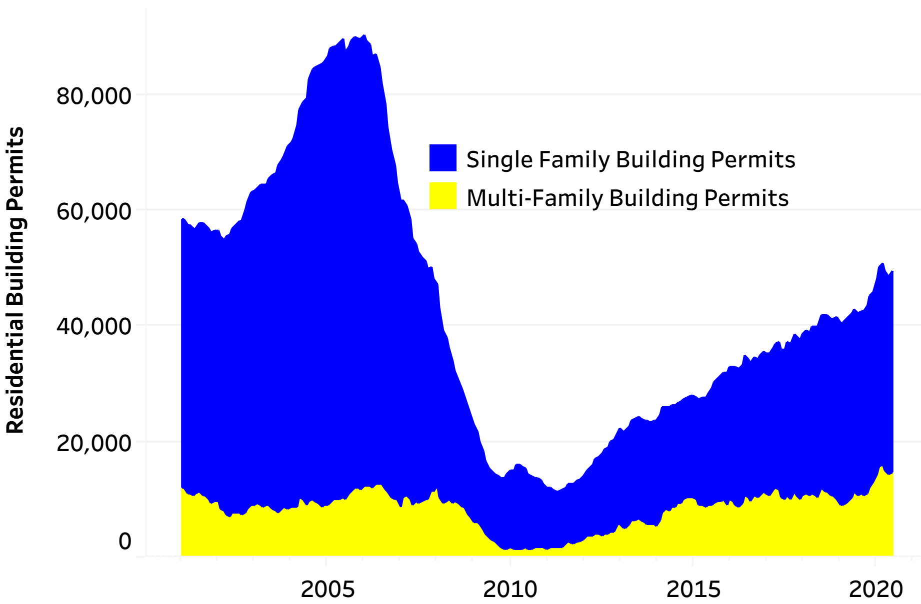
<u>**Page:**</u>

2……Total Non-Farm Employment
Average Hourly Earnings – Private Sector
3……State Sales Tax Collections – Retail Category
State Sales Tax Collections – Contracting Category
4……Residential Building Permits
Rolling 4-Week Withholding Total
Initial Unemployment Insurance Weekly Claims
Unemployment Insurance Weekly Claims
5……SNAP Recipients
AHCCCS Recipients
HURF Revenue
Sky Harbor Total Passengers
6……Arizona Hotel Occupancy
Arizona OpenTable Daily Reservations

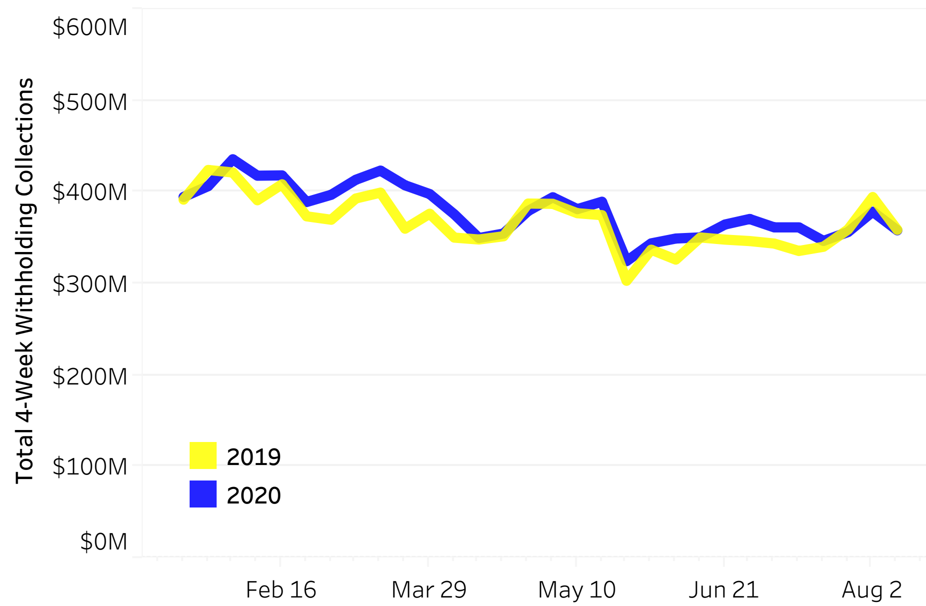

Total Non-Farm Employment
Average Hourly Earnings - Private Sector
Total Non-Farm Employment
4,000,000
3,000,000
2,000,000
1,000,000
0
Average Hourly Earnings - Private Sector
$35.00
$30.00
$25.00
$20.00
$15.00
$10.00
$5.00
$0.00
Y-o-Y%
6.0%
4.0%
2.0%
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
Y-o-Y%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
-2.0%
2005
2010
2015
2020
2011
2016
2021


State Sales Tax Collections - Retail Category
State Sales Tax Collections - Contracting Category
Actual Retail TPT Collections
$300M
$250M
$200M
$150M
$100M
$50M
$0M
Actual Contracting TPT Collections
$100M
$80M
$60M
$40M
$20M
$0M
Y-o-Y%
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
Y-o-Y%
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
2010
2015
2020
2010
2015
2020

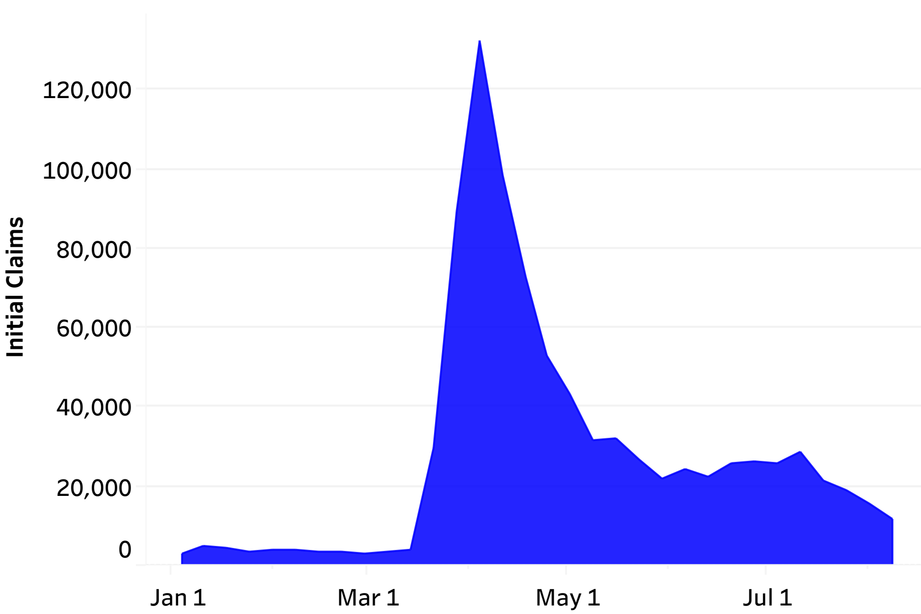
Residential Building Permits



Rolling 4-Week Withholding Total

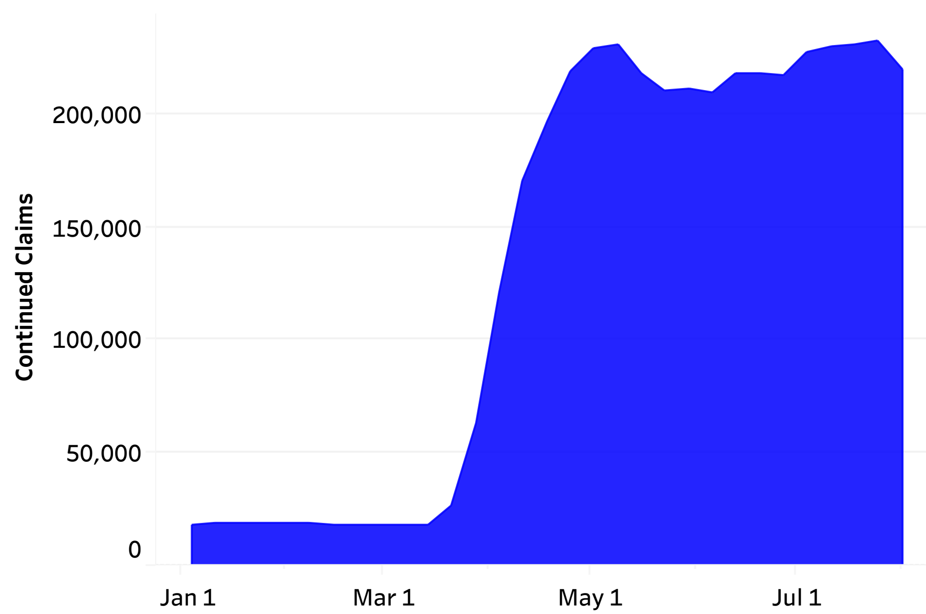


Initial Unemployment Insurance Weekly Claims



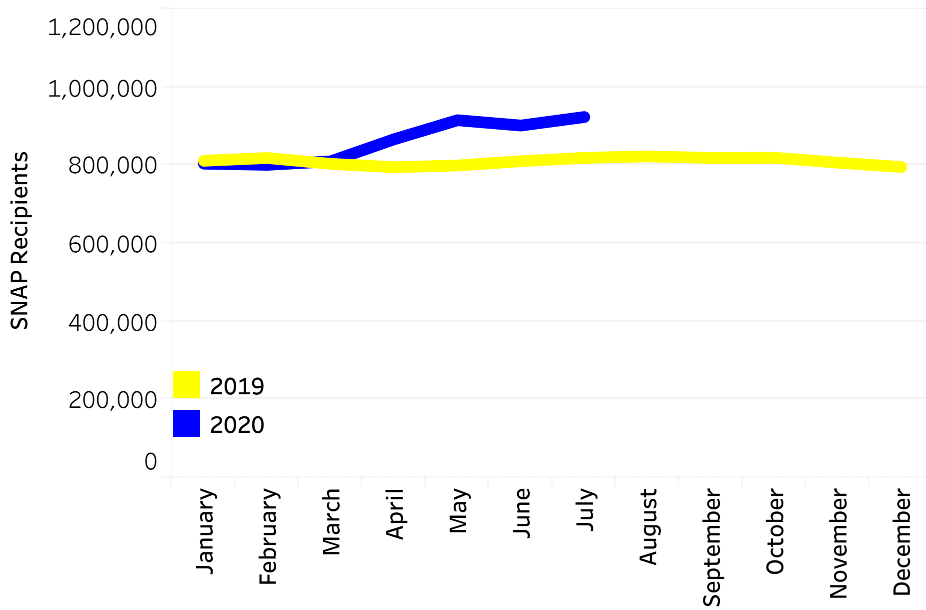
Reported Unemployment Insurance Initial Claims and Continued Claims do not include claims associated with the federally funded Pandemic Unemployment Assistance (PUA) program.

Continued Unemployment Insurance Weekly Claims

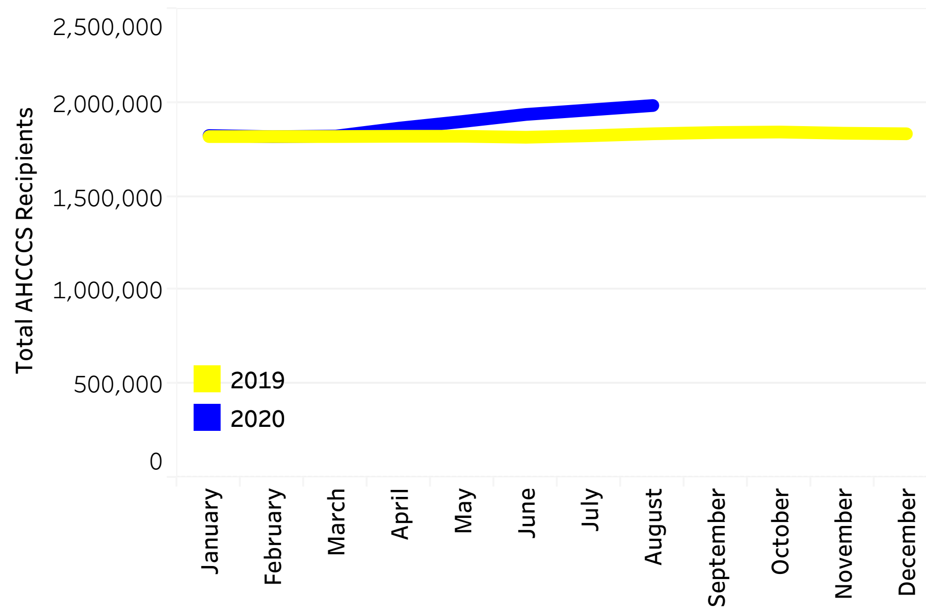


Reported Unemployment Insurance Initial Claims and Continued Claims do not include claims associated with the federally funded Pandemic Unemployment Assistance (PUA) program.

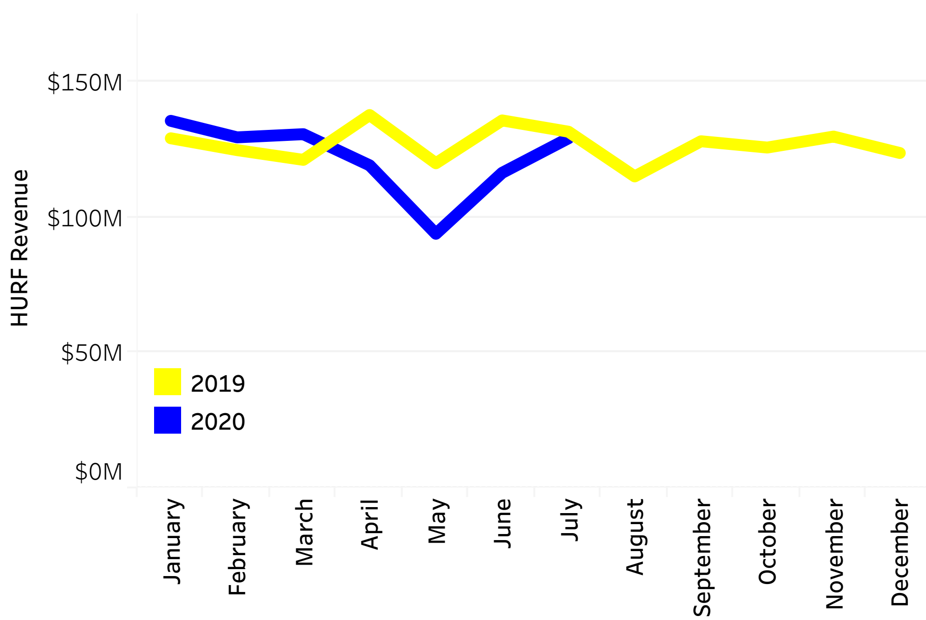
SNAP Recipients



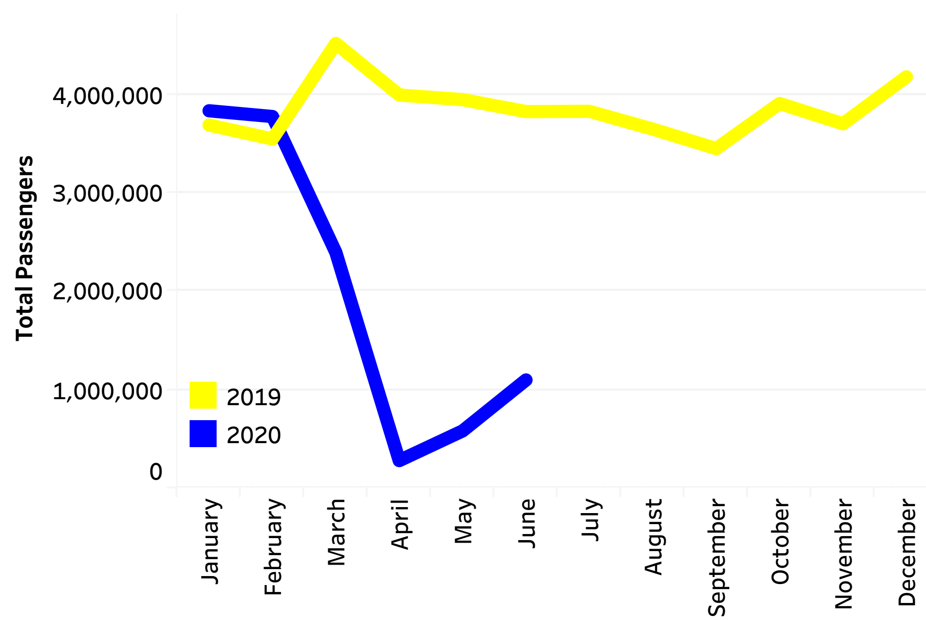
AHCCCS Recipients

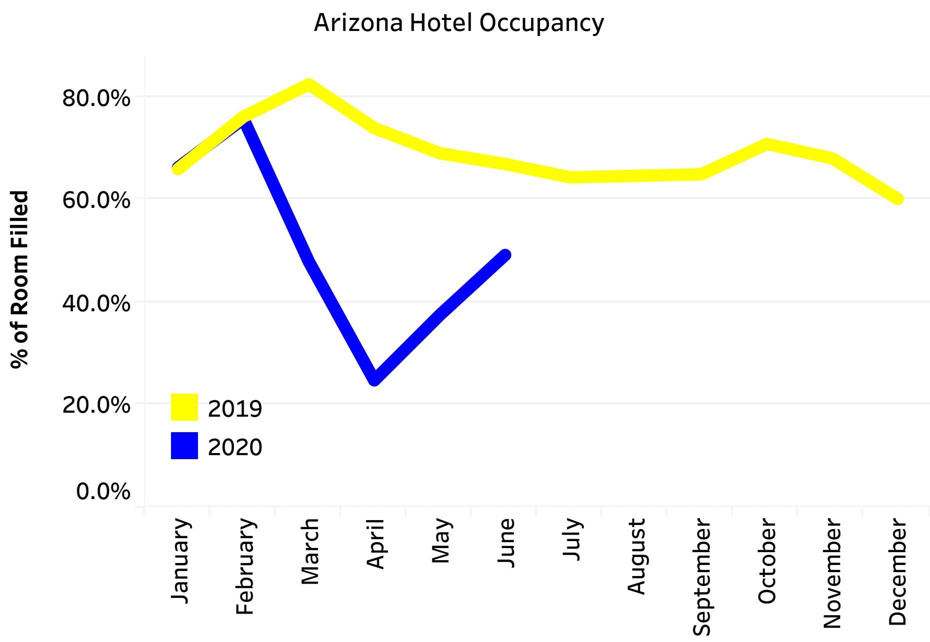


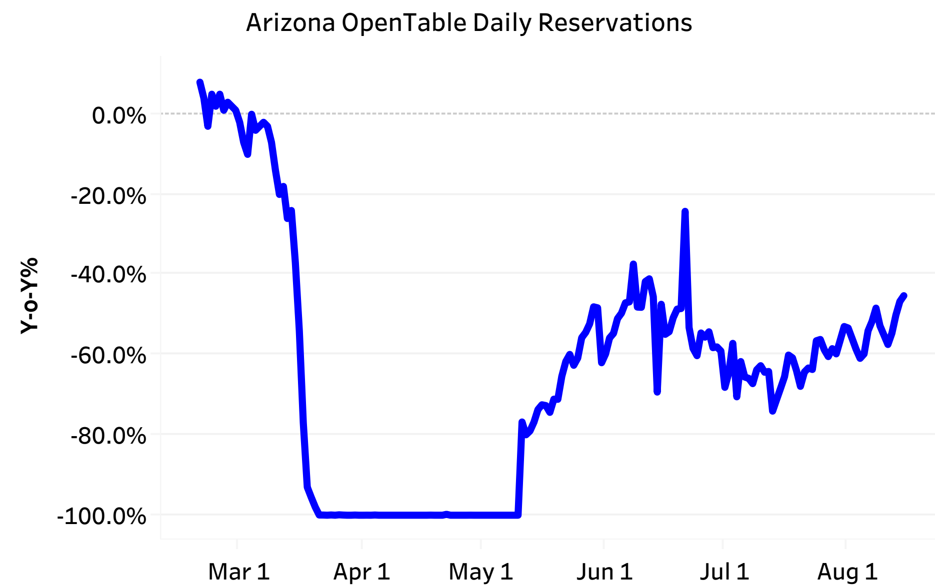
HURF Revenue



Sky Harbor Total Passengers




Arizona Hotel Occupancy
% of Room Filled
80.0%
60.0%
40.0%
20.0%
0.0%
2019
2020
January
February
March
April
May
June
July
August
September
October
November
December


Arizona OpenTable Daily Reservations
Y-o-Y%
0.0%
-20.0%
-40.0%
-60.0%
-80.0%
-100.0%
Mar 1
Apr 1
May 1
Jun 1
Jul 1
Aug 1