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This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on December 20, 2016.

Summary

November 2016 General Fund revenues were \$670.6 million, which is a decrease of (8.0)% below the prior year. This decline is almost entirely due to a reduction in the level of budgeted one-time fund transfers. There were no fund transfers during November 2016, compared to a level of \$58.4 million during November 2015.

Looking at the November results excluding Urban Revenue Sharing and one-time fund transfers, General Fund revenues were 0.7% above the prior year and \$(3.0) million below the enacted forecast.

The relatively minor forecast loss was the outcome of mixed results across the state's revenue categories.

Sales Tax had another month of poor performance, declining by (0.2)% and ending up \$(9.0) million below forecast. This was partially offset by gains in the Individual Income Tax and smaller miscellaneous revenue categories.

Year-to-date, excluding Urban Revenue Sharing and one-time fund transfers, General Fund revenues are 3.3% above the prior year and are \$65.5 million above the enacted forecast.

In comparison to revenue collections of \$670.6 million, November 2016 spending was \$564.8 million, which is a decrease of \$(18.3) million from the prior year.

Fiscal year-to-date, General Fund revenues of \$3.70 billion have been offset by \$4.90 billion of expenditures.

The operating fund balance consists of the General Fund and certain dedicated funds. The operating balance as of mid-November 2016 is \$1.68 billion, while the state's Budget Stabilization Fund has a current balance \$451.9 million.

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November Revenues

	FY 2017 <u>Collections</u>	Difference From <u>Budget Forecast</u>	Difference <u>From FY 2016</u>
November	\$ 670.6	\$ (3.0)	\$ (58.3)
Year-to-Date	\$ 3,700.4	\$ 65.5	\$ 45.4

Sales Tax (preliminary) collections of \$357.9 million were (0.2)% below November of last year and \$(9.0) million below the forecast for the month. Year-to-date, Sales Tax revenues have increased by 2.8% and are \$(0.9) million below forecast.

Table 2 below provides additional information on the major categories of the state's sales tax, which together account for approximately 90% of total collections.

	<u>November</u>	<u>YTD</u>
Retail	1.8%	3.5%
Contracting	(0.4)%	3.0%
Use	(3.6)%	(0.9)%
Restaurant & Bar	6.2%	8.4%
Utilities	(7.5)%	(0.6)%

Individual Income Tax net revenues of \$315.5 million in November were \$(8.1) million less than the prior year and \$3.8 million above forecast for the month. Year-to-date, revenue has grown 5.1% over the prior year.

As indicated in Table 3, withholding decreased by (0.1)% from last year and was \$4.6 million above the forecast. The monthly decrease was, in part, the result of 1 less major processing day compared to November of 2015. Year-to-date withholding collections are 6.6% above FY 2016. Due to technical reasons, DOR underreported withholding receipts during July – March in FY 2016. If revenues had not been underreported in the beginning of FY 2016, growth in withholding would instead equal 5.3% year-to-date in FY 2017.

November estimated and final payments of \$40.4 million were 82.0% above last year and \$16.9 million above the forecast. The monthly increase in payments may partly reflect timing issues for processing returns of taxpayers that took extensions on their 2015 returns. Year to date, payments are (1.9)% below those collected during the same period of FY 2016.

November Individual Income Tax refunds totaled \$(44.6) million – this compares to \$(18.7) million in November 2015 and a forecasted amount of \$(27.0) million. The reasons for the large monthly increase in refunds may partly reflect timing issues for processing returns of taxpayers that received extensions on their 2015 returns. Year-to-date refunds have led to a \$16.3 million gain compared to the enacted forecast.

	<u>November</u>	<u>YTD</u>
Withholding	(0.1)%	6.6%
Estimated/Final Payments	82.0%	(1.9)%
Refunds	138.3%	8.7%

Corporate Income Tax net collections were \$14.3 million in November, which was \$(6.3) million less than in the prior year and \$(0.8) million less than the forecast. Year to date, collections are \$(58.7) million below prior year collections. This decrease is probably the result of the multi-year statutory decline in the Corporate Income Tax rate and a decline in corporate profits during the last year.

Insurance Premium Tax collections of \$0.2 million in November were \$0.1 million above the prior year and \$(0.1) million below the forecast. Year-to-date, collections are 10.1% above last year and \$18.4 million above the forecast.

The **Lottery Commission** reports that November ticket sales were \$66.2 million, which is \$5.3 million, or 8.6%, above sales in November 2015. Year-to-date ticket sales are \$314.8 million, which is 3.7% above last year's sales. In terms of General Fund collections, year-to-date lottery revenues are \$13.1 million above the forecast.

Highway User Revenue Fund (HURF) collections of \$110.8 million in November were up 2.3% compared to November of last year and were \$1.6 million above forecast. Year-to-date collections are 4.0% above last year.

A total of \$11.5 million has been added to prior month collection figures. Of that amount, \$1.2 million represents **technical adjustments**, due to DOR reporting delays of final sales, luxury, individual income and corporate income tax data.

The remaining \$10.3 million increase to prior month collection figures represents adjusting revenue amounts to reconcile to the FY 2016 Annual Financial Report released by the General Accounting Office on December 1, 2016. Of these adjustments, \$3.5 million of Insurance Premium Tax revenues and \$12.8 million of Lottery profits have now been credited to FY 2017, rather than to FY 2016. These gains are offset by the loss of \$(6.0) million under the Sales and Services category, as these collections were credited to FY 2016 instead of FY 2017.

Table 4

General Fund Revenue: Change from Previous Year and Budget Forecast November 2016

	Current Month					FY 2017 YTD (Five Months)				
	Actual November 2016	Change From November 2015		Budget Forecast		Actual November 2016	Change from November 2015		Budget Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$357,856,892	(\$581,598)	(0.2) %	(\$9,033,213)	(2.5) %	\$1,817,297,915	\$48,743,442	2.8 %	(\$891,490)	(0.0) %
Income - Individual	315,453,040	(8,088,698)	(2.5)	3,839,449	1.2	1,752,282,229	84,352,211	5.1	45,892,051	2.7
- Corporate	14,316,229	(6,282,313)	(30.5)	(779,399)	(5.2)	130,643,428	(58,705,432)	(31.0)	(23,903,068)	(15.5)
Property	5,938,936	1,289,392	27.7	(166,394)	(2.7)	11,527,762	(1,651,926)	(12.5)	(1,512,948)	(11.6)
Luxury - Tobacco	1,903,020	159,316	9.1	0	0.0	9,890,870	(21,914)	(0.2)	(35,606)	(0.4)
- Liquor	3,173,447	239,417	8.2	0	0.0	13,507,415	669,862	5.2	89,852	0.7
Insurance Premium	167,822	118,983	243.6	(129,247)	(43.5)	152,826,207	14,046,422	10.1	18,392,814	13.7
Other Taxes	30,439	(2,136,664)	(98.6)	(1,034,813)	(97.1)	1,215,715	(1,119,977)	(48.0)	(1,472,034)	(54.8)
Sub-Total Taxes	\$698,839,825	(\$15,282,166)	(2.1) %	(\$7,303,616)	(1.0) %	\$3,889,191,541	\$86,312,689	2.3 %	\$36,559,571	0.9 %
Other Revenue										
Lottery	13,942,250	13,942,250	--	252,143	1.8	26,744,043	13,812,568	106.8	13,053,936	95.4
License, Fees and Permits	3,383,451	878,114	35.0	715,098	26.8	14,533,364	2,365,364	19.4	1,255,574	9.5
Interest	27,643	26,119	--	26,093	--	148,419	138,918	--	134,756	--
Sales and Services	3,304,032	1,864,375	129.5	2,102,338	174.9	10,304,391	5,722,099	124.9	3,532,725	52.2
Other Miscellaneous	268,623	(3,477,432)	(92.8)	(2,922,859)	(91.6)	19,587,730	10,601,971	118.0	11,705,333	148.5
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	6,155,318	6,952,873	--	4,147,378	206.5	15,235,055	7,772,631	104.2	(753,671)	(4.7)
Sub-Total Other Revenue	\$27,081,317	\$20,186,298	292.8 %	\$4,320,190	19.0 %	\$86,553,002	\$40,413,551	87.6 %	\$28,928,653	50.2 %
TOTAL BASE REVENUE	\$725,921,142	\$4,904,132	0.7 %	(\$2,983,426)	(0.4) %	\$3,975,744,543	\$126,726,239	3.3 %	\$65,488,224	1.7 %
Other Adjustments										
Urban Revenue Sharing	(55,298,514)	(4,828,986)	9.6	(0)	0.0	(276,492,570)	(24,144,931)	9.6	(0)	0.0
One-Time Transfers	0	(58,382,000)	(100.0)	0	--	1,191,548	(57,190,452)	(98.0)	0	0.0
Sub-Total Other Adjustments	(55,298,514)	(63,210,986)	-- %	(0)	0.0 %	(275,301,022)	(81,335,383)	41.9 %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$670,622,629	(\$58,306,854)	(8.0) %	(\$2,983,426)	(0.4) %	\$3,700,443,521	\$45,390,856	1.2 %	\$65,488,224	1.8 %
Non-General Funds										
Highway User Revenue Fund	\$110,796,415	\$2,445,101	2.3 %	\$1,588,753	1.5 %	\$571,600,177	\$21,998,798	4.0 %	\$15,829,880	2.8 %

Monthly Indicators

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 3.2% in the third quarter of 2016. This estimate is the highest rate of growth since the third quarter of 2014 and reflects a strong pickup from the weak growth of 1.4% in the second quarter of 2016. The acceleration relative to the prior quarter was primarily due to growth in inventory investment, exports and federal government spending. Improved performance in these categories was partly offset by a deceleration in consumption spending and an increase in imports.

The Conference Board's **U.S. Consumer Confidence Index** increased by 6.3% to a post-recession high of 107.1 in November. The large monthly increase followed on a (4.7)% decrease in October that may have been driven by political uncertainty in the lead-up to the election. The increase in November reflected widespread improvement in consumer optimism about current and future economic and job circumstances. Economists think the recent increase may have also been bolstered by the positive reaction of stock markets to November election results. Year-over-year growth for the index rose to 15.7% in November.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** grew 0.2% in October, relative to September. The monthly increase in the overall measure was largely driven by growth of 3.8% in energy prices. The index's year-over-year growth increased to 1.4% and has been steadily moving closer to the Federal Reserve Bank's (Fed) 2.0% annual inflation target in recent months. Citing increased inflation and an improving labor market, the Fed chose to resume increases to the federal funds interest rate in December 2016.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased 0.4% in October and 1.6% above October 2015 prices. Similar to September, the monthly increase was primarily driven by a 7.0% increase in the gasoline index and also by a 0.4% increase in the shelter index. Energy prices increased 3.5%, the largest monthly increase since February 2013. Core inflation (all items less food and energy) increased 0.1% for the month. Indexes for apparel, new vehicles, and motor vehicle insurance increased, while indexes for personal care, communication, used cars and trucks, recreation, and airfare decreased.

The Conference Board's **U.S. Leading Economic Index** increased by 0.1% in October and stands 1.1% above its October 2015 reading. Of the index's 10 components, 6 made positive contributions in October. Average

weekly manufacturing hours contributed positively in October after making negative contributions in the past 2 months. Interest rate spread was the strongest positive contributor, while average weekly initial claims and the ISM for new orders were the strongest negative contributors.

ARIZONA

The Federal Reserve Bank of Philadelphia's **coincident index** gauges current economic activity in each state. The index combines 4 indicators: employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

Arizona's coincident index increased by 3.0% compared to October 2015. Over the same time period, the U.S. coincident index increased by 2.9%. See *Appendix A – Arizona Economic Trends for additional historical information*.

Housing

Single-family housing construction is increasing. Multi-family construction had previously peaked, but has recently started to increase again. Arizona's 12-month total of **single-family building permits** is 23,964, or 10.5% more than a year ago. The comparable single-family permit growth rate for the entire U.S. is 9.4%. See *Appendix A – Arizona Economic Trends for historical information*.

The 12-month total of multi-family building permits has started to increase again. Arizona's total of 10,153 **multi-family building permits** is 4.4% more than 2015. Arizona's rate of increase is now greater than the comparable multi-family permit growth for the U.S. as a whole, which is (5.1)% lower than 2015.

Employment

According to information released by the Office of Economic Opportunity (OEO), the state added 16,800 net new **nonfarm jobs** in November over the prior month. This was significantly below the average employment gain for November in the prior 5 years, which was 29,500.

Compared to the same month in the prior year, the state added 29,900 nonfarm jobs in November. This represents a net job growth rate of 1.1%, which is the smallest employment increase since July 2011. Arizona job growth has slowed considerably since August. To provide some perspective, the average job growth rate from January to July of 2016 was 3.0% compared to 1.8% in the period from August to November.

Monthly Indicators (Continued)

Among the private sector industries, the manufacturing sector continues to underperform in Arizona with a year-to-date job growth rate of only 0.6%. Manufacturing employment made up 5.76% of statewide employment in November, the lowest such share since at least January 1960 (data before this period is not available).

The state's **unemployment rate** declined from 5.2% in October to 5.0% in November. This was the lowest jobless rate in Arizona since February 2008. The U.S. unemployment rate was 4.7% in October, a decrease of (0.4)% over the prior month.

In October, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.7 hours. This workload was 1.8% above the level during the prior month and 0.3% above the level in October 2015.

The **Average Hourly Earnings** received by private sector workers was \$24.55, which is 1.4% above the average in the prior month. October earnings were 5.3% above the average in October 2015. The reading represented only second time since the start of calendar year 2010 that year-over-year earnings growth exceeded 5.0%.

OEO reported that 17,773 **initial claims for unemployment insurance** were filed in October, an increase of 3.8% compared to the same month last year. This was the first year-over-year increase of initial jobless claims for the month of October since 2013.

According to OEO, the state had a total of 28,421 **claimants receiving unemployment insurance benefits** in October, a decrease of (5.2)% from September. This figure was (4.4)% below the October 2015 level, and represented the lowest number of claimants receiving jobless benefits for the month of October in 10 years.

State Agency Data

At the beginning of December 2016, the total **AHCCCS** caseload was 1.9 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 609,600 members.

Total monthly enrollment increased by 4,200 members, or 0.2%, during November. Approximately half of the overall enrollment increase was concentrated in the Traditional population of low income parents and children, which grew by 2,100 members, or 0.2%, in November.

Laws 2016, Chapter 112 reopened enrollment in the KidsCare program for children with family incomes above those in the Traditional population, beginning September 1, 2016. Following the enrollment freeze in January 2010, the KidsCare caseload had dropped to

500 members by August 2016. Through December 1, enrollment in the program reached 9,700, or 500 more than the prior month's enrollment.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In November 2016, the childless adult population increased by 1,500, or 0.5%. At 318,200, this population is 3.1% higher than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment increased by 900 in November and now totals 82,000 individuals. Enrollment is 4.1% higher than a year ago. The federal government pays 100% of this cost through the end of calendar year 2016. The federal match rate for this population drops to 95% in calendar year 2017.

There were 19,752 **TANF recipients** in the state in November, representing a (1.6)% decrease from October. The year-over-year number of TANF recipients has declined by (15.0)%. The statutory lifetime limit on cash assistance is 12 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In November, 967,468 people received food stamp assistance in the state, representing a (0.8)% decrease over October caseloads. Compared to November 2015, the level of food stamp participation has declined by (2.9)%.

The **inmate population** was 42,447 as of November 30, 2016. This is a (0.8)% decrease since last November. The population decreased by (0.3)% since October 2016. Laws 2016, Chapter 119 included a provision that if the male inmate count exceeds 39,762 by November 2016, the department may open 1,000 additional private prison beds. As of November 30, 2016, ADC held 38,418 male prisoners. As a result, ADC no longer has the authority to open these 1,000 additional beds and will instead need new legislative authorization for added capacity.

Based on information the Department of Child Safety provided for October 2016, **reports of child maltreatment** totaled 48,111 over the last 12 months, a decrease of (5.9)% over the prior year. There were 18,046 **children in out-of-home care** as of September 2016, or (3.3)% less than in September 2015. Compared to the prior month, the number of out-of-home children decreased by (0.1)%.

Table 5

MONTHLY INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
<u>Employment</u>				
- Regular Unemployment Rate	November	5.0%	(0.2)%	(0.9)%
- Total Unemployment Rate (discouraged/underemployed)	3 rd Q 2016	10.9%	(0.4)%	(2.7)%
- Initial Unemployment Insurance Claims	October	17,773	6.4%	3.8%
- Unemployment Insurance Recipients	October	28,421	(5.2)%	(4.4)%
- Non-Farm Employment - Total	November	2,746,900	0.6%	1.1%
- Manufacturing	November	158,300	0.4%	(1.3)%
- Construction	November	136,700	(1.9)%	3.6%
- Average Weekly Hours, Private Sector	October	34.7	1.8%	0.3%
- Average Hourly Earnings, Private Sector	October	\$24.55	1.4%	5.3%
<u>Sales</u>				
- Retail Taxable Sales				
- Motor Vehicles/Misc. Auto	August	\$1.01 billion	3.9%	5.5%
- Furniture/Home Furnishings	August	\$331.1 million	(4.2)%	4.1%
- Building Material/Lawn & Garden	August	\$396.4 million	(5.8)%	6.1%
<u>Building</u>				
- Residential Building Permits (12-month avg)				
- Single-family	October	23,964	0.2%	10.5%
- Multi-family	October	10,153	(4.5)%	4.4%
- Maricopa County/Other, Home Sales (ARMLS)				
- Single-Family (Pending Sales)	October	5,391	(3.8)%	17.5%
- Maricopa County/Other, Median Home Price (ARMLS)				
- Single-Family (Pending Sales)	October	\$242,900	(0.8)%	8.0%
- Phoenix S&P/C Home Price Index (2000 = 100)	September	163.27	0.3%	5.3%
- Maricopa Pending Foreclosures	October	3,415	(2.6)%	(24.0)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	October	25,040	4.0%	1.6%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	October	3,564,888	12.5%	(3.9)%
- National Park Visitors	August	1,647,913	(8.8)%	(10.2)%
- State Park Visitors	August	184,610	(34.7)%	(5.0)%
- Revenue Per Available Hotel Room	August	\$53.83	(5.5)%	5.5%
<u>General Measures</u>				
- Arizona Consumer Confidence Index (1985 = 100)	4th Q 2016	91.7	3.7%	12.9%
- Arizona Coincident Index (July 1992 = 100)	October	223.19	0.5%	3.0%
- Arizona Leading Index -- 6 month projected growth	October	5.6%	0.9%	0.3%
- Arizona Personal Income	2 nd Q 2016	\$275.3 billion	1.2%	3.3%
- Arizona Population	July 2015	6,828,065	N/A	1.5%
- State Debt Rating				
- Standards & Poor's/Moody's	May	AA / Aa2	N/A	N/A
- Outlook	May	Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	December 1 st	1,867,696	0.2%	3.4%
- Acute Care Traditional		1,092,926	0.2%	3.5%
- Prop 204 Childless Adults		318,239	0.5%	3.1%
- Other Prop 204		184,407	(0.6)%	(1.6)%
- Adult Expansion		81,982	1.1%	4.1%
- Kids Care I		9,701	5.6%	1074.5%
- Long-Term Care – Elderly & DD		58,760	0.0%	1.9%
- Emergency Services		121,680	0.3%	4.0%
- Department of Child Safety (DCS)				
- Annual Reports of Child Maltreatment (12-month total)	October	48,111	(0.9)%	(5.9)%
- DCS Out-of-Home Children	September	18,046	(0.1)%	(3.3)%
- Filled Caseworkers (1406 Budgeted)	November	1,343	2	64
- ADC Inmate Growth	November	42,447	(0.3)%	(0.8)%
- Department of Economic Security				
- TANF Recipients	November	19,752	(0.7)%	(16.2)%
- SNAP (Food Stamps) Recipients	November	967,468	(0.8)%	(2.9)%
- Judiciary Probation Caseload				
- Non-Maricopa	September	18,880	29	583
- Maricopa County	September	27,766	(17)	502
United States				
- Gross Domestic Product	3 rd Q, 2016	\$16.7 trillion	1.6%	3.2%
- (Chained 2009 dollars, SAAR)	(2 nd Estimate)			
- Consumer Confidence Index (1985 = 100)	November	107.1	6.3%	15.7%
- Leading Indicators Index (2010 = 100)	October	124.5	0.1%	1.1%
- Consumer Price Index, SA (1982-84 = 100)	October	241.86	0.4%	1.6%
- Personal Consumption Price Index (2009 = 100)	October	111.4	0.2%	1.4%

JLBC Meeting

Arizona Department of Administration – Review of Emergency Telecommunication Services Revolving Fund Expenditure Plan – The Committee gave a favorable review of the \$5.1 million wireless portion of the Emergency Telecommunication Services Revolving Fund expenditure plan.

Arizona Department of Administration – Review of Public Safety Broadband – The Committee gave a favorable review of ADOA's annual report on expenditures for the State and Local Implementation Grant Program (SLIGP). These monies are part of a nationwide planning effort associated with a public safety broadband effort.

Arizona Department of Administration – Review of Automation Project Fund Expenditure Reallocation – The Committee gave a favorable review of the reallocation of the ADOA Arizona Strategic Enterprise Technology (ASET) Office's FY 2016 Automation Projects Fund (APF) appropriation to develop a Customer Relationship Management System to communicate with agencies on the status of Information Technology (IT) projects.

Arizona Department of Administration/Arizona Department of Corrections – Review of FY 2017 Adult Inmate Management System (Automation Projects Fund) – The Committee gave a favorable review of the FY 2017 expenditure plan of \$8.0 million for the third and final year of funding for the replacement of the Adult Inmate Management System (AIMS) at ADC. The Committee added a provision requiring ADC to submit an expenditure plan if they spend more than \$100,000 of the \$1,307,400 contingency allocation.

Department of Child Safety – Review of FY 2017 First Quarter Benchmarks – The Committee gave a favorable review of DCS' first quarter benchmark report, which assessed the progress made in increasing the department's number of FTE Positions and in reducing the number of backlog cases.

Department of Child Safety – Review of FY 2017 Third Quarter Funding for New Case Aides and Overtime – The Committee gave a favorable review of \$765,200 for New Case Aides and \$2,092,500 for Overtime in FY 2017 for third quarter funding. The remaining amounts from the FY 2017 appropriation will be reviewed upon further updates on the progress of reducing the backlog of non-active cases.

Arizona Department of Education – Review of Joint Technical Education District (JTED) Quarterly Report – The Committee gave a favorable review of ADE's October 31, 2016 JTED quarterly report, which rejected 3 programs from additional state funding: Arts Management, Entrepreneurship and Entertainment Marketing. The request did not address the Food Products and Processing Systems Program, which was not reviewed by the Committee at its September meeting.

JLBC Staff - Consider Approval of Index for School Facilities Board Construction Costs – The Committee approved a 4.31% adjustment in the cost-per-square-foot factors used in SFB funding formulas, based on the overall change in construction costs since November 2008. This is the first increase the Committee has approved since November 2008.

Department of Public Safety – Review of Sexual Assault Kit Report and Expenditure Plan – The Committee gave a favorable review of DPS' report on sexual assault kits and the \$500,000 expenditure plan for the Sexual Assault Kit Testing line item.

Universities – Arizona Board of Regents – Review of FY 2017 Tuition Revenues – The Committee gave a favorable review of the expenditure plan for tuition revenue amounts greater than the amounts appropriated by the Legislature and all non-appropriated tuition and fee revenue expenditures for the current fiscal year. The Committee added a provision requiring ABOR to report all tuition and fees in future year reports. ABOR has been excluding approximately \$430 million in certain tuition and fees.

Universities – Arizona Board of Regents – Review of Qualifying College Credit Examinations – The Committee gave a favorable review of ABOR's list of qualifying examinations with passing scores that high school students may take in order to receive college credit from Arizona's public universities. Passing scores on these examinations are eligible to receive bonus funding under the College Credit by Examination Incentive Program beginning in FY 2018. The Committee added a provision requiring ADE to submit a copy of this report to the JLBC for review along with the amount of award funding received by each school under the incentive program.

JCCR Meeting

Arizona Department of Administration – Review of 1740 West Adams Renovation Plan – The Committee gave a favorable review of the \$3.7 million expenditure plan and the tenant relocation plan that will relocate 27 state agencies from private office space and other state-owned office space. This item was previously held at the September 2016 meeting. The Committee added a provision requiring ADOA to report to the JLBC Staff on the agency space allocations and project timeline by February 28, 2017. Another provision was added to specify that this favorable review does not constitute an endorsement of addition funding to reconfigure 1740 W. Adams if the health boards are consolidated.

Community Colleges – Pinal County District – Review of Student Union and Science Building – The Committee gave an unfavorable review of the District's \$30.2 million bond project. The project is for the construction of a new Science Building and a new Student Union Building. It would be financed with a \$30.6 revenue bond issuance, which includes \$30.2 million for construction and \$350,000 for issuance costs.

Department of Emergency and Military Affairs – Review of Proposed Flagstaff Military Installation Fund Grant – The Committee gave a favorable review of DEMA's plan to expend \$250,000 from the Military Installation Fund for a grant to the City of Flagstaff in order to fund a light mitigation system for the City's Public Works Core Services Facility, which is located approximately 2.5 miles from the U.S. Naval Observatory – Flagstaff Station.

Arizona State Lottery Commission – Review of FY 2017 Building Renewal Allocation Plan – The Committee gave a favorable review of the Commission's FY 2017 Building Renewal Allocation Plan of \$118,100. The Committee added provisions requiring the Commission to report any changes in the building renewal spending plan to the JLBC Staff.

Arizona Department of Transportation – Review of Vehicle Wash Systems Project – The Committee gave a favorable review of the department's \$2.5 million expenditure plan for 6 new vehicle wash system buildings. The cost projections are consistent with the low bid and are within the proposed budget of the project. The Committee added a provision requiring ADOT to report any project reallocations above \$100,000. Another provision was added requiring ADOT to submit to JLBC Staff by March 1, 2017 a cost-benefit analysis of building and operating the 10 additional vehicle wash systems authorized by the department's FY 2017 capital appropriation.

Arizona State Parks Board – Review of City of Cottonwood Easement Agreement – The Committee gave a favorable review of ASP's proposed easement agreement with the City of Cottonwood at Dead Horse Ranch State Park. ASP will provide to the city a no cost easement to one of ASP's sewer lift stations in exchange for the city assuming ownership of the lift station and providing for all of its future operating and maintenance costs.

Arizona State University – Review of Armstrong Hall/Ross-Blakley Library Renovation Project Financing – The Committee gave a favorable review of \$26.0 million in system revenue bond issuances to fund renovations of the Armstrong Hall and Ross-Blakley Library buildings on the Tempe campus. The debt service payments will be funded by tuition revenues. The Committee added standard university financing provisions.

Arizona State University – Review of Student Housing Indirect Financing Project – The Committee gave a favorable review of a 5-acre ground lease for the approximately \$72.0 million development of student housing associated with fraternities and sororities at its Tempe Campus. The proposed residences, known as the "Greek Leadership Village," will provide approximately 950 beds among 27 newly-constructed townhouses. The Committee added standard university financing provisions.

University of Arizona – Review of FY 2017 Capital Improvement Plan for One-time Appropriation – The Committee gave a favorable review of UA's \$8.0 million expenditure plan for the renovation of and capital equipment for a facility to be used by the proposed veterinary school. The Committee added a provision requiring UA to report to the Committee if results of the current accreditation appeals process affect the planned expenditures for renovation and capital improvement. The Committee also added a standard university provision.

Summary of Recent Agency Reports

Arizona Department of Administration – Report on Motor Vehicle Fleet – Pursuant to A.R.S. § 41-803R, the Arizona Department of Administration reported on the FY 2016 year-end inventory of state-owned alternative fuel vehicles. Of the 12,709 state vehicles, 5,370 or 42.3% are subject to the alternative fuel vehicle requirements. (Law enforcement and certain other vehicles are exempt.)

Of the 5,370 state vehicles subject to the alternative fuel vehicle requirements, 3,822, or 71.0% are alternative fuel vehicles. This percentage is the same as the prior year and exceeds the 40% target established by statute. Statute also requires 90% of the state vehicles in Maricopa County to be capable of using alternative fuels. The state reports that 82.0% of its Maricopa County vehicles are alternative fuel vehicles. This is a decrease of (6.6)% from the prior year.

A.R.S. § 41-803G additionally requires that 75% of new vehicle purchases in Maricopa and Pima Counties be capable of using alternative fuels for models year 2001 or later. Of the 109 eligible vehicles purchased in these counties in 2016, 62.0% were capable of using alternative fuels.

Notwithstanding the number of vehicles capable of using alternative fuel, only 1.9% of the state fleet's fuel budget was spent on alternative fuels. (Rebecca Herrera)

Arizona Department of Administration – Report on Repayment of State Debt and Obligations – Pursuant to A.R.S. § 41-726, the Arizona Department of Administration (ADOA) is required to report on the amount of potential savings if the state repays the balance of any outstanding long-term General Fund financing obligations, under the following repayment scenarios: \$50 million, \$100 million, \$150 million, and \$200 million. Under the 4 repayment scenarios, ADOA

reported the following net lifetime savings in debt service payments:

- \$50 million repayment – \$23.5 million
- \$100 million repayment – \$46.3 million
- \$150 million repayment – \$68.5 million
- \$200 million repayment – \$88.9 million

(Josh Hope)

Department of Child Safety – Monthly Report on Hiring – Pursuant to a FY 2017 General Appropriation Act footnote, the Department of Child Safety (DCS) has reported on its progress in hiring and retaining child safety staff through November 2016. (See *Table 6 below*.)

The number of direct line child safety staff (caseworkers, caseworkers in training, caseworkers awaiting training and hotline staff) was 1,343 in November 2016, or (63) fewer staff than the number of funded positions. Most of the difference between funded positions and filled positions was driven by lower-than-budgeted staffing of caseworkers, which was partly offset by higher-than-budgeted staff in training. Total direct line staff increased by 2 since October.

There were also 1,368 non-direct line child safety staff in November 2016, or (143) fewer staff than the funded staffing level. The budgeted staffing level is 1,511 excluding Attorney General positions. Total non-direct line positions increased by 17 since October. (Patrick Moran)

Department of Child Safety – Quarterly Report on Foster Care and Medicaid – Pursuant to Laws 2013, Chapter 220 as amended by Laws 2016, Chapter 273, the Department of Child Safety (DCS) is required to report on foster care and Medicaid eligibility. During the first quarter of FY 2017, DCS reports the following trends in foster care and Medicaid eligibility:

Table 6

DCS Filled FTE Positions as of November 2016

	<u>Funded</u>	<u>November</u>	<u>Difference</u>
Caseworkers	1,190	1,042	(148)
Hotline Staff	76	68	(8)
Staff in Training	<u>140</u>	<u>233</u>	<u>93</u>
<i>Subtotal - Direct Line</i>	1,406	1,343	(63)
<i>Subtotal - Non-Direct Line Staff</i>	<u>1,511</u>	<u>1,368</u>	<u>(143)</u>
Grand Total ^{1/}	2,917	2,711	(206)

^{1/} Excludes 276.2 Attorney General Staff.

Summary of Recent Agency Reports (Continued)

1. There were 17,075 children eligible for Medicaid in foster care at the end of the first quarter, down (3.7)% from 17,712 at the end of the fourth quarter of FY 2016.
2. The percentage of foster care children eligible for Medicaid decreased from 96% at the end of the fourth quarter of FY 2016 to 95% at the end of the first quarter of FY 2017.
3. The amount of non-Medicaid expenditures for behavioral health group homes, residential treatment centers, and therapeutic group homes used by DCS to supplement Medicaid behavioral health placement services was \$1.6 million in the first quarter of FY 2017.
4. The amount of non-Medicaid behavioral health counseling/psychiatric services expenditures used by DCS to supplement Medicaid behavioral health services was \$104,439 in the first quarter of FY 2017. (Patrick Moran)

Arizona Commerce Authority – Annual Report on Arizona Competes Fund – Pursuant to A.R.S. § 41-1545.04, the Arizona Commerce Authority (ACA) is required to report annually on grants from the previous fiscal year and other projects currently funded from the Arizona Competes Fund and performance measures for the recipients including job creation, capital investment and average wages.

New FY 2016 Grants

In total, ACA awarded 17 grants from the Arizona Competes Fund totaling \$6.4 million in FY 2016.

ACA reports awarding 6 grants totaling \$3.6 million for the purpose of expanding or retaining business in Arizona. The largest grant of \$1.0 million was awarded to Carlisle Companies Incorporated.

Each recipient agreed, as part of the granting process, to meet certain metrics regarding job creation. The 6 recipients agree, over the next 3 years, to create a collective total of 1,392 jobs, provide average annual wages of \$85,000, make a collective capital investment of \$76.2 million, and pay for at least 65% of health insurance costs.

The remaining \$2.8 million in new grants was awarded as part of the Arizona Innovation Challenge (AIC) grant program to 11 early-stage companies for the purposes of funding the start-up costs of small businesses. The 11 recipients agreed, over the next year, to create a collective total of 38 jobs. As of June 30, 2016, the grantees had created 14 jobs and capital investment of \$46,400. The reported average wage of the jobs created was \$74,500 although information for

2 of the positions was not released due to confidentiality concerns resulting from the low number of jobs created.

Unlike prior years, ACA did not award any grants in FY 2016 to support their Rural Economic Development Grant (REDG) program which provides monies to local governments and economic development entities. ACA reports that the lack of awards was due to no applications being submitted in FY 2016.

Prior-Year Grants

ACA awarded 13 grants from FY 2012 – FY 2015 totaling \$18.5 million for the purpose of expanding or retaining business in Arizona. Through FY 2016, these grantees created 2,489 jobs with average annual wages of \$71,800 and capital investment of \$177.1 million. This compares to commitments of 6,214 jobs created, average annual wages of \$65,000, and capital investment of \$133.7 million. The grantees have 3 years to reach the agreed upon metrics. Grantees that did not perform the agreed upon metrics were only funded for the job creation and capital investments that were completed.

From FY 2012 – FY 2015, ACA made 66 REDG and AIC grants for the purpose of supporting rural and small businesses totaling \$17.0 million. As of June 30, 2016, these grantees created 1,446 jobs and \$152.8 million in capital investment compared to commitments of 2,889 jobs and \$383.8 million in capital investment. These grantees also created an additional \$7.5 million in capital investment that was not subject to a contractual commitment. The average wage of the jobs created was \$39,600.

Fund Status

The Arizona Competes Fund received an annual \$21.5 million deposit of income tax withholding monies and \$3.5 million in state lottery revenues from FY 2012 – FY 2015. Laws 2015, Chapter 12 reduced the General Fund deposit to \$16.5 million in FY 2016 and \$11.5 million in FY 2017 and each year thereafter. The monies are used to retain, attract, and expand businesses in Arizona through the provision of grants and loans. As of June 30, 2016, the Arizona Competes Fund had a balance of \$27.0 million. The FY 2016 General Appropriation Act (Laws 2015, Chapter 8) swept \$75.0 million from the Arizona Competes Fund in FY 2016. (Eric Billings)

Arizona Community Colleges – Annual Report – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are required to report by December 1 of each year on their progress during the previous year. They have just submitted their FY 2016 report, which includes the following summary information on the state system:

Summary of Recent Agency Reports (Continued)

- 292,812 students (headcount) were enrolled for credit, resulting in a Full-Time Student Equivalent count of 116,546.
- 92.0% of enrolled students resided within the district, while 8.0% did not reside within the district.
- Total number of instructors employed was 10,298, of which 2,532 (24.6%) were full-time and 7,766 (75.4%) were part-time.
- Total operating revenues were \$1.6 billion (this amount excludes bond proceeds and fund balance which total \$110.4 million).
- Total expenditures were \$1.7 billion. (Steve Schimpp)

Arizona Community Colleges – Report on Workforce Development Expenditures – Arizona Community Colleges recently reported their Proposition 301 workforce development expenditures for FY 2015 and FY 2016 pursuant to A.R.S. § 15-1472. Total reported expenditures were \$15.5 million for FY 2015 and \$16.0 million for FY 2016, which were used for workforce development and job training. Total reported revenues were \$16.8 million for FY 2015 and \$17.4 million for FY 2016. Unspent revenues were carried forward to the next fiscal year. (Steve Schimpp)

County Attorneys – Report on Deferred Prosecution – Pursuant to A.R.S. § 11-362, each county attorney that oversees an established Deferred Prosecution Program shall submit an annual evaluation of their respective program that includes the following metrics:

- The number of persons who were enrolled in deferred prosecution programs during the previous fiscal year.
- The number of persons who successfully completed deferred prosecution programs during the previous fiscal year.
- If available, the number of persons who were enrolled in deferred prosecution programs during the previous fiscal year and who were subsequently convicted of a new felony offense.

Ten counties submitted reports which indicated a total of at least 4,466 individuals were placed in a deferred prosecution program in FY 2016. This was one more county, but (2,078) fewer individuals, than in FY 2015. Of these individuals and those already enrolled, 3,443 successfully completed the program during FY 2016, a decline of (1,386) individuals from FY 2015. No counties submitted information on the number of participants in FY 2015 that were subsequently convicted of a new felony offense.

Deferred prosecution allows individuals who commit non-dangerous, non-serious crimes to avoid

prosecution through the completion of a program that may involve restitution, community service, substance abuse treatment, counseling, or other means by which the individual can make amends for their crime. After the completion of the program, the charges are dismissed. (Eric Billings)

Administrative Office of the Courts – Report on Dependency Surge – The FY 2017 budget included a \$3.0 million, one-time, General Fund appropriation for distribution by the Administrative Office of the Courts (AOC) to the Superior Courts to help with the processing of dependency cases. Pursuant to a footnote in the FY 2017 General Appropriation Act (Laws 2016, Chapter 117), AOC is required to report on the amounts allocated to each Superior Court and the purposes for which those monies will be expended. AOC allocated the funding proportionate to the amount of children with an open dependency case petition as of January 1, 2016. The expenditure plan AOC provided would allocate monies to 13 of Arizona's Superior Courts as follows:

Apache - \$12,200	Navajo - \$23,800
Cochise - \$41,100	Pima - \$531,700
Coconino - \$22,500	Pinal - \$177,800
Gila - \$19,000	Santa Cruz - \$9,100
Graham - \$14,200	Yavapai - \$64,900
Maricopa - \$1,904,100	Yuma - \$69,400
Mohave - \$99,100	

Greenlee and La Paz Superior Courts rejected the \$11,200 total that AOC offered to them due to their low dependency caseload and the minimal amount of funding allocated to them. AOC has indicated that they intend to distribute the remaining \$11,200 in funding to other counties at a later time. The distributed monies will be used to increase mediation and family support services, enhance case flow management through improvements in processing and additional staff, hire additional commissioners and interpreters, purchase courtroom equipment to facilitate hearings, and expand dependency court operations. The monies will be spent over 2 years, FY 2017 and FY 2018. (Eric Billings)

Arizona Criminal Justice Commission – Report on Criminal Justice Enhancement Fund – Pursuant to A.R.S. § 41-2401C, the Arizona Criminal Justice Commission (ACJC) has provided its annual report on Criminal Justice Enhancement Fund (CJEF) monies distributed to law enforcement agencies. CJEF consists of a 47% assessment on certain fines, penalties, and forfeitures imposed and collected by the courts. In FY 2016, CJEF revenues totaled \$38.8 million, a 6.7% increase from FY 2015. Total funds available for the fiscal year, including

Summary of Recent Agency Reports (Continued)

the beginning balance and adjustments, was \$62.4 million. FY 2016 CJEF expenditures totaled \$37.8 million. (Josh Hope)

Office of Economic Opportunity – 2015/2016 Annual Report – Pursuant to A.R.S. § 41-5401, the Office of Economic Opportunity's Workforce Arizona Council (WAC) has submitted its annual report on workforce development. The report divides the state's workforce training programs into 5 categories:

- 1) Adult, Youth and Dislocated Workers – professional training and career services that prepare individuals for entry into the workforce.
- 2) Adult Education and Literacy – services to help adults become literate and obtain knowledge and skills necessary for employment and life.
- 3) Public Employment Offices – a network of public employment offices that provide job placement services for job seekers and labor recruitment services for employers.
- 4) Vocational Rehabilitation – provides individuals with disabilities with services that help them become prepared for employment.
- 5) Community Colleges – classes and training provided at Community Colleges that target specific industries and skill sets.

The total workforce spending from state, federal, and local sources for FY 2015 was at least \$324 million. Of this total, the Community Colleges accounted for \$194 million and the Department of Economic Security, Department of Education, and Governor's Office accounted for \$130 million combined. Excluding the community colleges, the largest programs in FY 2015 included Vocational Rehabilitation (\$59.3 million), Adult, Youth and Dislocated Workers (\$41.5 million), Adult Education and Literacy (\$15.8 million), and Public Employment Offices (at least \$13.3 million). These expenditures allowed for the provision of services to a total of at least 175,371 individuals in FY 2015 at a cost of at least \$1,800 per individual. (Eric Billings)

Department of Economic Security – Report on Domestic Violence – Pursuant to an FY 2016 General Appropriation Act footnote, the Department of Economic Security has reported the amount of state and federal monies available for domestic violence funding in FY 2016. Six agencies spent a total of \$27.3 million in domestic violence funding, a 12.4% increase in spending from FY 2015. The extra funding is due almost entirely to a \$2.8 million increase in Federal Funds to these agencies. (Chris Gustafson)

Department of Education – Override Report – Pursuant to A.R.S. § 15-249.04, the Arizona Department of

Education (ADE) recently reported FY 2017 data on school district budget overrides. Overrides permit school districts to generate and spend additional monies from local property taxes if approved by voters. The ADE report indicates that 93 districts statewide have Maintenance and Operation (M&O) overrides pursuant to A.R.S. § 15-481 in FY 2017, 3 have "Special Program" overrides pursuant to A.R.S. § 15-482, and 22 have "District Additional Assistance" overrides pursuant to A.R.S. § 15-481. The total amounts budgeted for overrides for FY 2017 include \$466.9 million for both types of M&O overrides combined and \$75.0 million for District Additional Assistance overrides. (Steve Schimpp)

Board of Executive Clemency – Report on FY 2016 Caseload – Pursuant to a footnote in the FY 2017 General Appropriation Act, the board is required to submit a report on its FY 2016 caseload by November 1, 2016.

The board conducted 4,125 case hearings in FY 2015, as described below:

- Phases 1 and 2 Commutation (501): After reviewing an inmate's request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.
- Pardon (19): The board may recommend that the Governor pardon an offender.
- Absolute Discharge (7): The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.
- Modification (8): The board can recommend to the Governor that an inmate's sentence be modified or commuted.
- Reprieve (0): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.
- Parole (397): These hearings only apply to offenders sentenced prior to 1994. The board may place these offenders on parole or deny their application for parole and return them to the Department of Corrections.
- Violator (3,241): These hearings are conducted when an offender has violated the terms of community supervision. (Micaela Larkin)

Commission for Postsecondary Education – Report on Postsecondary Education Grant Program – A.R.S. § 15-1855 requires the Commission for Postsecondary Education (ACPE) to report annually on its Postsecondary Education Grant (PEG) program.

Summary of Recent Agency Reports (Continued)

The PEG program provides grants to students attending private postsecondary institutions. The program was launched in March 2007 and received funding through FY 2010. In FY 2010, a total of \$2.2 million was disbursed to 1,400 grantees representing 20 private postsecondary schools. Funding was eliminated after FY 2010 and the program continues to be suspended.

Since its inception, 4,475 students received a PEG loan. Of those recipients, 3,163 have already graduated with a baccalaureate degree. The remaining recipients are either currently enrolled and working on completing their degree or not enrolled or attending the last institution on file at the time of their last grant award.

The FY 2016 Higher Education Budget Reconciliation Bill (BRB) (Laws 2015, Chapter 16), allows the commission to contract with a third-party vendor to collect outstanding PEG debt. The BRB also allows the commission to use Postsecondary Education Student Financial Assistance funds to administer PEG collections. The commission has begun a PEG repayment program for those who do not meet loan forgiveness requirements and is currently researching third-party vendors to collect outstanding PEG debt. (Morgan Dorcheus)

Commission for Postsecondary Education – Report on Math, Science, and Special Education Teacher Loan Forgiveness Program – A.R.S. § 15-1782 requires the Commission for Postsecondary Education to report annually on its Math, Science, and Special Education Teacher Loan Forgiveness (MSSE) program.

The MSSE program provides forgivable loans to eligible students attending any regionally or nationally accredited institution in Arizona (public or private) that agree to a service commitment to teach in an Arizona public K-12 school. The program was created in 2007.

In FY 2016, the MSSE program had 49 applicants and disbursed 26 loans. This total includes 13 new loans and 13 renewals. The total disbursement was \$163,600. Of the 26 recipients, 4 are studying mathematics, 1 is studying science, 19 are studying special education, and 2 are studying elementary education. Six recipients attend private postsecondary institutions and 20 attend public universities.

The commission is responsible for collecting retention data for loan recipients. At the conclusion of FY 2016, 275 students have participated in the MSSE program. Of those, 26 are still enrolled in a postsecondary institution, 14 are in the 12-month grace period, 22 are

teaching in a public K-12 school in Arizona, 115 had their loan forgiven for completing their teaching service, 41 are in repayment, 10 have paid their loan balance in full, 16 have had their loans referred to the Attorney General, and 31 have completed the retention tracking cycle. (Morgan Dorcheus)

Secretary of State – Report on Presidential Preference Election Reimbursement - Presidential Preference Elections (PPE) require a separate ballot for each recognized political party and no other election can appear on the ballot. Laws 2015, Chapter 12 returned the reimbursement rate to \$1.25 per active registered voter, the rate established in statute prior to 2012.

For FY 2016, the Legislature elected to provide a one-time appropriation in FY 2017 to counties at a higher reimbursement rate than \$1.25. Beyond the estimated \$2,607,300 remaining in the Secretary of State (SOS) base FY 2016 election budget for the PPE, the Legislature appropriated an additional \$6,130,000 for the PPE election in FY 2016. Counties were to receive the lesser of the county's estimated cost for the election or the amount calculated based on active registered voters as of January 1, 2016: \$2.50 per voter for counties with more than 450,000 active voters, \$3.00 per voter for counties with between 35,000 and 450,000 active voters, or \$3.50 per voter for counties with less than 35,000 active voters. The reimbursement amounts for Coconino, Gila, La Paz, Mohave and Pima Counties were based on the calculation of active voters, but the remaining counties had a reimbursement based on their estimated costs. As required by Laws 2016, Chapter 117, Section 125, on or before October 1, 2016 the SOS was to report the reimbursements made pursuant to this section.

The total maximum reimbursement cost has been determined to be \$8,816,913, including \$736,600 in SOS costs. Of this amount, the SOS indicated so far reimbursement requests have totaled \$5,774,907. The SOS reimbursed \$5,649,527 for the PPE as of December 2016.

Of this amount, reimbursements were allocated for the following uses:

- Early Ballots – \$2,890,151
- Personnel – \$1,354,412
- Official Ballots – \$724,614
- Postage – \$193,544
- Sample Ballots – \$135,410
- Equipment – \$82,524
- Miscellaneous Items – \$79,336
- Outreach – \$74,409
- Supplies – \$61,555
- SOS Agency Costs – \$53,472

Summary of Recent Agency Reports (Continued)

SOS is still seeking information to verify the remaining reimbursements, and any further reimbursement activity will be reported to the JLBC and OSPB Staff. (Micaela Larkin)

Universities – Arizona Board of Regents – Report on University System’s Financial Aid – Pursuant to A.R.S. § 15-1650, the Arizona Board of Regents has submitted its annual report on financial aid. Highlights from the FY 2016 report include:

- Approximately \$2.4 billion in total financial aid was provided to students.
- Of this amount, \$1.05 billion (43.7%) came from federal sources, \$808.1 million (33.7%) came from tuition and other sources, \$539.2 million (22.5%) came from private sources and the Arizona Financial Aid Trust (AFAT) (AFAT distributed \$20.3 million of both state General Fund and institutional monies in FY 2016), and \$951,700 (0.04%) came from state scholarships, grants and loans.
- A total of 150,478 students received aid, including 122,694 undergraduate students and 27,784 graduate students.
- Of the undergraduate students receiving aid, 30,750 received non-need-based gift aid, 65,487 received need-based gift aid, and 54,203 were awarded miscellaneous types of non-gift aid (i.e. work study). Some students received multiple types of aid.
- The average aid package for undergraduate students was \$12,076, which includes both need and non-need-based aid.
- 58.3% of undergraduate students and 52.7% of graduate students have debt. Of those students with debt, the average undergraduate student debt was \$23,684 upon graduation, while the average graduate student debt was \$49,430. (Matt Beienburg)

November Spending

November 2016 General Fund spending was \$564.8 million, which represents a decrease of \$(18.3) million below November 2015. (See Tables 7 & 8). Year-to-date, General Fund spending is \$4.90 billion, or \$(298.2) million below the prior year.

- Year-to-date, Department of Education spending has increased by \$33.8 million, due to increased enrollment and inflation funding.
- Prior to FY 2017, DHS used to administer the state’s Medicaid Behavioral Health program. Beginning in FY 2017, this responsibility has been shifted to AHCCCS. Due to this shift, DHS will no longer be making its beginning of the year Medicaid transfer, causing DHS spending to decline by \$(461.1) million year-to-date compared to FY 2016.
- The decline in Universities' spending year-to-date is a technical timing issue relating to the distribution of funds to the University system. Excluding additional monies for the rollover repayment (which occurred at the end of FY 2016), the Universities received a net increase in funding for FY 2017.

Agency	Change From			YTD Change
	<u>Nov 16</u>	<u>Nov 15</u>	<u>Year-to-Date</u>	<u>from FY 16</u>
AHCCCS	115.6	43.1	711.2	212.3
Corrections	80.2	1.9	440.1	(14.6)
Child Safety	12.6	(56.6)	149.2	(53.1)
Economic Security	6.4	(5.6)	462.2	61.9
Education	249.8	(9.6)	2,233.3	33.8
Health Services	7.5	(11.7)	41.2	(461.1)
Public Safety	2.4	0.8	42.8	4.5
School Facilities Board	0.1	(0.0)	170.9	9.1
Universities	58.4	16.7	284.4	(110.5)
Leaseback Debt Service	0.0	0.0	84.1	0.0
Other	<u>31.8</u>	<u>2.7</u>	<u>278.9</u>	<u>19.5</u>
Total	564.8	(18.3)	4,898.3	(298.2)

General Fund Spending				
(\$ in Thousands)				
Agency	Nov 16	Change from Nov 15	Year-to-Date	YTD Change from FY 16
Dept. of Admin./Automation Projects Fund	1,501.3	100.2	19,948.6	9,107.2
ADOA – Sale/Leaseback Debt Service	-	-	84,117.4	2.8
Office of Administrative Hearings	65.9	(5.3)	390.8	5.4
Commission of African-American Affairs	9.2	2.3	49.8	3.7
Department of Agriculture	1,047.4	580.6	4,209.3	534.4
AHCCCS	115,601.1	43,083.2	711,182.4	212,290.8
Attorney General	1,593.0	12.9	9,823.4	1,069.8
State Board of Charter Schools	143.5	66.8	451.5	(31.8)
Department of Child Safety	12,604.7	(56,626.6)	149,207.9	(53,087.6)
AZ Commerce Authority	1,791.7	(416.6)	9,033.5	(2,008.0)
Community Colleges	908.7	656.4	26,257.5	551.9
Corporation Commission	293.2	270.6	488.3	249.4
Department of Corrections	80,152.1	1,936.8	440,070.2	(14,624.9)
County Funding	-	(6,000.5)	14,000.5	8,000.0
AZ State Schools for the Deaf & Blind	752.0	(276.7)	11,253.8	(1,561.2)
Office of Economic Opportunity	50.9	50.9	50.9	50.9
Department of Economic Security	6,423.2	(5,598.5)	462,152.5	61,854.8
State Board of Education	123.3	18.3	445.0	(66.9)
Department of Education	249,754.7	(9,631.6)	2,233,349.6	33,827.5
DEMA	570.9	220.4	3,785.8	74.6
DEQ – WQARF	-	-	2,823.6	2,823.6
Office of Equal Opportunity	18.1	(0.2)	88.2	20.5
State Board of Equalization	34.9	(12.6)	336.0	28.9
Board of Executive Clemency	48.9	(9.0)	263.2	(168.2)
Department of Financial Institutions	201.9	(16.4)	1,246.9	(71.7)
Department of Fire, Bldg and Life Safety	1.2	(120.4)	(2.4)	(880.9)
Department of Forestry and Fire Management	325.6	53.5	2,884.4	503.5
Department of Gaming	-	-	1,779.5	(14.9)
Arizona Geological Survey	-	(83.4)	-	(366.8)
Governor/OSPB	1,388.4	793.5	4,312.1	491.3
Department of Health Services	7,514.8	(11,729.7)	41,184.8	(461,053.3)
Arizona Historical Society	203.1	(5.7)	1,505.2	(154.8)
Prescott Historical Society of AZ	59.0	3.5	346.6	(27.8)
Department of Housing	69.8	69.8	391.3	391.3
Independent Redistricting Comm.	169.2	2.1	559.5	112.8
Department of Insurance	649.6	325.2	2,176.3	(134.7)
Judiciary				
Supreme/Superior Court	1,651.4	(436.1)	44,796.0	2,022.5
Court of Appeals	1,020.3	(51.9)	5,933.6	(182.4)
Department of Juvenile Corrections	2,401.2	751.3	11,486.3	(782.1)

Table 8 (Continued)				
Agency	Nov 16	Change from Nov 15	Year-to-Date	YTD Change from FY 16
State Land Department	1,185.5	(629.8)	4,857.4	(207.2)
Legislature				
Auditor General	1,801.0	(140.2)	8,426.3	(130.0)
House of Representatives	925.4	5.7	5,153.4	(603.7)
Joint Legislative Budget Comm.	154.6	(26.5)	995.7	19.5
Legislative Council	882.7	414.3	2,830.4	44.9
Senate	598.9	79.3	3,586.4	456.7
Mine Inspector	72.3	5.1	507.3	(2.3)
Nav. Streams & Adjudication	8.9	1.6	61.3	7.1
Occupational Safety and Health Review	-	-	-	(1.6)
Arizona State Parks Board	-	(2.5)	-	(275.3)
Phoenix Convention Center	-	-	20,449.0	-
Comm. for Postsecondary Ed.	-	-	696.3	(2.1)
Department of Public Safety	2,384.8	750.2	42,767.5	4,548.8
Public Safety Personnel Retirement System	-	-	6,000.0	-
Radiation Regulatory Agency	88.1	29.0	923.8	108.6
Real Estate Department	149.5	(30.6)	1,245.3	61.6
Department of Revenue	1,869.5	1,737.1	13,886.0	(10,351.0)
School Facilities Board	84.2	(6.9)	170,914.9	9,122.8
Secretary of State	1,204.1	330.8	13,724.9	9,105.4
Tax Appeals Board	21.8	4.9	134.3	6.2
Office of Tourism	3,129.4	3,129.4	4,907.0	(70.3)
Department of Transportation	1,500.0	1,500.0	1,500.7	1,500.7
Governor's Office on Tribal Relations	2.2	(0.0)	30.1	12.6
Universities				
Board of Regents	3,937.9	(1,193.5)	12,378.0	129.8
Arizona State University	24,676.2	8,048.6	123,381.0	(50,332.2)
Northern Arizona University	8,436.3	2,609.4	42,132.3	(17,496.9)
University of Arizona	21,311.5	7,231.3	106,557.7	(42,773.4)
Department of Veteran Services	465.0	43.6	2,458.2	252.3
Department of Water Resources	765.4	(8.6)	4,467.8	53.6
Water Infrastructure Finance Authority	-	-	500.0	500.0
Department of Weights & Measures	-	(159.5)	-	(539.6)
Other - JP Salaries Distribution	42.6	(24.2)	378.0	(125.9)
Other	-	-	37.0	(6.2)
Total	564,842.0	(18,324.8)	4,898,267.9	(298,187.8)

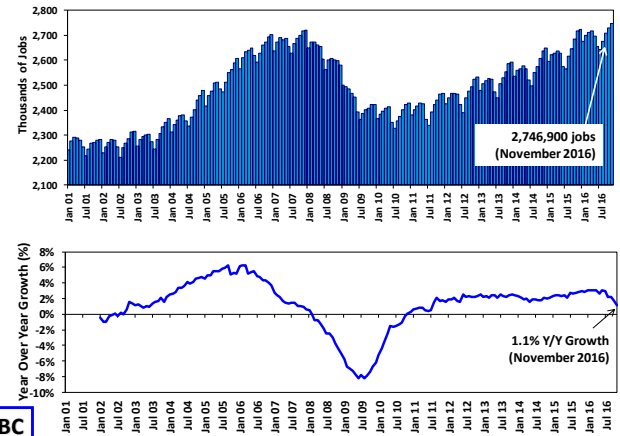
Arizona Economic Trends

December 2016
Appendix A

Page:

- 2.....Total Non-Farm Employment
- 3.....Average Hourly Earnings – Private Sector
- 4.....Initial Claims for Unemployment Insurance
- 5.....State Sales Tax Collections – Retail Category
- 6.....State Sales Tax Collections – Contracting Category
- 7.....Residential Building Permits
- 8.....Economic Activity Index

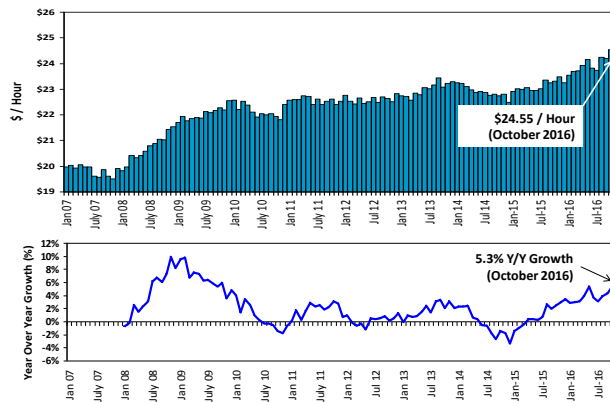
Total Non-Farm Employment



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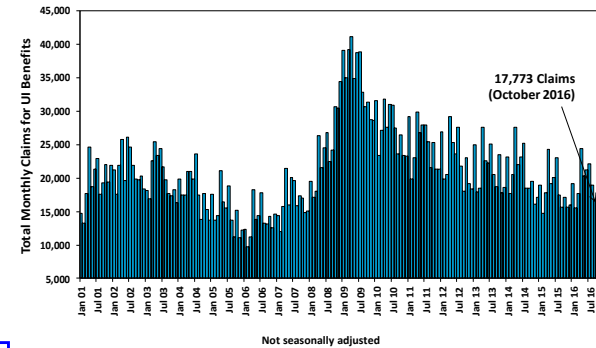
Average Hourly Earnings – Private Sector



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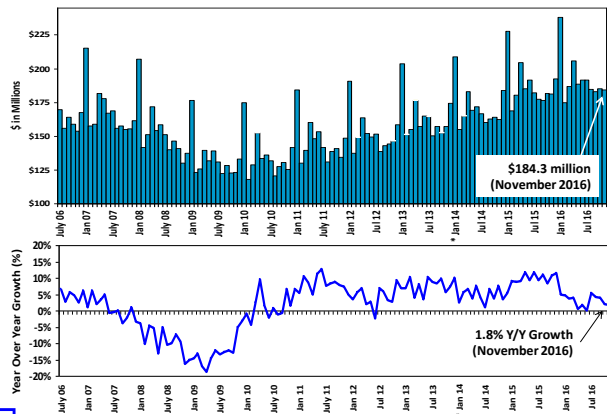
Initial Claims for Unemployment Insurance



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State Sales Tax Collections – Retail Category



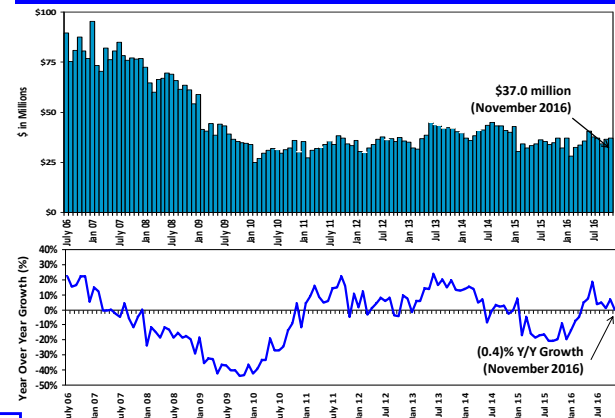
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Excludes temporary 1 ¢ sales tax

* January 2014 estimate adjusted downward by \$30 million to reflect one-time category shift.

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State Sales Tax Collections – Contracting Category

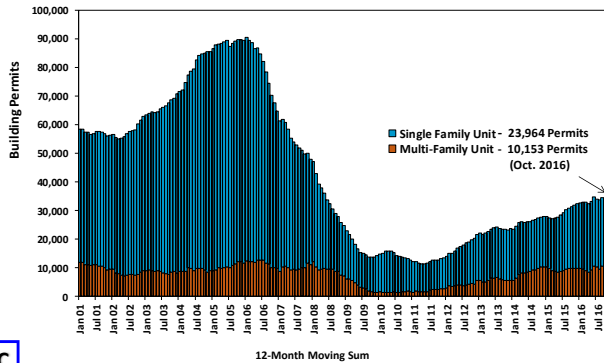


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Excludes temporary 1 ¢ sales tax

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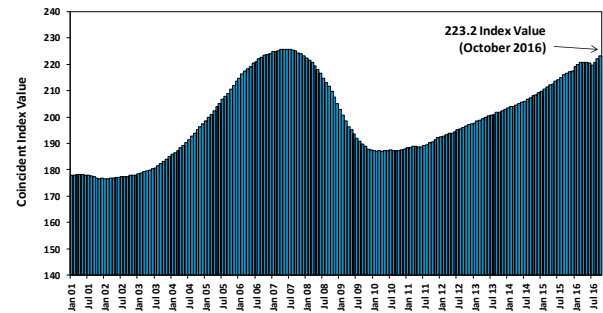
Residential Building Permits



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Economic Activity Index



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Source: Coincident Index – Federal Reserve Bank of Philadelphia. Combines four state-level indicators (employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements) to summarize current economic conditions.

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