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*"The state's trend of strong General Fund revenue growth continued in December..."*

## Summary

The state's trend of strong General Fund revenue growth continued in December, with collections totaling \$1.18 billion and increasing by 12.9% above the prior year. Compared to the October FAC revenue forecast, December revenues were \$193.5 million above forecast.

Given the release of the JLBC Baseline last week, the upcoming February *Monthly Fiscal Highlights* (which will cover the January revenue results), will begin to benchmark the state's revenue collections against the Baseline revenue forecast.

During December, the state saw significant forecast gains in each of the 4 large revenue categories:

- Sales Tax – December Sales Tax (which represents November sales) grew by 11.1% and were \$47.3 million above forecast. The Retail/Remote Sales and Contracting subcategories continue to drive Sales Tax collections (See the Sales Tax section below for more detail on the revenue category).
- Individual Income Tax (IIT) – The IIT category increased by 13.2% and was \$65.4 million above forecast. This forecast gain was helped by growth in withholding collections and increases in estimated payment activity.

- Corporate Income Tax (CIT) – CIT revenues declined by (13.4)% during December. However, because this decline was less than expected, collections were \$30.8 million above forecast.
- Insurance Premium Tax (IPT) – This revenue category posted a record amount of collections for December, resulting in a forecast gain of \$23.2 million above forecast. Given the volatility in IPT collections so far this year, it is unclear what factors caused the surge in IPT revenue for the month.

### Year-to-Date Revenue/Operating Balance

Year-to-date through December, excluding Urban Revenue Sharing and fund transfers, FY 2021 General Fund revenues are 17.9% above the prior year and are \$445.3 million above the October FAC forecast. The high year-to-date revenue percentage growth rate is mostly due to the state's deferral of the income tax filing due date from April 15 to July 15. Without the deferral, state revenue collections would be up 8.7% this fiscal year.

Given the year-to-date forecast gains, the FY 2022 JLBC Baseline includes a revised revenue forecast which significantly increases the estimated level of available revenues. (See the *JLBC Baseline Summary* section).

The state's fiscal health can also be measured by the operating fund balance. The state pays

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## Summary (Continued)

its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-January 2021 is \$4.47 billion.

### JLBC Baseline Summary

On January 15 JLBC Staff released its FY 2022 Baseline, including the following documents:

- [FY 2022 Baseline](#) – Includes a summary overview and individual agency budget narratives.
- [FY 2022 Baseline Presentation](#) – A slideshow summarizing the main highlights of the FY 2022 Baseline.

The Baseline reflects an updated economic forecast and statutory funding formula requirements. The following summarizes the FY 2022 Baseline:

- For FY 2022, projected General Fund revenues range from \$13.9 billion to \$14.3 billion. The lower end of that range represents the 4-Sector

forecast and the higher end of the range represents using the JLBC Staff revenue forecast.

- Under either revenue forecast scenario, projected FY 2022 spending is \$12.3 billion.
- The FY 2022 cash balance is projected to be between \$1.6 billion and \$2.0 billion.
- The cash balance amount is in addition to nearly \$1 billion available in the Budget Stabilization Fund (BSF) by the end of FY 2022.
- Under the Baseline projections, the Legislature would have the ability to dedicate \$300 million to \$400 million of the balance to ongoing initiatives without creating a shortfall through the 3-year planning period.
- The remaining \$1.3 billion to \$1.6 billion of the Baseline balance would be available for one-time purposes.

## December Revenues

Table 1

	General Fund Revenues (\$ in Millions)		
	<u>FY 2021 Collections</u>	<u>Difference From October FAC Forecast</u>	<u>Difference From FY 2020</u>
December	\$ 1,176.9	\$ 193.5	\$ 134.1
Year-to-Date	\$ 6,703.2	\$ 445.3	\$ 1,028.8

**Sales Tax** collections of \$495.3 million were 11.1% above December of last year and \$47.3 million above the October forecast. Year to date, sales tax revenue is up by 11.5% and is \$154.3 million above forecast.

As shown in *Table 2*, all of the state's sales tax categories, except for restaurant and bar, performed well in December when compared to the same month in the prior year.

Since March, Restaurant and Bar Sales Tax collections have been performing poorly, often posting double-digit declines below the comparable month in the prior year. There was some relative improvement in this category in October and November when collections declined by only single digits for the first time since the start of the pandemic. However, in December, revenue declined by double digits again.

Table 2

	Sales Tax Growth Rates Compared to Prior Year	
	<u>Dec</u>	<u>YTD</u>
Retail/Remote Seller	13.0%	18.2%
Contracting	10.0%	19.3%
Use	64.1%	18.8%
Restaurant & Bar	(12.2)%	(11.0)%
Utilities	38.2%	10.5%

*Table 3* below lists taxable sales by retail subcategory, excluding remote sales. Retail growth occurred in all subcategories except for Clothing and Accessories.

The largest year-over-year increase occurred among retailers selling Building Materials and Lawn/Garden Supplies.

## December Revenues (Continued)

**Table 3**  
December Retail Taxable Sales By Subcategories

	Dec. % Growth	% Share of Retail Sales
Auto Sales/Other Automotive	6.7%	17.8%
Building Materials, Lawn/Garden	19.8%	8.0%
Clothing and Accessories	(12.0)%	4.9%
Food and Liquor Sales	11.5%	7.0%
Furniture/Home Finishing	4.6%	6.6%
General Merchandise	0.6%	13.7%
Miscellaneous Retail	17.1%	18.2%
Wholesale	13.0%	6.1%
All Other	13.9%	17.7%
<b>Total – Retail Classification</b>	<b>9.1%</b>	<b>100.0%</b>

Taxable contracting activity was also strong in December growing by 10.0% over the same month in the prior year (see Table 4). This growth was fueled by the heavy construction sector (which includes highway construction) – this sector grew by 76.3% compared to the prior year.

**Table 4**  
Dec. Growth Rates – Contracting Subcategories Compared to Prior Year

Heavy Construction	76.3%
Nonresidential Construction	8.7%
Residential Construction	12.7%
Specialty Trade	4.4%
All Other	(9.3)%
<b>Total – Contracting Classification</b>	<b>10.0%</b>

**Individual Income Tax (IIT)** Net collections were \$527.3 million in December, 13.2% higher than last December and \$65.4 million above the October forecast. Year to date, net collections are up by 26.7%. After adjusting for the impact of income tax deferral, the year-to-date growth rate is an estimated 5.8%.

Revenue from withholding was \$475.3 million in December, 11.3% greater than December 2019 and \$44.7 million above forecast. This is consistent with the strong withholding growth over the past several months. Year to date, withholding collections are up by 5.6% and are \$95.5 million above the October forecast.

Estimated and final payments totaled \$59.8 million in December and this amount is 14.6% over last year and \$14.9 million higher than forecast. Year to date, payments are \$51.2 million above forecast.

Refunds were \$(7.8) million in December, (42.1)% lower than the same month in the prior year. The October forecast assumed refunds of \$(13.6) million. Year to date, refunds are \$(29.0) lower than forecast.

**Table 5**  
Individual Income Tax Growth Rates Compared to Prior Year

	December	YTD
Withholding	11.3%	5.6%
Estimated/Final Payments	14.6%	161.0%
Refunds	(42.1)%	73.1%

**Corporate Income Tax (CIT)** net revenue was \$101.3 million in December, which was \$30.8 million above the October forecast but still (13.4)% below the amount collected in December 2019. While December typically represents around 17% of yearly CIT revenue, it is also fairly volatile with collections during the past 4 years being as low as \$37 million.

Year to date, net collections through December are \$351.9 million, an increase of 5.8% over the same period in the prior year. The cumulative forecast gain through December is \$59.5 million.

**Insurance Premium Tax (IPT)** revenue was \$77.1 million in December, which was \$17.6 million above the amount collected in December 2019 and \$23.2 million above the October forecast. This is the largest amount of IPT collections for the month of December that we have on record going back to 1986.

Year-to-date, net collections through December are \$246.3 million, \$27.1 million above forecast, and an increase of 10.0% over the same period in the prior year.

The **Lottery Commission** ticket sales totaled \$111.8 million in December, continuing the high growth seen thus far in FY 2021. This amount is \$21.9 million, or 24.3% above December 2019. Year-to-date ticket sales are \$655.8 million, which is \$172.5 million, or 35.7%, above the same period last year.

**Highway User Revenue Fund (HURF)** collections of \$132.0 million in December were 6.5% below the amount collected in December 2019 and \$25.4 million above forecast. Year-to-date, HURF collections have increased by 5.2% compared to the same period in the prior year and are \$162.7 million above forecast.

Due to delays in reporting final November revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For December, DOR has reduced the amount of prior General Fund revenue collections by \$(1.1) million, and this amount has been included in the reported year-to-date results.

Table 6

## General Fund Revenue: Change from Previous Year and October FAC Forecast December 2020

	Current Month					FY 2021 YTD (Six Months)				
	Actual December 2020	Change From December 2019		October FAC Forecast		Actual December 2020	Change from December 2019		October FAC Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b><u>Taxes</u></b>										
Sales and Use	\$495,253,851	\$49,574,401	11.1 %	\$47,306,211	10.6 %	\$2,955,489,275	\$305,757,857	11.5 %	\$154,276,110	5.5 %
Income - Individual	527,323,634	61,379,567	13.2	65,371,152	14.2	3,358,345,468	708,179,523	26.7	175,596,819	5.5
- Corporate	101,295,183	(15,682,362)	(13.4)	30,759,242	43.6	351,909,591	19,147,546	5.8	59,479,044	20.3
Property	4,074,885	1,667,799	69.3	839,482	25.9	11,858,899	(855,493)	(6.7)	(756,902)	(6.0)
Luxury - Tobacco	1,782,527	(177,639)	(9.1)	0	--	10,528,918	(353,299)	(3.2)	(686,408)	(6.1)
- Liquor	3,475,719	(58,437)	(1.7)	0	--	18,605,064	675,480	3.8	(1,537,713)	(7.6)
Insurance Premium	77,146,423	17,574,191	29.5	23,188,925	43.0	246,287,311	22,469,709	10.0	27,137,396	12.4
Other Taxes	659,351	91,122	16.0	(85,344)	(11.5)	5,198,092	901,631	21.0	(571,556)	(9.9)
<b>Sub-Total Taxes</b>	<b>\$1,211,011,572</b>	<b>\$114,368,641</b>	<b>10.4 %</b>	<b>\$167,379,668</b>	<b>16.0 %</b>	<b>\$6,958,222,617</b>	<b>\$1,055,922,955</b>	<b>17.9 %</b>	<b>\$412,936,790</b>	<b>6.3 %</b>
<b><u>Other Revenue</u></b>										
Lottery	0	0	--	0	--	62,204,274	4,247,860	7.3	3,913,552	6.7
License, Fees and Permits	3,118,310	470,116	17.8	511,434	19.6	20,798,684	2,370,220	12.9	1,483,214	7.7
Interest	2,222	(42,309)	(95.0)	2,222	N/A	12,694	(20,370)	(61.6)	9,319	276.1
Sales and Services	1,482,348	358,164	31.9	(433,525)	(22.6)	11,814,980	1,756,434	17.5	668,503	6.0
Other Miscellaneous	4,246,914	6,017,765	--	2,507,813	144.2	15,322,487	(489,932)	(3.1)	2,418,678	18.7
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	23,967,820	21,866,661	--	23,535,334	--	38,498,324	12,749,469	49.5	23,897,533	163.7
<b>Sub-Total Other Revenue</b>	<b>\$32,817,614</b>	<b>\$28,670,398</b>	<b>691.3 %</b>	<b>\$26,123,278</b>	<b>390.2 %</b>	<b>\$148,651,442</b>	<b>\$20,613,682</b>	<b>16.1 %</b>	<b>\$32,390,799</b>	<b>27.9 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$1,243,829,186</b>	<b>\$143,039,039</b>	<b>13.0 %</b>	<b>\$193,502,946</b>	<b>18.4 %</b>	<b>\$7,106,874,059</b>	<b>\$1,076,536,637</b>	<b>17.9 %</b>	<b>\$445,327,589</b>	<b>6.7 %</b>
<b><u>Other Adjustments</u></b>										
Urban Revenue Sharing	(69,041,072)	(7,577,640)	12.3	0	(0.0)	(414,246,429)	(45,465,838)	12.3	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	(846,800)	--	0	--
Public Safety Transfers	2,122,109	(1,408,391)	(39.9)	(0)	(0.0)	10,610,545	(1,408,391)	(11.7)	(0)	(0.0)
<b>Sub-Total Other Adjustments</b>	<b>(66,918,962)</b>	<b>(8,986,031)</b>	<b>15.5 %</b>	<b>0</b>	<b>(0.0) %</b>	<b>(403,635,884)</b>	<b>(47,721,029)</b>	<b>13.4 %</b>	<b>0</b>	<b>(0.0) %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,176,910,224</b>	<b>\$134,053,008</b>	<b>12.9 %</b>	<b>\$193,502,946</b>	<b>19.7 %</b>	<b>\$6,703,238,175</b>	<b>\$1,028,815,607</b>	<b>18.1 %</b>	<b>\$445,327,589</b>	<b>7.1 %</b>
<b><u>Non-General Funds</u></b>										
Highway User Revenue Fund	131,959,917	8,101,928	6.5 %	25,409,903	23.8 %	793,670,800	38,886,627	5.2 %	162,692,988	25.8 %

## Monthly Indicators

### NATIONAL

The U.S. Bureau of Economic Analysis revised their third estimate of the 3<sup>rd</sup> quarter **U.S. Real Gross Domestic Product (GDP)** from 33.1% to 33.4%.

The Conference Board's **Consumer Confidence Index** fell (5.3) points in December. This is a 4-month low and the lowest it has been since April 2020. High COVID-19 infection rates have substantially decreased consumers' perception of the present situation while survey respondents showed mild optimism for the future due to promising vaccine news.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, increased by 0.6% to 109.1 in November. While consumer confidence decreased in November, virtually all other metrics that make up the index improved in the month. Persistent pandemic concerns appear to be dampening consumers' outlook despite improvement in traditional economic indicators.

The U.S. Bureau of Labor Statistics **Consumer Price Index (CPI)** rose by 0.4% in December. After seasonal adjustment, prices are 1.3% higher than in December 2019. More than 60% of the overall increase was driven by the 8.4% gain in the gasoline index. The food index also rose, as both the food at home and the food away from home components increased by 0.4%. Core inflation (all items less food and energy) was up by 0.1% this month, and core CPI is 1.6% higher than in December 2019.

### ARIZONA

Single-family housing permitting activity is continuing to grow. In November, Arizona's 12-month total of **single-family building permits** was 39,818. This is up 2.2% from the prior month, and is 20.2% above November 2019. This is the 6<sup>th</sup> consecutive month with double-digit year-over-year growth. The national growth of single-family housing permits was 11.0% in November.

In November, Arizona's 12-month total of 14,892 **multi-family building permits** was 24.7% more than for the same 12-month period in 2019. November marked the 13<sup>th</sup> consecutive month with a double-digit year-over-year growth rate in multi-family permitting activity. This is in contrast to the national decline in multi-family housing permits of (11.1%).

#### Tourism and Restaurants

Several tourism indicators fell compared to the previous month. For example, **Revenue per available room** was

\$51.52 in November, a decrease of (11.6)% from the prior month and (37.9)% below November 2019.

**Hotel occupancy** was also down in November at 50.0%, which was (5.4)% below October and (18.0)% below November 2019.

Similarly, **Phoenix Sky Harbor Airport Ridership** during November decreased (4.4)% from October and was (51.0)% below the same month in the preceding year.

**Daily restaurant reservations** were (24.0)% below the prior year level on January 9, according to OpenTable data. This is about the same level of decline that OpenTable reported last month after wide swings in seated diners during the holidays.

#### Employment

OEO reported that a total of 7,992 **initial claims for unemployment insurance** were filed in Arizona in the week ending on January 2<sup>nd</sup> (This figure excludes the claims under the Pandemic Unemployment Assistance (PUA) program). For the same week in the prior year, 3,132 initial claims were filed.

According to OEO, for the week ending on December 26<sup>th</sup>, there were a total of 71,901 **continued claims for unemployment insurance** in Arizona. A year ago this time, the continued claims were 17,991.

For the week ending on January 9<sup>th</sup>, the federal Department of Labor (DOL) reported that 4,162 initial PUA claims were filed in Arizona. For the week ending on December 26<sup>th</sup>, DOL reported that 64,492 continued PUA claims were filed in the state. Both of these figures are advance estimates subject to change. (See *October's Monthly Fiscal Highlights for more information on Pandemic Unemployment Assistance*)

#### State Personal Income

In December, the federal Bureau of Economic Analysis (BEA) released **state personal income** estimates for the 3<sup>rd</sup> quarter of 2020. According to the BEA, Arizona's personal income grew 9.7% compared to the 3<sup>rd</sup> quarter of the prior year. Arizona's total personal income, which is the income received by all persons in the state from all sources except capital gains, was approximately \$369.6 billion in the 3<sup>rd</sup> quarter of 2020. The majority of the increase in personal income stems from increased transfer payments, though 3<sup>rd</sup> quarter wages and salaries also grew from last year.

#### State Agency Data

As of January 1, 2021, the total **AHCCCS caseload** was 2.09 million members. Total monthly enrollment increased 1.0% in January over December and

## Monthly Indicators (Continued)

increased 14.5% compared to a year ago. Parent and child enrollment in the Traditional population increased by 0.5% in January, or 10.0% higher than a year ago.

Enrollment in Other Acute Care populations, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 900,747 in January – an increase of 1.8% over December and 22.3% above last year. For January 2021, Long-Term Care EPD and DD population growth decreased by (0.4)%. At 65,596, this population is (1.6)% lower than a year ago.

There were 14,867 **TANF Cash Assistance recipients** in the state in November, representing a (5.4)% monthly caseload decrease from October. The year-over-year number of TANF Cash Assistance recipients has increased by 8.5%. This data does not include Tribal recipient exclusions. The statutory lifetime limit on cash assistance is 24 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In November, 890,554 people received food stamp assistance in the state, representing a (1.7)% decrease from October caseloads. Compared to November 2019, the level of food stamp participation has increased by 10.4%.

The Arizona Department of Correction's **inmate population** was 37,731 as of December 31, 2020. This was a decrease of (1.1)% since November 30, 2020 and a (11.2)% decrease since December 2019.

Based on information the Department of Child Safety provided for November 2020, **reports of child maltreatment** totaled 43,013 over the last 12 months, a decrease of (6.5)% over the prior year. There were 14,434 **children in out-of-home care** as of October 2020, or 1% more than in October 2019. Compared to the prior month, the number of out-of-home children increased by 0.5%.

Table 7

MONTHLY INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
<b>Arizona</b>				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	November	7.8%	0.1%	3.3%
- Total Unemployment Rate (discouraged/underemployed)	3rd Q 2020	12.6%	1.3%	3.5%
- Initial Unemployment Insurance Claims	Week Ending Jan 2	7,992	21.7%	155.2%
- Continued Unemployment Insurance Claims	Week Ending Dec 26	71,901	3.0%	299.7%
- Non-Farm Employment - Total	November	2,935,500	1.0%	(2.8)%
Manufacturing	November	173,100	0.9%	(2.9)%
Construction	November	175,900	1.4%	1.3%
- Average Hourly Earnings, Private Sector	November	\$27.99	0.1%	4.0%
<u>Building</u>				
- Single-Family Building Permits (12 months rolling sum)	November	39,818	2.2%	20.2%
Multi-family	November	14,892	(3.0)%	24.7%
- Maricopa County/Other, Home Sales (ARMLS) Single-Family (Pending Sales)	November	6,965	5.2%	37.9%
- Maricopa County/Other, Median Home Price (ARMLS) Single-Family (Pending Sales)	November	\$349,260	1.3%	13.8%
- Maricopa Pending Foreclosures	November	1,225	(1.8)%	(45.5)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	November	1,817,704	(4.4)%	(51.0)%
- State Park Visitors	September	225,138	2.0%	11.2%
- Revenue Per Available Hotel Room	November	\$51.52	(11.6)%	(37.9)%
- Arizona Hotel Occupancy Rate	November	50.0%	(5.4)%	(18.0)%
- Arizona OpenTable Reservations – Y/Y % Change	January 9	N/A	N/A	(24.0)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	3rd Q 2020	\$369.6 billion	(8.6)%	9.7%
- Arizona Population	July 2020	7,421,401	N/A	1.8%
- 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
<u>Agency Measures</u>				
- AHCCCS Recipients	January 1st	2,091,000	1.0%	14.5%
Traditional Acute Care		1,124,646	0.5%	10.0%
Other Acute Care		900,747	1.8%	22.3%
Long-Term Care – Elderly & DD		65,596	(0.4)%	(1.6)%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	November	43,013	(0.7)%	(6.5)%
DCS Out-of-Home Children	October	14,434	0.5%	1.0%
- ADC Inmate Growth	December	38,141	(1.1)%	(11.2)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	November	14,867	(5.4)%	8.5%
- SNAP (Food Stamps) Recipients	November	890,554	(1.7)%	10.4%
<b>United States</b>				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	3rd Q, 2020 (3rd Estimate)	\$18.6 trillion	33.4%	(2.8)%
- Consumer Confidence Index (1985 = 100)	December	88.6	(4.6)%	(30.0)%
- Leading Economic Index (2016 = 100)	November	109.1	0.6%	(2.2)%
- Consumer Price Index, SA (1982-84 = 100)	December	261.8	0.4%	1.3%

## Summary of Recent Agency Reports

### **AHCCCS – Report on Interstate Agreement with Hawaii**

– Pursuant to A.R.S. § 36-2925H, the Arizona Health Care Cost Containment System (AHCCCS) submitted its annual report on the status of an Interstate Agreement with the State of Hawaii. Under the agreement, AHCCCS provides ongoing IT operations and maintenance for Hawaii's Medicaid program. Hawaii reimburses AHCCCS for work done by AHCCCS staff and independent contractors, a specified percentage of other AHCCCS' IT personnel costs, all direct Hawaii costs, and some indirect operating costs.

In FY 2020, Arizona received \$10.3 million in revenues from Hawaii while spending \$14.6 million for staffing and automation costs associated with implementing the agreement. During FY 2020, the balance of the 2 funds used for the agreement decreased by \$4.3 million, from \$5.3 million to \$1.0 million. (Maggie Rocker)

**AHCCCS – Report on Inpatient Psychiatric Treatment Availability** – Pursuant to A.R.S. § 36-2903.13, the Arizona Health Care Cost Containment System (AHCCCS) reported the availability of inpatient psychiatric treatment from Regional Behavioral Health Authorities.

While the number of licensed psychiatric beds increased slightly from 1,818 in 2018 to 1,829 in 2019, the number of inpatient psychiatric days decreased, resulting in an occupancy rate of 76.1% in 2019. This compares to an occupancy rate of 86.2% in 2018.

AHCCCS separately provided inpatient psychiatric treatment expenditures and the number of unique members receiving those services out of state for 2 populations: 1) members younger than 21, and 2) members aged 21 and older. Regarding the former population, AHCCCS spent \$56.7 million in FY 2020 with 241 members having one or more inpatient stays out of state. For members 21 and older, AHCCCS spent \$147.9 million with 282 members having one or more inpatient stays out of state.

While AHCCCS is required to report the prevalence of psychiatric boarding for at least 24 hours before transferring the patient to a psychiatric facility, relevant data is currently unavailable. AHCCCS is working with Managed Care Organizations to standardize reporting of this metric. (Maggie Rocker)

**Auditor General – Report on Caseworker Caseload Reporting** – Pursuant to Laws 2018, Ch. 282, the FY 2019 Human Services Budget Reconciliation Bill, the Auditor General reported on the Department of Child Safety's (DCS) process for determining caseworker caseload standards, how caseloads are measured, the reliability of the data used to report caseloads and the

differences in caseworker caseloads between department field offices. The Auditor General made the following findings:

- For public reports that reflect caseloads, the DCS primarily uses data from the Human Resources Information System (HRIS) and the department's case management system (CHILDS), including counts of filled full-time equivalent (FTE) case-carrying positions, open investigative reports, out-of-home children, and in-home children. DCS utilizes regional staff to provide in-home case counts.
- To calculate caseloads by casework type, the department uses percentages to distribute the number of filled FTE Positions by casework type rather than using the actual number of filled FTE Positions by casework type, which results in less precise caseloads and increases potential for reporting errors.
- DCS has multiple practices to help ensure data reliability in other areas.
- DCS plans to use its new Guardian case management system instead of CHILDS and regional staff to obtain the information caseload calculations. As of November 2020, the department has been developing and testing the queries that will generate this information from Guardian.

The report recommended DCS develop, implement, and document a more precise method for calculating caseloads that incorporates the actual number of filled FTE Positions by casework type. It also recommended the department complete development and testing of the queries that will be used to obtain Guardian data for the publicly reported caseloads to help ensure their accuracy. DCS agreed to the auditors' recommendations. (Nicole Lovato)

### **Department of Child Safety – Report on Family First Prevention Services Act**

– Pursuant to an FY 2020 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on its efforts to implement the Family First Prevention Services Act (FFPSA). FFPSA is federal legislation adopted in February 2018 that included reforms to federal financing of state child welfare services, including limitations on reimbursements to states for children placed in congregate care settings, and expanded federal funding for in-home preventive services. DCS reported it has taken the following actions related to implementing the legislation:



## Summary of Recent Agency Reports (Continued)

1. Utilized a provision in the law that allows for delay implementation until October 1, 2021.
2. Efforts to decrease congregate care placements through foster home recruitment efforts including new training and support programs, placement systems, and revision of foster home recruitment contracts effective September 1, 2019 to allow for higher reimbursement based on the needs of the child.
3. Revised Congregate Care contracts effective April 1, 2019 to add incentive pay to providers that assist with transitioning and stabilizing an out-of-home child in a less restrictive setting, such as a kinship placement. Contracts were awarded to 87 providers.
4. Awarded \$1,500,000 in one-time grants to 6 providers to develop Qualified Residential Treatment Programs in September 2019, which are congregate care settings that will continue to be eligible for federal reimbursement after implementation of the law. As of November 15, 2020, 4 of the 6 providers are now accredited.
5. Standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System, including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet +6 medical necessity.
6. Integrated requirements for Qualified Residential Treatment Placements into substance abuse program standardization and a parent-skill based program that included program evaluations to obtain evidence-based ratings, planning to begin in February 2021.
8. Expanded and updated programming for Arizona Families First. Cost mitigation through agency partnerships and federal funding left a DCS General Fund cost of \$239,448.
9. Ensured DCS' existing in-home programs meet standards for being "evidence-based," which is a requirement to receive federal funding for in-home programs once FFPSA is implemented.  
(Nicole Lovato)

**Arizona Criminal Justice Commission – Report on Anti-Racketeering Revolving Fund** – Pursuant to A.R.S. §13-2314.01 and §13-2314.03, the Arizona Criminal Justice Commission (ACJC) provided its quarterly report on the activities of the Arizona Anti-Racketeering Revolving Fund (ARRF). ACJC is required to compile quarterly expenditures of the Attorney General, department, agency, county attorney, and political subdivision reports into a single comprehensive report of sources and expenditures as well as report on forfeiture orders.

In the first quarter of FY 2021, the ARRF received revenues totaling \$8.0 million and had expenditures totaling \$4.8 million. Revenues for investigating and prosecuting agencies were highest in the pass-thru account of the Attorney General at \$2.5 million. Agencies participating in Maricopa County cases accounted for the highest expenditure total in the quarter with \$2.7 million in ARRF monies spent.

In the first quarter of FY 2021, participating agencies received \$21.8 million in net collections from seized assets originally valued at \$31.4 million. Net collections were highest in the Attorney General's Office at \$15.6 million, which derived from forfeitures valued at \$24.1 million. Some assets and properties were released back to the owner, but most were retained or sold by law enforcement.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and prosecutorial agencies. Additionally, assets seized as part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes. (Ryan Fleischman)

**Arizona Criminal Justice Commission – Report on Criminal Justice Enhancement Fund** – Pursuant to A.R.S. § 41-2401C, the Arizona Criminal Justice Commission (ACJC) provided its annual report on Criminal Justice Enhancement Fund (CJEF) monies distributed to law enforcement agencies. CJEF consists of a 42% assessment on certain fines, penalties, and forfeitures imposed and collected by the courts. Laws 2018, Chapter 237 reduces this CJEF surcharge from 47.0% to 42.0% in statute and shifts funding for 2 funds from CJEF to a new \$9 penalty on criminal and civil violations, effective December 31, 2018. In FY 2020, CJEF revenues totaled \$29.9 million, an 11.2% increase from FY 2019. Total funds available for the fiscal year, including the beginning balance, interest, adjustments, and fund sweeps was \$54.8 million. FY 2020 CJEF expenditures totaled \$32.3 million; CJEF ended the year with a cash balance of \$22.5 million. (Ryan Fleischman)

**Department of Education – Report on Code Writers Initiative Pilot Program** – Pursuant to Laws 2018, Chapter 290, Arizona Department of Education (ADE) submitted its final annual report on the Code Writers Initiative Pilot Program, which supported computer science education for Native American high school students. ADE reports

## Summary of Recent Agency Reports (Continued)

that the program was discontinued in 2019. The department therefore has no new information to report on the program since last year's annual report was issued in January 2020. The program last received state funding at a level of \$500,000 in FY 2019. (Patrick Moran)

**Department of Education – Report on Adult Education Services** – Pursuant to A.R.S. § 15-232, the Arizona Department of Education (ADE) submitted its semiannual report on adult education services, including number of applicants, waitlists, and denials. During the July-December 2020 reporting period, there were 3,963 applicants, or a (51)% decline compared with the same time last year, which ADE attributes to disruption to services associated with the COVID-19 pandemic. Out of the 3,963 applicants, there were 2,799 people (71%) placed in classes, 1,114 people (29%) waitlisted, and 50 people (0%) denied enrollment because they did not provide evidence of citizenship or legal residence. Out of the waitlisted individuals, 840 people (75%) were seeking to enroll in basic or secondary education courses and 274 people (25%) were seeking to enroll in English language acquisition courses. (Patrick Moran)

**Department of Education – Report on the College Credit by Examination Incentive Program** – Pursuant to A.R.S. § 15-249.06 the Arizona Department of Education (ADE) submitted a report on the College Credit by Examination Incentive Program (CCEIP), which provides incentive bonuses to school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school. Qualifying exams include Advanced Placement (AP), Cambridge International Exams and International Baccalaureate Exams

ADE reported the following information on the program for FY 2020:

- There were 36,587 students that took a qualifying examination in the 2018-2019 school year.
- 13,505, or 37%, of students taking a qualifying examination received a passing score in FY 2019.
- There were 23,432 CCEIP bonus awards, of which 22,510, or 96%, were associated with AP exams.
- A total of \$4,990,100 in bonus awards were distributed for FY 2020, of which \$4,122,500 went to schools with less than 50% of students eligible for free or reduced-price lunch (FRPL), with the remaining \$867,600 for schools with greater than 50% FRPL eligibility.
- The average award per qualifying examination was \$200.62 for schools with less than 50% FRPL eligibility (statute allows up to \$300) and \$300.92 for schools with greater than 50% FRPL eligibility

(statute allows up to \$450). Pursuant to A.R.S. § 15-249.06C, ADE reduced the award amounts proportionally in relation to the statutory awards, as the cost of the program would have otherwise exceeded the \$5 million appropriation for the program. (Patrick Moran)

**JLBC Staff – Public Programs Eligibility Report** – As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, or other persons lawfully present in the United States, and requires semi-annual reports to the Joint Legislative Budget Committee. Below is a summary of the reports:

**Universities** – Across the 3 public universities, 206,029 students registered for fall 2020. The universities were able to verify legal citizenship or immigration status of 184,984 students. In addition, 21,045 students did not require verification because they did not request in-state tuition or receive state-supported financial aid. The universities reported no students who were unable to provide required verification of their lawful immigration status/lawful presence in the United States.

**Department of Economic Security** – Between June 1, 2020 and November 30, 2020, the department reported 6,567 applications for child care assistance. Of those, no applications were denied because applicants failed to provide the necessary documentation to meet the criteria for citizenship or legal residency.

**Community Colleges** – In the fall 2020 semester, 181,137 students were entitled to be classified as in-state by Arizona community colleges. The community colleges reported 123 students were not entitled to classification as an in-state student due to lack of citizenship or lawful presence in the United States. The community colleges received 8,433 individual applications for financial aid funded by state monies. Of those applications, none were not entitled to financial aid with state monies because the student was not a citizen or legal resident of the United States or was not lawfully present in the United States.

**Department of Education** – Between July 2020 and December 2020, the department reported that 3,963 individuals applied for instruction in Arizona Adult Education. Of these applicants, 50 individuals were denied instruction because of failure to provide acceptable evidence of citizenship or legal residence in the United States. All students must provide documentation of legal residency at the time of enrollment. The Arizona Adult Education program is funded with a combination of state and Federal Funds. (Alexis Pagel)

## Summary of Recent Agency Reports (Continued)

**Supreme Court – Report on Criminal Case Proceedings, Enforcement of Court Orders, and State Aid to Courts Fund Expenditures** – Pursuant to A.R.S. § 12-102.01D, the Supreme Court reported to the JLBC on the progress of criminal case processing projects and the enforcement of court orders including the collection of court ordered fees, fines, penalties, sanctions and forfeitures. Additionally, pursuant to A.R.S. § 12-102.02D, the Supreme Court reported to the JLBC on the expenditure of monies from the State Aid to the Courts Fund for the prior fiscal year and the progress made in improving criminal case processing.

Since 2003, the Supreme Court has contracted with an outside vendor to increase compliance with court orders, resulting in total collections of \$47.6 million from backlogged cases in FY 2020, or 0.6% above FY 2019. Additionally, the Supreme Court utilizes a debt setoff program to match outstanding criminal fines or fees to outstanding tax and governmental liabilities. Tax and lottery interceptions in the debt setoff program were \$17.4 million in FY 2020, or 20.8% above FY 2019.

Expenditures from the State Aid to the Courts Fund were \$1.9 million in FY 2020. These monies were disbursed to Superior and Justice Courts for the processing of criminal cases.

The Supreme Court reports that the funds help address specific issues with public safety, protection of victims' rights, restitution collection, and systemic overcrowding. (Ryan Fleischman)

**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 2020 report include:

- Approximately \$3.1 billion in total financial aid was provided to students.
- Of this amount, \$1.2 billion (40.2%) came from federal sources, \$1.2 billion (39.0%) came from tuition and other sources, \$632.9 million (20.6%) came from private sources and the Arizona Financial Aid Trust (AFAT) (AFAT distributed \$29.2 million of both state General Fund and institutional monies in FY 2020), and \$6.3 million (0.02%) came from state scholarships, grants and loans.
- A total of 192,982 students received aid, including 158,533 undergraduate students and 34,449 graduate students.
- Of the undergraduate students receiving aid, 53,967 received non-need-based gift aid, 104,566 received need-based gift aid, and 66,185 were

awarded need-based self-help aid. Some students received multiple types of aid.

- The average tuition paid by undergraduate resident students after aid was \$3,815 at ASU, \$2,543 at NAU, and \$4,699 at UA.
- Approximately 56.5% of ASU undergraduate students have debt, along with 55.6% of NAU undergraduate students and 48.0% of UA undergraduate students. Of those students with debt, the average undergraduate student debt per degree recipient was \$24,646 at ASU, \$21,508 at NAU, and \$25,590 at UA. (Morgan Dorcheus)

**Arizona Board of Regents/Arizona Community Colleges – Report on Articulation** – Pursuant to A.R.S. § 15-1824, the Arizona Board of Regents (ABOR) and the community colleges are required to submit an annual report by December 15 of their progress on both articulation and meeting statewide postsecondary education needs.

This year's progress in implementing the transfer model and support systems include:

- During the 2019-2020 academic year, 10,176 community college students transferred to the public university system. This is a decrease of (4.9)% from the 2014-2015 academic year.
- 54.7% of new transfer students had 60 or more credit hours transferred to a university in 2019-2020 versus 53.5% in 2014-2015.
- 56.7% of transfer students completed an associate's degree prior to transfer in 2018-2019 versus 56.0% in 2014-2015.

(Alexis Pagel)

# Arizona Economic Trends

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**January 2021**

**Appendix A**

**Page:**

**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**

**Continued Unemployment Insurance Weekly Claims**

**5.....SNAP Recipients**

**AHCCCS Recipients**

**HURF Revenue**

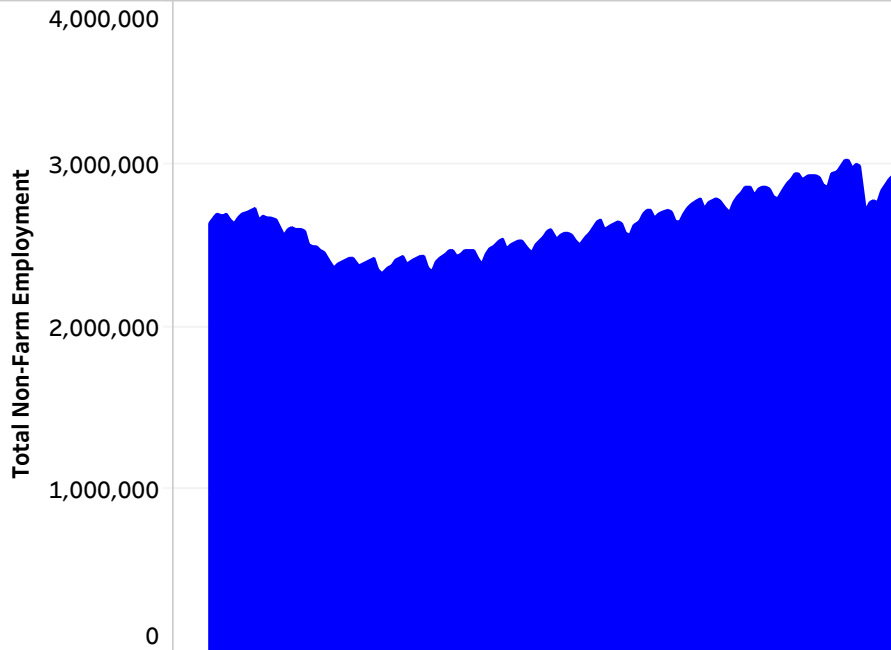
**Sky Harbor Total Passengers**

**6.....Arizona Hotel Occupancy**

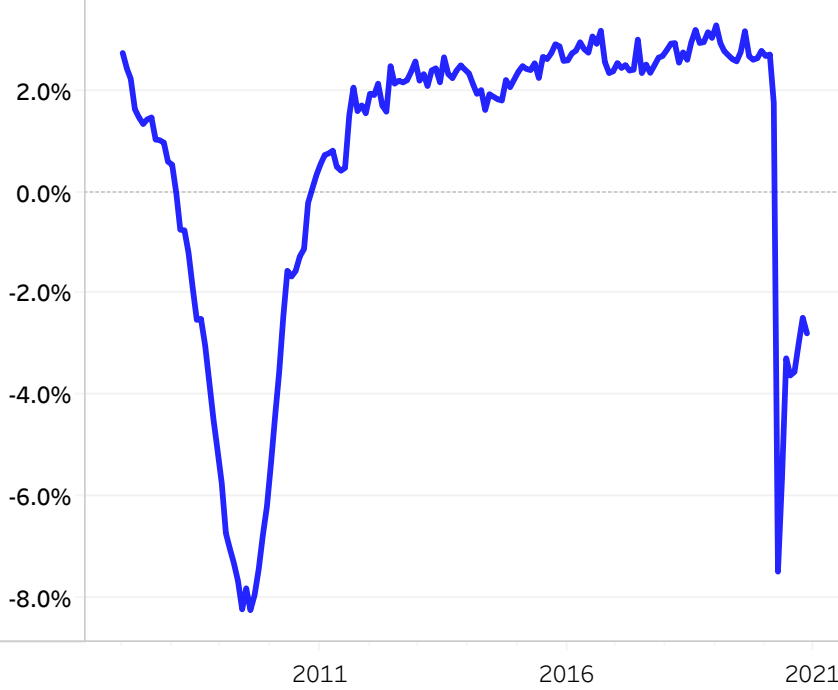
**Arizona OpenTable Daily Reservations**

***[Link to Most Recent Arizona Economic Trends Tableau Dashboard](#)***

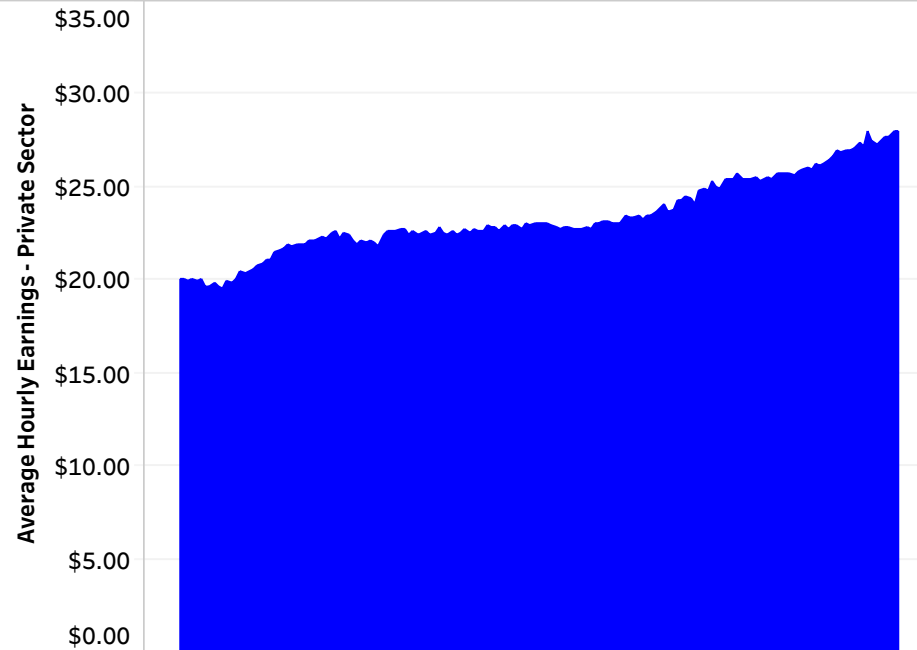
Total Non-Farm Employment



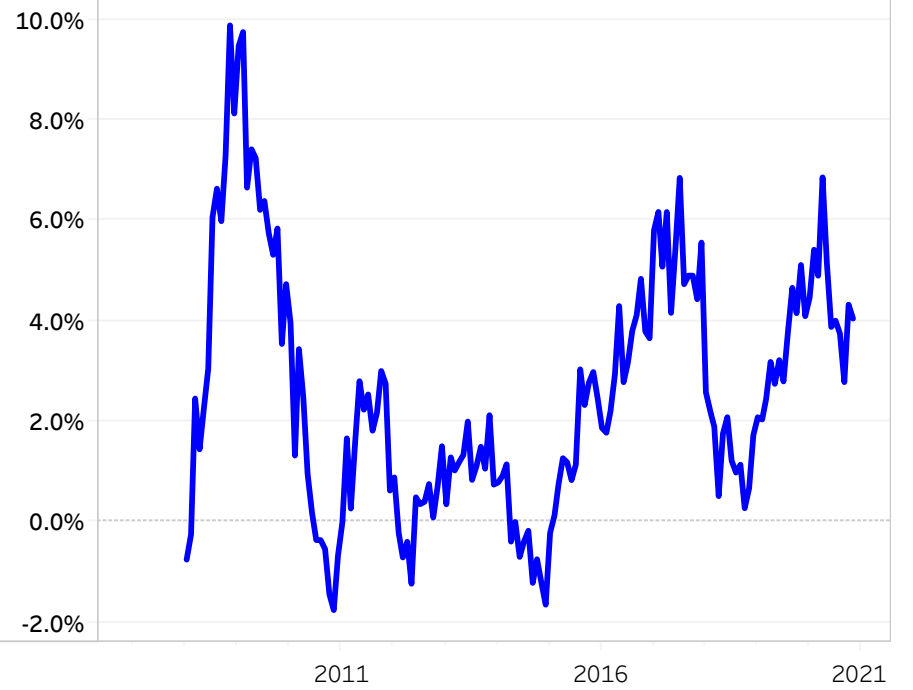
Y-o-Y%



Average Hourly Earnings - Private Sector

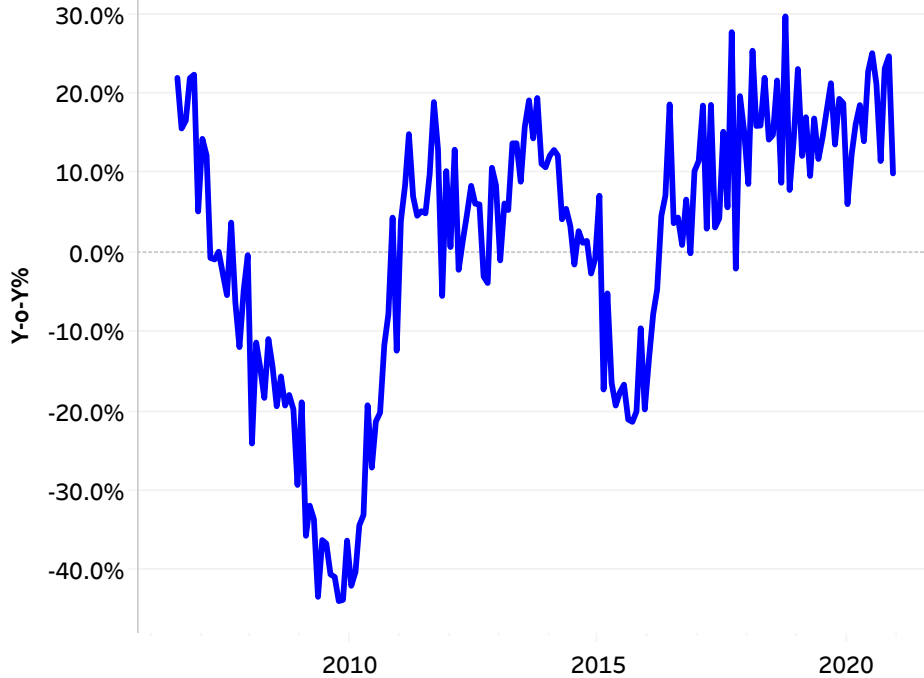
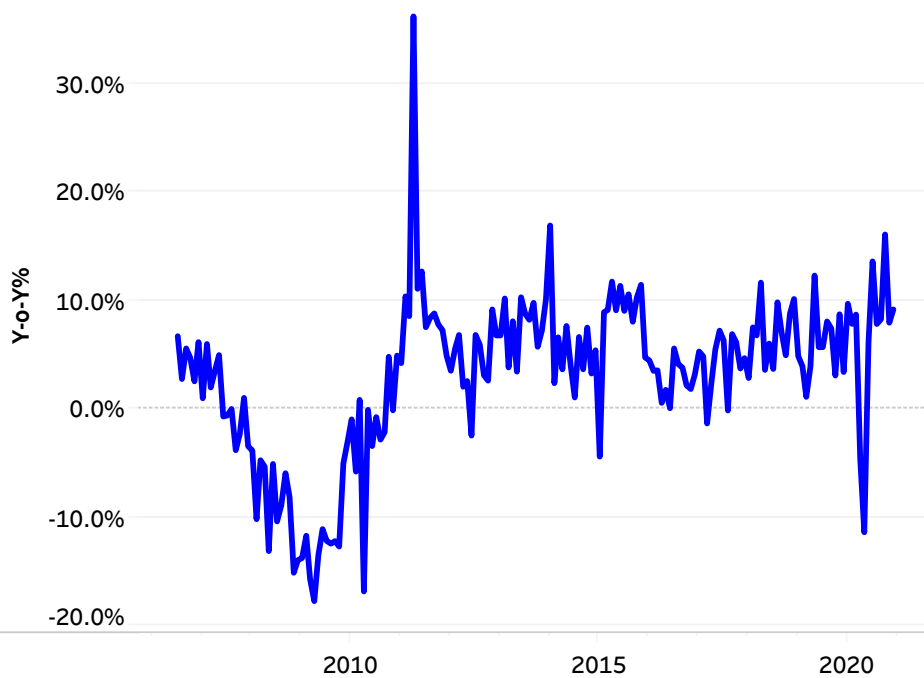
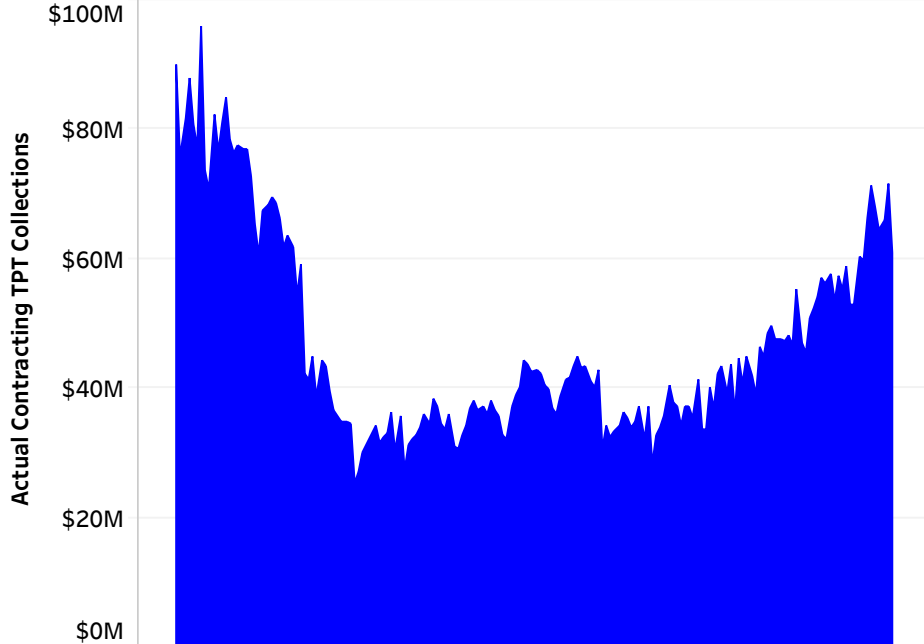
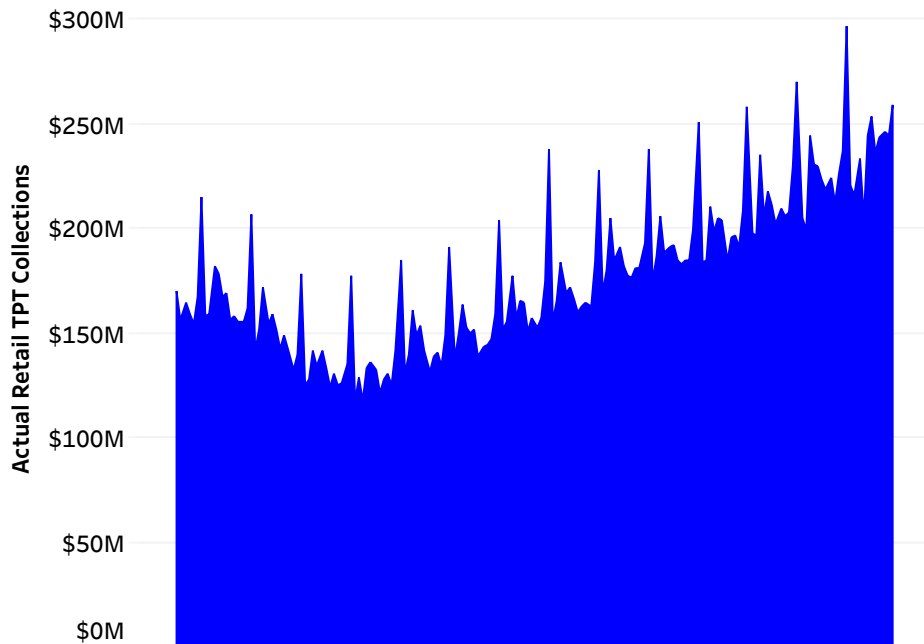


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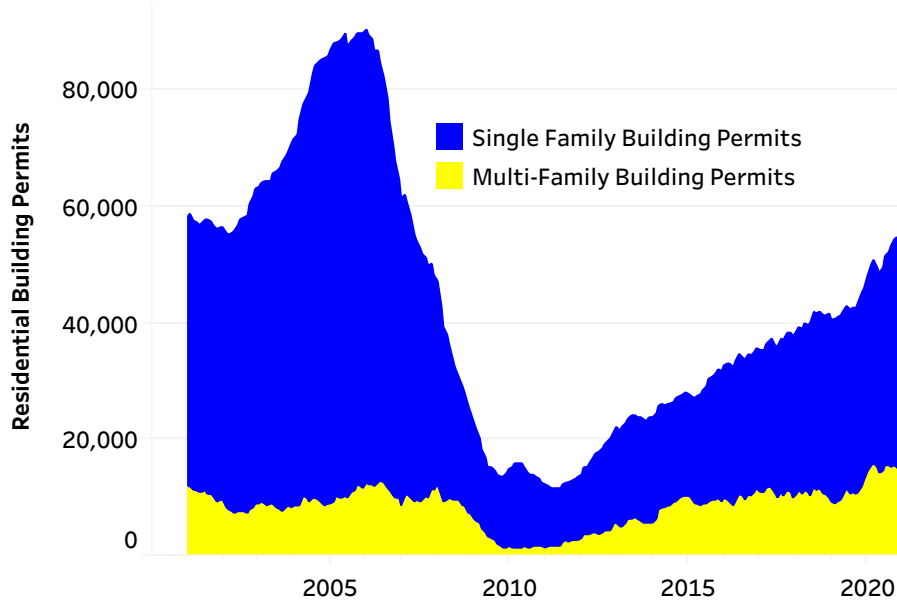


State Sales Tax Collections - Retail Category

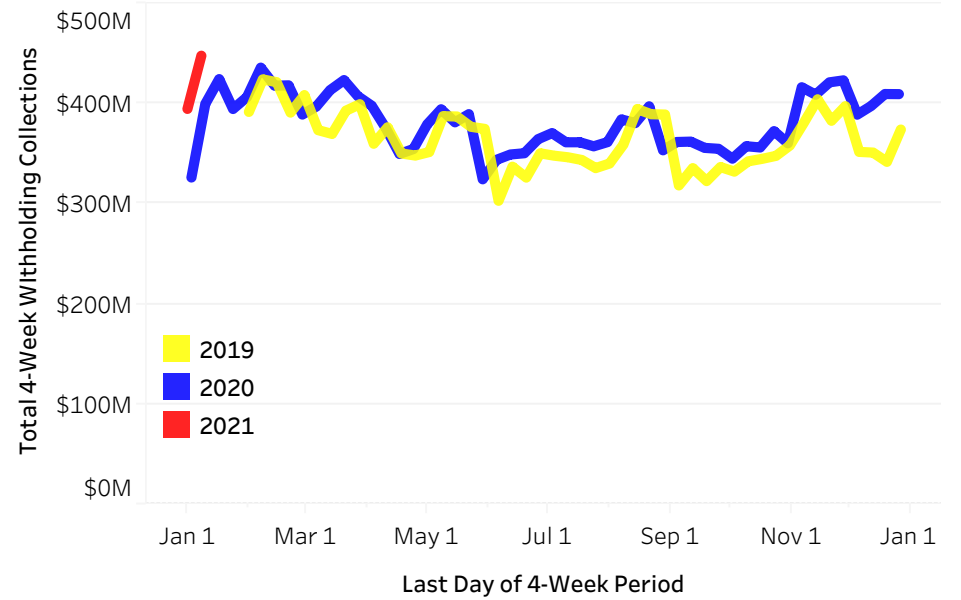
State Sales Tax Collections - Contracting Category



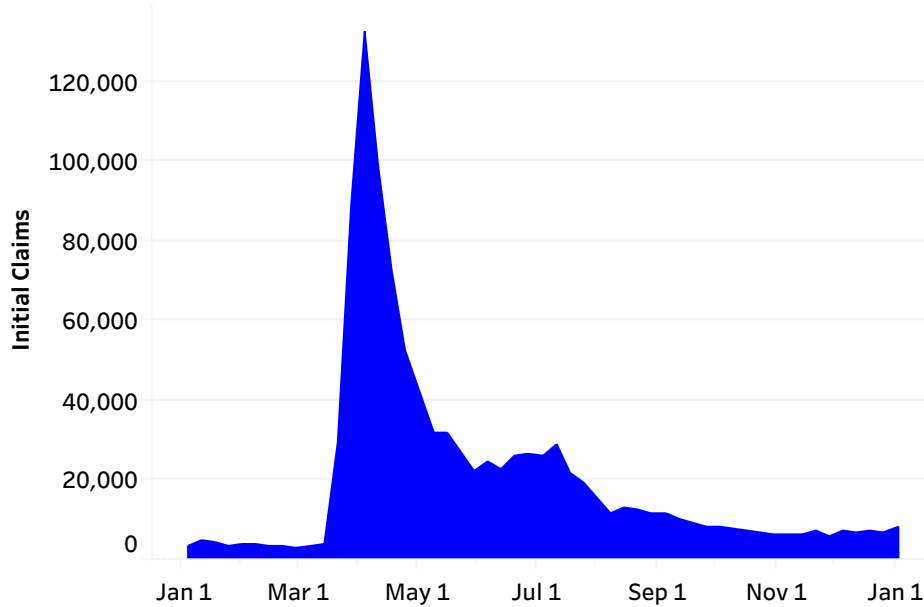
Residential Building Permits



Rolling 4-Week Withholding Total

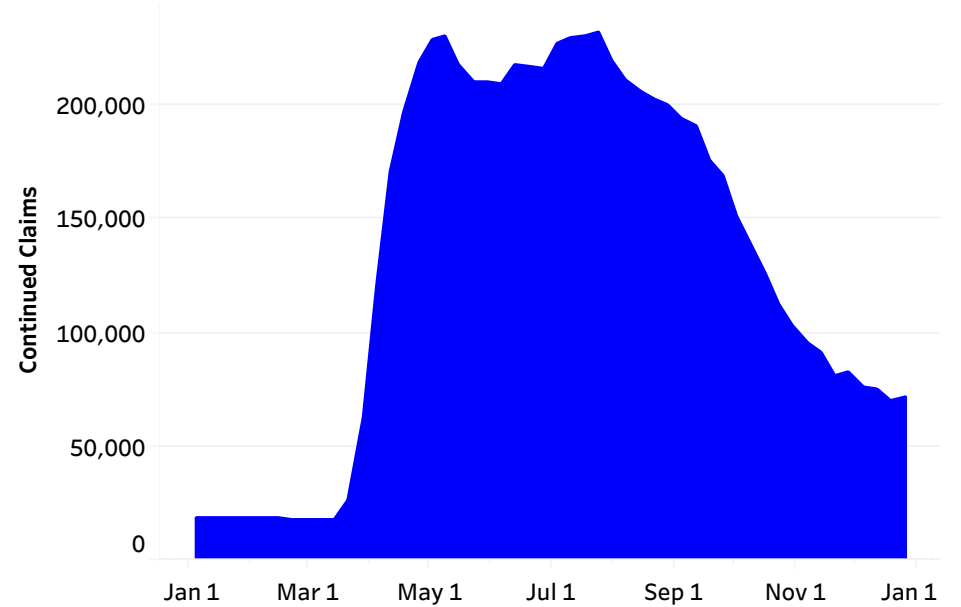


Initial Unemployment Insurance Weekly Claims



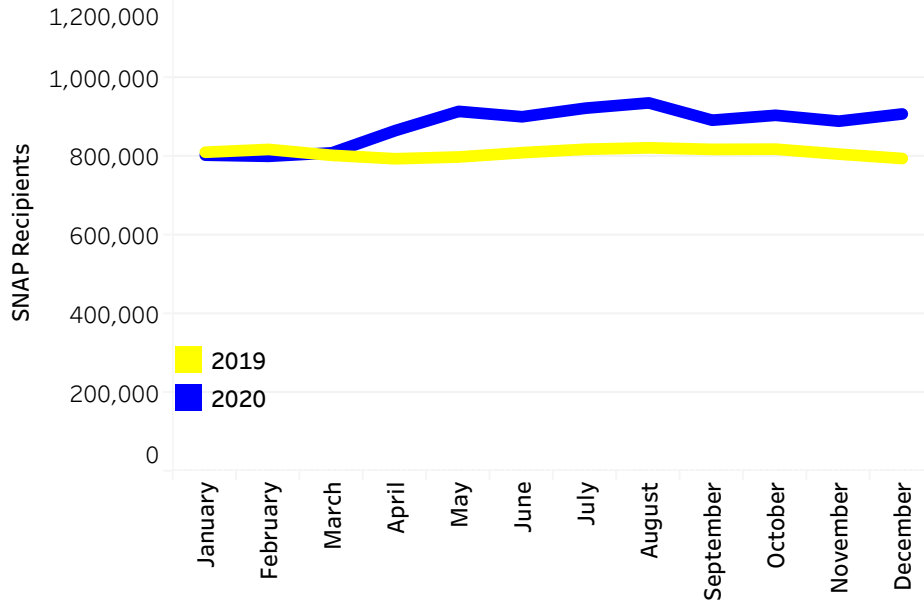
Reported Unemployment Insurance Initial Claims and Continued Claims do not include claims associated with the federally funded Pandemic Unemployment Assistance (PUA) program.

Continued Unemployment Insurance Weekly Claims

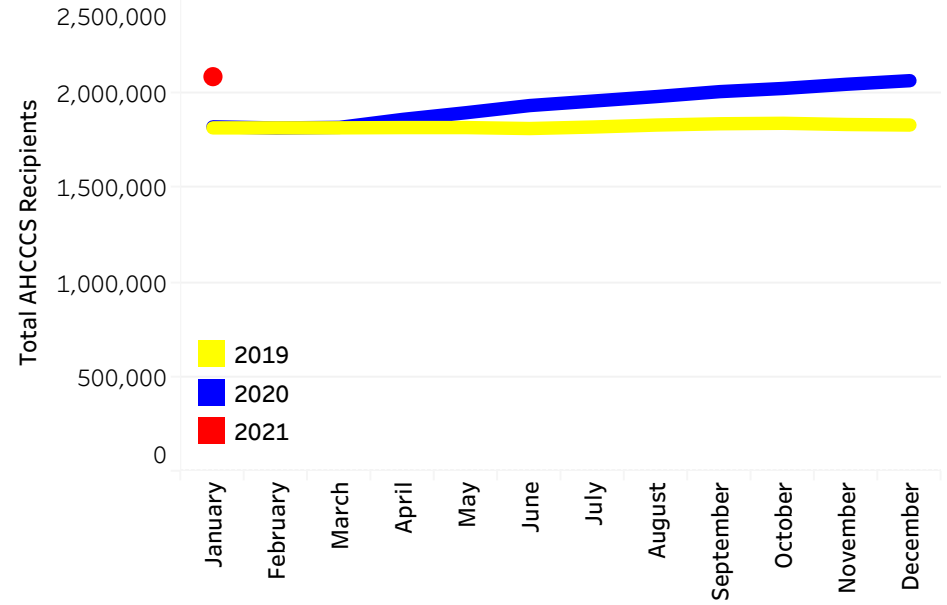


Reported Unemployment Insurance Initial Claims and Continued Claims do not include claims associated with the federally funded Pandemic Unemployment Assistance (PUA) program.

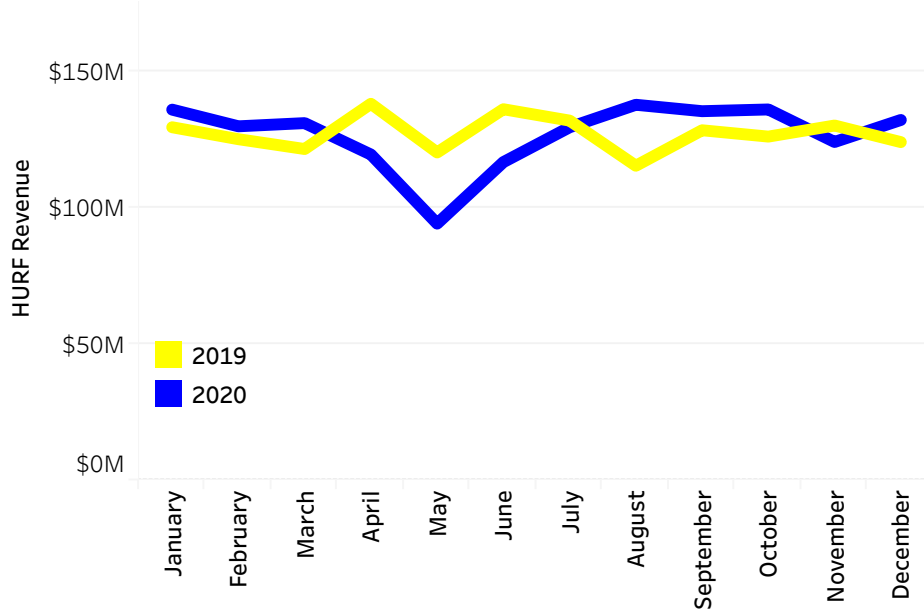
SNAP Recipients



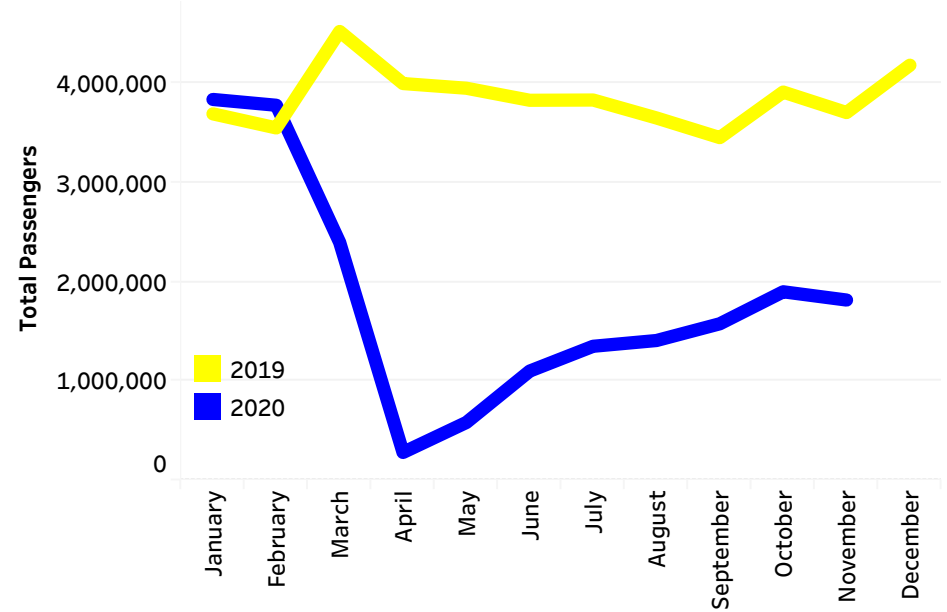
AHCCCS Recipients



HURF Revenue

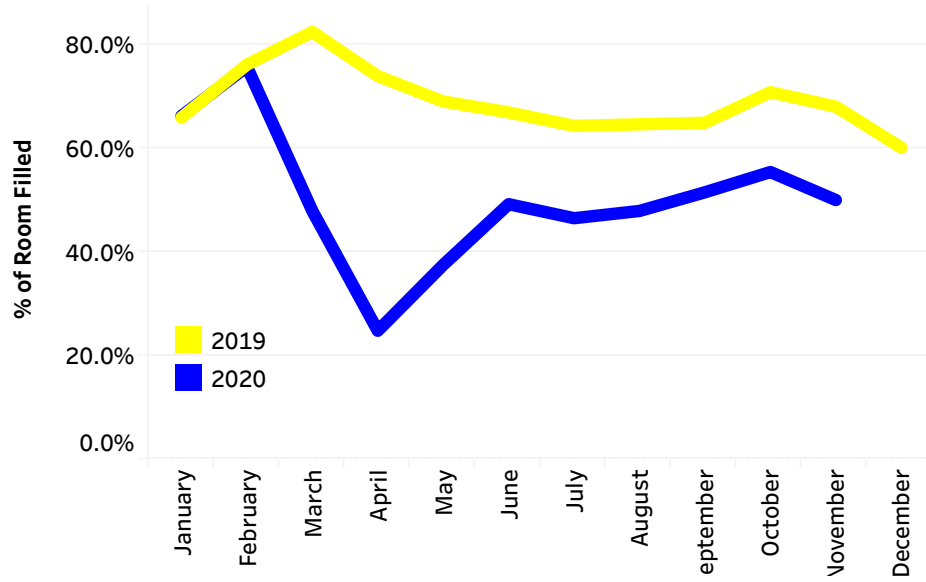


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