

1716 W. Adams
Phoenix, AZ 85007

Phone:
(602) 926-5491
Fax:
(602) 926-5416



www.azleg.gov/jlbc.htm

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Summary

April 2017 General Fund revenues totaled \$1.03 billion and were (9.7)% below the prior year. Collections for the month were \$(78.5) million below the enacted budget forecast.

Year-to-date, excluding Urban Revenue Sharing and one-time fund transfers, General Fund revenues are 1.0% above the prior year and are \$(86.1) million below forecast.

The significant decline in April revenues and the corresponding forecast loss were concentrated in the Individual Income Tax (IIT) category. The poor IIT performance was spread across the category's subcomponents:

- Withholding was \$(13.6) million below forecast – April withholding growth remained relatively flat, compared to year-to-date growth of almost 6%
- Payments declined by (4.1)%, and were \$(42.1) million below forecast. April 2017 payment growth was the lowest since April 2014.
- The dollar value of refunds increased significantly over the prior year, causing a forecast loss of \$(46.0) million.

The April data is difficult to interpret as more income tax returns are to be processed, but there are at least 2 possible causes for the monthly results.

First, the timing of income tax return processing may have artificially reduced April collections. Based on the first half of May activity, payments are higher than expected and refunds are lower than expected. As a result, we may possibly recapture half of April's revenue loss with higher May collections.

A second reason for the April IIT shortfall may involve taxpayers deferring their income to Tax Year 2017, in anticipation of potential income tax reductions. For example, taxpayers may be deferring the realization of capital gains from Tax Year 2016 (which would have been paid in April 2017) to Tax Year 2017 (which will be paid in April 2018).

Deferral of gains may help explain the (3.3)% reduction in average IIT payments since January. In addition, high investment income states (such as California and Connecticut) also experienced declines in April tax payments.

The uncertainty surrounding the April collections could begin to clear as early as next month when the primary tax filing season draws to a close, but we may not have sufficient evidence regarding the time shift of capital gains until this time next year.

April Spending

In comparison to April revenue collections of \$1.03 billion, April 2017 spending was \$634.2 million, which is an increase of \$62.4 million from the prior year.

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Arizona Economic Trends Appendix A

Summary (Continued)

FY 2017 Ending Balance

The recently enacted budget projected an FY 2017 ending balance of \$171 million. As a result, that balance provides sufficient room to cover the year-to-date revenue shortfall of \$(86) million. Based on month-to-date data, May collections appear as though they will materially shrink the year-to-date shortfall.

April Revenues

	<u>FY 2017 Collections</u>	<u>Difference From Enacted Forecast</u>	<u>Difference From FY 2016</u>
April	\$ 1,027.2	\$ (78.5)	\$ (110.6)
Year-to-Date	\$ 7,473.8	\$ (86.1)	\$ (151.1)

Sales Tax collections of \$400.3 million were 5.4% above April of last year and \$6.0 million above the forecast for the month. April tax collections reflect sales activities that occurred in March. Year-to-date, collections are up by 3.4% and are \$2.6 million above forecast.

Individual Income Tax net revenues of \$544.0 million in April were \$(85.8) million less than in the prior year and \$(101.7) million below forecast. Year-to-date, revenue has grown 3.8% over the prior year and is \$(31.4) million below forecast.

As indicated in *Table 2*, April withholding increased by 0.5% from last year and was \$(13.6) million below the forecast. The low monthly growth was partly driven by differences in the number of processing days in April 2017 compared to April 2016.

Year-to-date withholding collections are 6.4% above FY 2016. Due to technical reasons, DOR underreported withholding receipts during July – April in FY 2016. If revenues had not been underreported in the beginning of FY 2016, growth in withholding would instead equal 5.1% year-to-date in FY 2017.

April estimated and final payments of \$593.7 million were (4.1)% below last year. Year to date, payments have decreased (2.2)% compared to FY 2016 and are \$(40.3) million below the forecast.

April Individual Income Tax refunds totaled \$(369.3) million – this compares to \$(307.1) million in April 2016 and a forecasted amount of \$(323.2) million. Year-to-date refunds have led to a \$(6.3) million revenue decrease compared to the enacted forecast.

	<u>April</u>	<u>YTD</u>
Withholding	0.5%	6.4%
Estimated/Final Payments	(4.1)%	(2.2)%
Refunds	20.2%	4.6%

Corporate Income Tax net collections were \$74.8 million in April, which was \$0.4 million more than in the prior year and \$18.3 million above the forecast. Year to date, collections are \$(168.4) million below prior year collections and \$(51.0) million below forecast.

April collections had been expected to decline due to the multi-year statutory decline in the Corporate Income Tax rate. In terms of the major Corporate collections months, the state last recorded a year over year increase in January 2016.

April Revenues (Continued)

Insurance Premium Tax collections of \$30.2 million in April were \$(12.6) million below the prior year. Year-to-date, collections are 1.4% above last year and \$(18.3) million below the forecast.

Through the end of April, year-to-date **tobacco tax** revenues are (7.1)% below FY 2016 and are \$(1.3) million below forecast. Year-to-date **liquor tax** collections are 2.6% above 2017 and are \$0.4 million above forecast.

The **Lottery Commission** reports that April ticket sales were \$77.2 million, which is \$6.3 million, or 8.8%, above sales in April 2016. Year-to-date ticket sales are \$697.3 million, which is (4.9)% below last year's sales. The year-to-date decrease reflects the one-time nature of January 2016 ticket sales associated with a record-breaking \$1.4 billion Powerball jackpot. In terms of General Fund collections, year-to-date lottery revenues through April are \$3.2 million above the forecast.

Highway User Revenue Fund (HURF) collections of \$128.4 million in April were up 5.3% compared to April of last year and were \$0.5 million above forecast. Year-to-date collections are 3.3% above last year.

Due to delays in reporting final March revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For April, DOR has decreased the amount of prior General Fund revenue collections by \$(0.9) million, and the adjustment has been included in the reported year-to-date results.

Table 3

General Fund Revenue: Change from Previous Year and Budget Forecast April 2017

	Current Month					FY 2017 YTD (Ten Months)				
	Actual April 2017	Change From April 2016		Budget Forecast		Actual April 2017	Change from April 2016		Budget Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$400,318,128	\$20,562,059	5.4 %	\$5,973,415	1.5 %	\$3,711,226,062	\$121,677,998	3.4 %	\$2,620,999	0.1 %
Income - Individual	543,980,973	(85,757,443)	(13.6)	(101,724,489)	(15.8)	3,433,489,186	124,533,501	3.8	(31,415,363)	(0.9)
- Corporate	74,755,350	377,076	0.5	18,279,887	32.4	268,640,837	(168,389,046)	(38.5)	(51,049,330)	(16.0)
Property	3,215,932	(1,902,045)	(37.2)	(1,607,950)	(33.3)	24,656,770	(5,286,866)	(17.7)	(3,067,293)	(11.1)
Luxury - Tobacco	2,191,029	(51,642)	(2.3)	(330,537)	(13.1)	18,791,255	(1,435,720)	(7.1)	(1,295,254)	(6.4)
- Liquor	3,346,382	50,761	1.5	207,427	6.6	28,770,562	717,527	2.6	430,688	1.5
Insurance Premium	30,249,609	(12,615,726)	(29.4)	(12,844,394)	(29.8)	367,528,334	5,074,624	1.4	(18,259,513)	(4.7)
Other Taxes	73,947	(2,558,865)	(97.2)	(1,979,349)	(96.4)	2,664,083	(4,115,942)	(60.7)	(4,002,774)	(60.0)
Sub-Total Taxes	\$1,058,131,350	(\$81,895,825)	(7.2) %	(\$94,025,989)	(8.2) %	\$7,855,767,089	\$72,776,076	0.9 %	(\$106,037,841)	(1.3) %
<u>Other Revenue</u>										
Lottery	0	(37,428,300)	(100.0)	0	--	44,736,343	(20,236,407)	(31.1)	3,236,977	7.8
License, Fees and Permits	3,266,756	773,303	31.0	1,363,141	71.6	32,078,792	7,227,377	29.1	5,358,416	20.1
Interest	3,439	1,446	72.6	(834)	(19.5)	92,840	72,634	359.5	(92,615)	(49.9)
Sales and Services	2,109,708	903,221	74.9	461,781	28.0	26,037,483	1,999,317	8.3	(1,146,114)	(4.2)
Other Miscellaneous	10,752,976	7,965,562	285.8	9,276,805	628.4	37,593,394	13,155,281	53.8	11,769,012	45.6
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	8,283,796	3,906,855	89.3	4,390,294	112.8	29,322,524	636,229	2.2	848,237	3.0
Sub-Total Other Revenue	\$24,416,675	(\$23,877,913)	(49.4) %	\$15,491,187	173.6 %	\$169,861,376	\$2,854,430	1.7 %	\$19,973,913	13.3 %
TOTAL BASE REVENUE	\$1,082,548,025	(\$105,773,738)	(8.9) %	(\$78,534,802)	(6.8) %	\$8,025,628,465	\$75,630,506	1.0 %	(\$86,063,928)	(1.1) %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(55,298,514)	(4,828,986)	9.6	0	0.0	(552,985,140)	(48,289,863)	9.6	0	(0.0)
One-Time Transfers	0	0	--	0	--	1,191,548	(178,405,707)	(99.3)	0	0.0
Sub-Total Other Adjustments	(55,298,514)	(4,828,986)	9.6 %	0	0.0 %	(551,793,592)	(226,695,570)	69.7 %	0	(0.0) %
TOTAL GENERAL FUND REVENUE	\$1,027,249,511	(\$110,602,725)	(9.7) %	(\$78,534,802)	(7.1) %	\$7,473,834,874	(\$151,065,063)	(2.0) %	(\$86,063,928)	(1.1) %
<u>Non-General Funds</u>										
Highway User Revenue Fund	\$128,379,670	\$6,489,043	5.3 %	\$471,142	0.4 %	\$1,168,440,733	\$37,603,847	3.3 %	(\$10,863,173)	(0.9) %

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 0.7% in the first quarter of 2017. This estimate reflects a slowdown from the growth of 2.1% experienced in the prior quarter. The slowdown relative to the prior quarter was primarily due to a deceleration in consumption expenditures and decrease in inventory investment. Declining performance in these categories was partly offset by growth in exports and residential and business investment. Economists expect a portion of the slowdown in GDP growth reflects temporary seasonal variations not fully removed from the estimates.

The Conference Board's **U.S. Consumer Confidence Index** decreased by (3.7)% in April. The index fell to 120.3 during the month, which was still 27.0% above the reading in April 2016 and was the second highest level since December 2000. The monthly decrease reflected a widespread tempering of confidence in current and future economic conditions, following rapid prior month gains. Economists expect a portion of the monthly decrease was driven by a poor national jobs report and stock market volatility.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** decreased (0.2)% in March. The overall monthly decrease was driven by a (3.4)% drop in energy prices and a (0.1)% drop in core inflation (all items but food and energy). The index's year-over-year growth decreased from 2.1% in the prior month to 1.8% and now sits below the Federal Reserve Bank's (Fed) 2.0% annual inflation target.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased 0.2% in April and 2.2% above April 2016 prices. Indexes for food, shelter, energy and tobacco were primary contributors to the monthly increase. After declining in the past 2 months, the gasoline index saw a 1.2% increase, as did other major energy indexes to varying degrees. Core inflation (all items less food and energy) increased 0.1% for the month. A number of indexes decreased, including medical care, motor vehicle insurance, apparel and recreation.

The Conference Board's **U.S. Leading Economic Index** increased 0.4% in March to 126.7 and stands 3.5% above its March 2016 reading. Of the index's 10 components, 8 made positive contributions for the month. Similar to February, the Institute of Supply Management (ISM) index for new orders and interest-rate spread were strong contributors. Average weekly initial claims,

however, reversed course and made a negative contribution, as did the average workweek for production workers. Stock prices, building permits, and consumer expectations made positive contributions.

ARIZONA

Housing

Single-family housing construction is increasing. Arizona's 12-month total of **single-family building permits** is 24,791, or 4.1% more than a year ago. The comparable single-family permit growth rate for the entire U.S. is 8.8%.

The 12-month total of multi-family building permits has started to increase again. Arizona's total of 11,499 **multi-family building permits** is 26.8% more than 2016. Nationwide multi-family permits are (10.4)% lower than 2016.

Tourism

Revenue per available room was \$126.72 in March, which was 8.1% above the amount in March 2016. Strong growth in the measure may have been bolstered by spring training attendance during the month, which was 3.0% above attendance in March 2016.

Employment

According to the latest employment report released by the Office of Economic Opportunity (OEO), the state added 10,100 net new **nonfarm jobs** in April compared to the prior month. This was more than the 10-year average net job gain for April of 2,800 jobs. Most of the month-over-month job gains occurred in the Government sector (+2,600), followed by the Construction industry (+2,300)

Compared to the same month in the prior year, Arizona added 51,900 net new jobs in April, which is a year-over-year increase of 1.9%. This was the smallest such gain since September 2014. The largest year-over-year job gains in April came from the following industries: Leisure and Hospitality Services (+17,200), Education and Health Services (+11,100), and Financial Activities (+9,800).

The state's regular **unemployment rate** remained unchanged at 5.0% in April. The U.S. unemployment rate declined from 4.5% in March to 4.4% in April.

In March, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.4 hours. This workload was 0.6% above the level during the prior month. The monthly increase raised the year-over-year growth rate from (0.3)% in February to 0.3% in March.

Monthly Indicators (Continued)

The **Average Hourly Earnings** received by private sector workers was \$24.69, which is (1.4)% below the average in the prior month. March earnings were 4.1% above the average in March 2016. Year-over-year growth has now been at or above 3.0% in each month since February 2016.

The U.S. Bureau of Labor Statistics releases estimates quarterly for a broader measure of labor underutilization called the **total unemployment rate**. Besides the “regularly” unemployed, the measure also includes persons who are available to work but stopped looking for a job (“discouraged workers”), and persons who had to settle for part-time employment (“underemployed workers”).

The Arizona rate averaged 10.9% from the first quarter of 2016 through the first quarter of 2017. This rate is 0.1% above the reading issued for the prior period and represents the measure’s first increase in 3 years. The state’s 10.8% rate was the fifth highest of any state, which represented a weakening from the state’s eighth place rank during the prior period. The national average for the measure was 9.5% during the quarter.

The Office of Economic Opportunity (OEO) reported that 17,840 **initial claims for unemployment insurance** were filed in March, an increase of 0.7% compared to the same month last year.

According to OEO, the state had a total of 23,718 **claimants receiving unemployment insurance benefits** in March, an increase of 1.6% from February. This figure was (6.1)% below the March 2016 level.

State Agency Data

At the beginning of May 2017, the total **AHCCCS** caseload was 1.88 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 617,900 members.

Total monthly enrollment increased by 6,400 members, or 0.3%, during April. Traditional and Proposition 204 populations of low income parents and children collectively grew 2,400 (0.2%) during the month. The collective growth also included a recategorization of members from Traditional to Proposition 204 to correct prior month coding errors.

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 May 1,

enrollment in the program reached 19,800, or 2,600 more than the prior month’s enrollment.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In April 2016, the childless adult population increased by 200, or 0.1%. At 317,400, this population is 3.2% higher than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment increased by 100 in April and now totals 82,100 individuals. Enrollment is (4.6)% lower than a year ago. The share of this population’s cost that is funded by the federal government decreased from 100% to 95% in January.

There were 17,797 **TANF recipients** in the state in April, representing a (0.0)% monthly caseload decrease from March. The year-over-year number of TANF recipients has declined by (10.9)%. 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 April, 912,171 people received food stamp assistance in the state, representing a (1.4)% decrease over the March caseload. Compared to April 2016, the level of food stamp participation has declined by (3.8)%.

The **inmate population** was 42,269 as of April 30, 2017. This is a (1.4)% decrease since last April. The population decreased by (0.2)% since March 2017.

Based on information the Department of Child Safety provided for March 2017, **reports of child maltreatment** totaled 47,579 over the last 12 months, a decrease of (5.2)% over the prior year. There were 17,127 **children in out-of-home care** as of February 2017, or (10.1)% less than in February 2016. Compared to the prior month, the number of out-of-home children decreased by (0.3)%.

Table 4

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				
<i>Employment</i>				
- Regular Unemployment Rate	April	5.0%	0.0%	(0.4)%
- Total Unemployment Rate (discouraged/underemployed)	1 st Q 2017	10.9%	0.1%	(0.8)%
- Initial Unemployment Insurance Claims	March	17,840	18.7%	0.7%
- Unemployment Insurance Recipients	March	23,718	1.6%	(6.1)%
- Non-Farm Employment - Total	April	2,764,800	0.4%	1.9%
Manufacturing	April	161,600	0.1%	1.4%
Construction	April	139,000	1.7%	4.3%
- Average Weekly Hours, Private Sector	March	34.4	0.6%	0.3%
- Average Hourly Earnings, Private Sector	March	\$24.69	(1.4)%	4.1%
<i>Sales</i>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	February	\$952.9 million	(12.6)%	5.8%
Furniture/Home Furnishings	February	\$331.7 million	(27.7)%	3.1%
Building Material/Lawn & Garden	February	\$379.8 million	(1.9)%	11.4%
<i>Building</i>				
- Residential Building Permits (12-month avg)				
Single-family	March	24,791	1.2%	4.1%
Multi-family	March	11,499	7.0%	26.8%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	April	6,300	(5.0)%	(7.0)%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	April	\$257,095	4.6%	9.4%
- Phoenix S&P/C Home Price Index (2000 = 100)	February	165.38	0.4%	5.3%
- Maricopa Pending Foreclosures	March	3,086	(3.2)%	(26.3)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	March	24,612	(0.6)%	(11.1)%
<i>Tourism</i>				
- Phoenix Sky Harbor Air Passengers	March	4,281,381	27.7%	(0.4)%
- National Park Visitors	December	646,020	(17.0)%	7.5%
- State Park Visitors	February	256,236	32.2%	(5.6)%
- Revenue Per Available Hotel Room	March	\$126.72	21.5%	8.1%
<i>General Measures</i>				
- Arizona Consumer Confidence Index (1985 = 100)	4th Q 2016	91.7	3.7%	12.9%
- Arizona Leading Index -- 6 month projected growth	December	3.6%	(0.1)%	0.0%
- Arizona Personal Income	4 th Q 2016	\$284.3 billion	0.9%	4.6%
- Arizona Population	July 2016	6,931,071	N/A	1.7%
- State Debt Rating				
Standards & Poor's/Moody's	May	AA / Aa2	N/A	N/A
Outlook	May	Stable	N/A	N/A
<i>Agency Measures</i>				
- AHCCCS Recipients	May 1 st	1,876,009	0.3%	4.9%
Acute Care Traditional		1,081,510	(1.7)%	4.0%
Prop 204 Childless Adults		317,439	0.1%	3.2%
Other Prop 204		193,752	12.5%	6.3%
Adult Expansion		82,143	0.2%	(4.6)%
Kids Care I		19,822	14.8%	N/A
Long-Term Care – Elderly & DD		59,478	0.3%	2.6%
Emergency Services		121,865	0.8%	6.4%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	March	47,579	(0.1)%	(5.2)%
DCS Out-of-Home Children	February	17,127	(0.3)%	(10.1)%
Filled Caseworkers (1406 Budgeted)	April	1,361	7	67
- ADC Inmate Growth	April	42,269	(0.2)%	(1.4)%
- Department of Economic Security				
- TANF Recipients	April	17,797	0.0%	(10.9)%
- SNAP (Food Stamps) Recipients	April	912,171	(1.4)%	(3.8)%
- Judiciary Probation Caseload				
Non-Maricopa	February	19,078	98	469
Maricopa County	February	28,049	97	532
United States				
- Gross Domestic Product	1 st Q, 2017 (1 st Estimate)	\$16.8 trillion	1.9%	0.7%
(Chained 2009 dollars, SAAR)				
- Consumer Confidence Index (1985 = 100)	April	120.3	(3.7)%	27.0%
- Leading Indicators Index (2010 = 100)	March	126.7	0.4%	3.5%
- Consumer Price Index, SA (1982-84 = 100)	April	244.2	0.2%	2.2%
- Personal Consumption Price Index (2009 = 100)	March	112.0	(0.2)%	1.8%

JCCR Meeting

At its April 27, 2017 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona Department of Administration – Review of Funding Reallocation for 1740 West Adams Renovation – The Committee gave a favorable review of \$1,059,000 to reinforce the concrete floor slabs and structural columns inside the building. ADOA will fund the additional costs using \$791,000 in cost savings from other FY 2017 Building Renewal projects and \$268,000 from its Contingency Allocation.

Department of Juvenile Corrections – Review of FY 2017 Building Renewal Allocation Plan – The Committee gave a favorable review of review of the remaining \$776,300 of the department's appropriation for building renewal projects in FY 2017 for roof repair, floor covering systems, HVAC replacement and shower door replacement at the Adobe Mountain Juvenile Facility.

The Committee review prohibits DJC from using the building renewal monies for any building occupied by the Department of Corrections or in currently vacant buildings, and includes standard reallocation/emergency provisions.

Summary of Recent Agency Reports

Department of Child Safety – Monthly Report on Hiring – Pursuant to a FY 2017 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on its progress in hiring and retaining child safety staff through April 2017. (See Table 5 below.)

The number of direct line child safety staff (caseworkers, caseworkers in training, caseworkers awaiting training and hotline staff) was 1,361 in April, or (45) 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 7 since March.

There were also 1,398 non-direct line child safety staff in April 2017, or (113) fewer staff than the funded staffing level. The budgeted staffing level is 1,511 excluding Attorney General positions. Total non-direct line positions decreased by (6) since March. (Patrick Moran)

Arizona Commerce Authority – Annual Report on the Healthy Forest Enterprise Program – Pursuant to A.R.S. § 41-1516I, the Arizona Commerce Authority (ACA) is required to report on the Healthy Forest Enterprise Incentives Program by May 1 annually regarding the: 1)

quantity and measured weight of qualifying forest products; 2) number of new full-time employees hired in qualified employment positions; and 3) number of full-time employees employed in qualified employment positions. In calendar year 2016 the total weight of qualified harvest, processed, or transported forest products was 718,201 tons and 1 of the 9 participating companies reported the utilization of income tax credits. This company reported no new full-time employees hired in qualified positions for tax credit purposes in 2016 and 9 full-time employees in qualified positions for tax credit purposes in 2016. ACA reports that the 9 full-time employees were hired in the years prior to 2016 and may receive a tax credit subject to the Department of Revenue's approval. The maximum possible aggregate credit cost for these 9 full-time positions would be \$27,000 across all years.

The Healthy Forest Enterprise Incentives Program allows businesses primarily engaged in the harvesting, initial processing, or transporting of forest products in Arizona to qualify for the following: a use and transaction privilege tax exemption on qualified purchases, a 50% reduction in the use fuel tax, a reduction in the assessment ratio of personal and real property from 18.5% to 5%, an income tax

Table 5

DCS Filled FTE Positions as of April 2017

	<u>Funded</u>	<u>April</u>	<u>Difference</u>
Caseworkers	1,190	1,092	(98)
Hotline Staff	76	73	(3)
Staff in Training	<u>140</u>	<u>196</u>	<u>56</u>
Subtotal - Direct Line	1,406	1,361	(45)
Subtotal - Non-Direct Line Staff	<u>1,511</u>	<u>1,398</u>	<u>(113)</u>
Grand Total ^{1/}	2,917	2,759	(158)

^{1/} Excludes 276.2 Attorney General Staff.

Summary of Recent Agency Reports (Continued)

credit of up to \$3,000 per employee on new jobs created, and an income tax credit of up to \$9,000 per employee for the cost of training. (Eric Billings)

Department of Education – Budget Status Report – Pursuant to a General Appropriation Act footnote and A.R.S. § 35-131D, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2017. In that report, ADE estimates that it will experience a \$(10.4) million net funding shortfall for formula programs for FY 2017. This consists of an estimated \$(5.5) million shortfall for Basic State Aid and estimated \$(4.9) million shortfall for Additional State Aid (the Homeowner's Rebate and 1% Cap programs). ADE's current \$(10.4) million shortfall estimate is subject to revision as additional data become available. The enacted FY 2018 budget includes a \$17.1 million

supplemental to address ADE's FY 2017 shortfall. (Steve Schimpp)

Department of Public Safety (DPS) – Report on Disposition of DPS Helicopter – Report on Disposition of DPS Helicopter – At its June 16, 2016 meeting, the Joint Legislative Budget Committee gave a favorable review to DPS' expenditure plan for the Border Strike Task Force (BSTF) One-Time line item. Included in the favorable review was a provision that DPS report back to the committee regarding the amount of the proceeds received from the sale of one of their existing helicopters and how the funds were allocated. On May 11, 2017, DPS reported that the existing helicopter was traded in for credit toward the purchase of the new helicopter included in the favorably reviewed BSTF One-Time line item expenditure plan. (Eric Billings)

April Spending

April 2017 General Fund spending was \$634.2 million, which represents an increase of \$62.4 million above April 2016. (See *Tables 6 & 7*). Year-to-date, General Fund spending is \$8.22 billion, or \$155.6 million above the prior year.

As mentioned in the March *Monthly Fiscal Highlights*, the General Accounting Office (GAO) had provided JLBC Staff with spending information which included \$80 million of General Fund expenditures related to the Public School Credit Enhancement Program established by Laws 2016, Chapter 129 (FY 2017 Credit Enhancement Budget Reconciliation Bill).

Under the legislation, the Treasurer would invest \$80 million of the state's operating fund in "Program Funding Obligations" issued by the Credit Enhancement Eligibility Board which operates the program. This \$80 million, when combined with other prior funding amounts, are deposited into the Arizona Public School Credit Enhancement Fund to serve as collateral for school debt issuances.

In subsequent discussions, GAO has indicated that they do not intend to count this \$80 million amount as a General Fund expenditure and have removed it from official state spending reports.

Agency	Change From			YTD Change from FY 16
	April 17	April 16	Year-to-Date	
AHCCCS	68.1	56.3	1,426.1	435.7
Corrections	79.6	(9.8)	859.9	(10.5)
Child Safety	25.5	(16.0)	306.4	(48.1)
Economic Security	0.4	(9.2)	496.6	57.3
Education	291.8	10.7	3,571.3	137.3
Health Services	6.5	(8.8)	71.4	(505.3)
Public Safety	25.4	(1.8)	105.2	18.7
School Facilities Board	0.2	(4.0)	213.7	23.4
Universities	77.4	39.4	582.0	(4.1)
Leaseback Debt Service	0.0	0.0	84.1	0.0
Other	<u>59.3</u>	<u>5.6</u>	<u>507.5</u>	<u>51.2</u>
Total	634.2	62.4	8,224.2	155.6

General Fund Spending				
(\$ in Thousands)				
Agency	April 17	Change from April 16	Year-to-Date	YTD Change from FY 16
Dept. of Admin./Automation Projects Fund	2,544.4	1,024.9	30,718.5	10,260.9
ADOA – Sale/Leaseback Debt Service	-	-	84,117.4	2.8
Office of Administrative Hearings	112.7	(2.2)	737.1	9.5
Commission of African-American Affairs	13.2	5.8	105.0	4.4
Department of Agriculture	770.5	71.7	7,369.1	534.2
AHCCCS	68,056.5	56,307.3	1,426,115.6	435,702.0
Attorney General	2,028.0	469.5	19,383.9	770.7
State Board of Charter Schools	84.8	9.7	843.9	(61.1)
Department of Child Safety	25,493.8	(16,043.0)	306,423.5	(48,098.2)
AZ Commerce Authority	1,866.7	(341.6)	18,097.9	(4,210.1)
Community Colleges	13,834.6	1,328.1	54,477.5	3,053.7
Corporation Commission	42.1	(26.2)	714.0	206.7
Department of Corrections	79,563.0	(9,764.2)	859,902.4	(10,529.5)
County Funding	-	-	14,000.5	8,000.0
AZ State Schools for the Deaf & Blind	1,907.0	(248.3)	19,682.5	(1,597.0)
Office of Economic Opportunity	28.0	28.0	28.0	28.0
Department of Economic Security	439.8	(9,243.5)	496,640.8	57,258.9
State Board of Education	71.1	(30.5)	762.2	(246.2)
Department of Education	291,801.9	10,690.1	3,571,332.8	137,266.7
DEMA	739.0	(2,378.3)	6,821.8	(2,424.4)
DEQ – WQARF	-	-	2,823.6	(4,176.4)
Office of Equal Opportunity	18.7	(11.9)	152.6	(11.7)
State Board of Equalization	22.5	(15.2)	463.9	9.7
Board of Executive Clemency	55.0	(4.3)	634.1	(137.8)
Department of Financial Institutions	200.7	(25.6)	2,341.6	(115.3)
Department of Fire, Bldg and Life Safety	-	(228.7)	(2.4)	(1,854.2)
Department of Forestry and Fire Management	3,334.9	207.1	8,245.3	1,170.2
Department of Gaming	-	-	1,854.5	60.1
Arizona Geological Survey	-	(74.7)	-	(813.4)
Governor/OSPB	582.0	(52.3)	7,725.5	(590.8)
Department of Health Services	6,540.2	(8,832.1)	71,410.1	(505,251.3)
Arizona Historical Society	427.1	106.2	2,771.3	16.2
Prescott Historical Society of AZ	58.7	(9.9)	676.5	(92.4)
Department of Housing	109.9	109.9	759.7	759.7
Independent Redistricting Comm.	45.7	(109.9)	899.7	(637.4)
Department of Insurance	398.2	(114.7)	4,179.3	(92.7)
Judiciary				
Supreme/Superior Court	10,179.5	(485.2)	80,823.2	3,560.7
Court of Appeals	1,067.4	(116.4)	11,653.9	(106.5)
Department of Juvenile Corrections	2,233.4	1,604.7	19,040.3	(1,443.4)

Table 7 (Continued)

Agency	April 17	Change from April 16	Year-to-Date	YTD Change from FY 16
State Land Department	841.1	(300.8)	8,516.5	(664.7)
Legislature				
Auditor General	2,717.3	307.0	16,529.7	(487.5)
House of Representatives	1,118.6	26.6	11,321.3	(489.0)
Joint Legislative Budget Comm.	166.4	4.0	1,923.0	1.2
Legislative Council	380.3	(63.6)	5,591.0	319.2
Senate	744.5	120.7	7,552.1	942.9
Mine Inspector	89.7	(0.4)	954.4	1.8
Nav. Streams & Adjudication	14.0	1.3	109.4	7.6
Occupational Safety and Health Review	-	-	-	(2.5)
Arizona State Parks Board	-	(140.0)	-	(417.8)
Phoenix Convention Center	-	-	20,449.0	-
Comm. for Postsecondary Ed.	-	-	1,392.0	(4.8)
Department of Public Safety	25,415.8	(1,825.4)	105,165.1	18,722.1
Public Safety Personnel Retirement System	-	-	6,000.0	-
Radiation Regulatory Agency	294.7	(109.7)	1,522.7	(72.0)
Real Estate Department	155.0	(0.6)	2,074.9	17.1
Department of Revenue	4,243.4	2,661.4	26,381.1	(1,447.8)
School Facilities Board	217.6	(4,029.5)	213,667.4	23,408.2
Secretary of State	2,930.6	2,252.9	23,650.2	12,366.5
Tax Appeals Board	35.0	8.2	230.9	6.0
Office of Tourism	924.8	220.4	7,112.0	8.3
Department of Transportation	0.0	0.0	38.0	30.9
Governor's Office on Tribal Relations	5.1	(4.4)	39.7	(1.1)
Universities				
Board of Regents	20,854.4	19,476.4	35,632.1	15,078.8
Arizona State University	25,379.8	8,787.0	247,465.6	(9,330.7)
Northern Arizona University	8,439.7	2,487.8	84,347.6	(4,666.2)
University of Arizona	22,772.0	8,691.8	214,575.9	(5,156.5)
Department of Veteran Services	489.0	106.7	4,864.8	314.8
Department of Water Resources	1,037.8	81.7	8,923.2	(214.1)
Water Infrastructure Finance Authority	-	-	500.0	500.0
Department of Weights & Measures	-	(226.3)	0.8	(1,057.2)
Other - State Treasurer/JP Salaries	214.3	46.7	976.2	(105.8)
Other - ADOT Capital (Navajo Nation Projects)	-	-	1,500.0	1,500.0
Other - ADOT Capital (Local HURF Distribution)	-	-	30,000.0	30,000.0
Other	-	18.3	469.6	332.8
Total	634,151.9	62,403.0	8,224,203.4	155,625.8

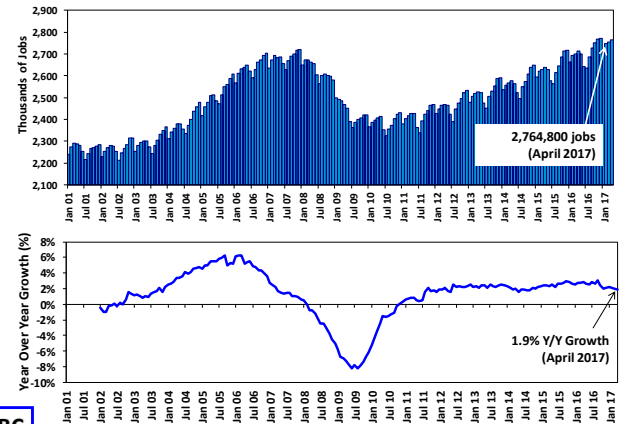
Arizona Economic Trends

May 2017
Appendix A

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- 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

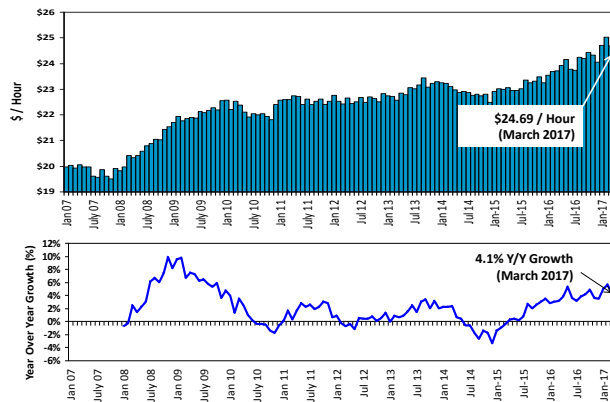
Total Non-Farm Employment



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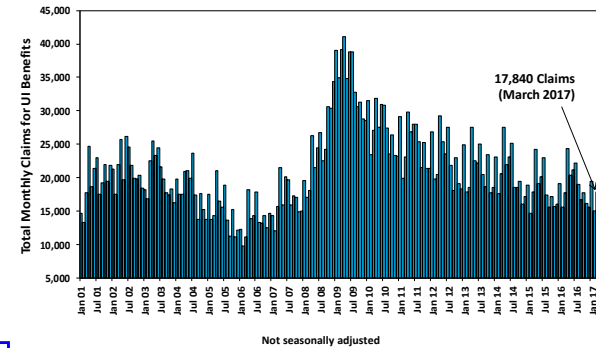
Average Hourly Earnings – Private Sector



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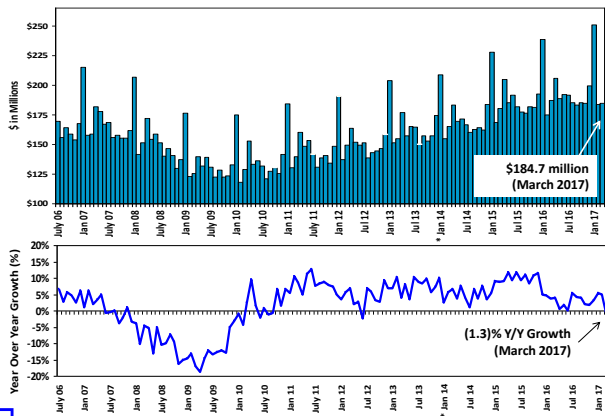
Initial Claims for Unemployment Insurance



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State Sales Tax Collections – Retail Category



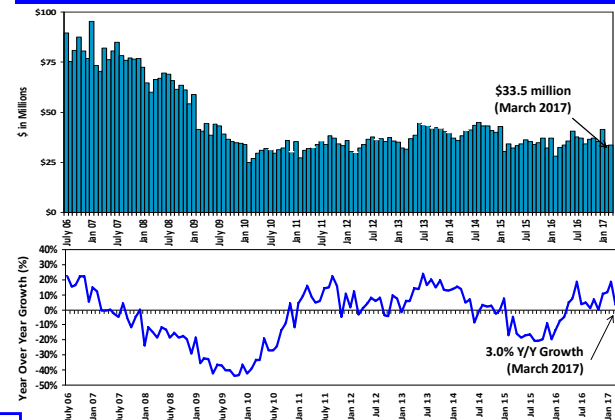
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Excludes temporary 1 c sales tax

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

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State Sales Tax Collections – Contracting Category

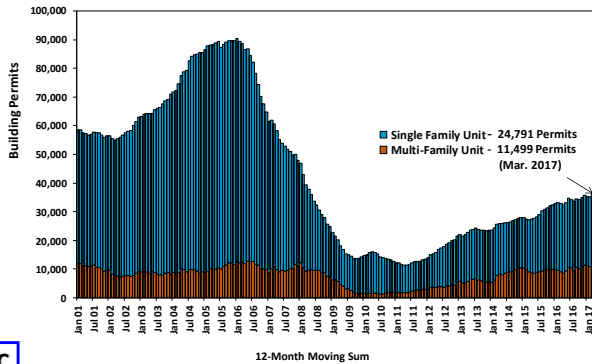


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Excludes temporary 1 c sales tax

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Residential Building Permits



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12-Month Moving Sum

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