

1716 W. Adams  
Phoenix, AZ 85007

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



[www.azleg.gov/jlbc.htm](http://www.azleg.gov/jlbc.htm)

*“December 2017 General Fund revenues were \$1.02 billion, which represents an increase of 19.5% above the prior year and \$129.7 million above the enacted budget forecast.”*

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on January 22, 2018.

## Summary

December 2017 General Fund revenues were \$1.02 billion, which represents an increase of 19.5% above the prior year and \$129.7 million above the enacted budget forecast. This level of revenues during December 2017 was the all-time highest amount of General Fund revenues collected during December in the state's history.

The significant increase in the state's revenue collection was caused by Individual Income Tax payments, which more than doubled compared to the prior year and also reached a record level for the month of December.

There are several potential reasons for the surge in Individual Income Tax payments. Taxpayers may have increased their December estimated payments to take advantage of the more generous allowance for State and Local Tax (SALT) deductions still in place for Tax Year (TY) 2017 Federal income tax filings. Recent federal tax changes will limit these deductions to \$10,000 annually beginning in TY 2018.

While taxpayers may have increased their estimated payments in December due to federal changes to the SALT deduction, this action would not affect a taxpayer's underlying TY 2017 tax liability. With no

change occurring in overall tax liability, an artificial increase in December payments due to this tax filing strategy would lead to an associated increase in refunds during the April tax filing season.

In addition, the stock market saw very healthy gains during 2017, with the Dow Jones Industrial Average Index increasing by approximately 25% during the year. In response to growing capital gains, taxpayers may have increased their estimated payments during December.

There are also more speculative potential reasons for the payment increase seen in December. It is unclear how pass-through businesses may have contributed to these gains. The income from these business entities (typically small businesses) are reported by owners on their individual tax forms – an increase in their profitability can trigger a growth in payments.

And finally, there is the possibility that the gains seen in December simply relate to a timing issue. The estimated payments were due January 15 and may have just been processed more quickly in December. The preliminary January data, however, suggests that payment growth remains strong this month as well.

## Table of Contents

### Summary

• JLBC Baseline Summary .....	2	• DCS – Court Authorized Removals .....	10
<b>December Revenues</b> .....	2	• ACJC – State Aid Report .....	11
<b>Monthly Indicators</b> .....	5	• ADE – Broadband Expansion Report.....	11
<b>JLBC Summary</b> .....	8	• ADE – Budget Status Report.....	11
<b>Summary of Recent Agency Reports</b>		• DEQ – E-Licensing Report .....	11
• AHCCCS – Inpatient Psychiatric Treatment... 8		• JLBC Staff – Public Programs Report.....	12
• AHCCCS – Arnold v. Sarn Report.....	8	• Ombudsman – Annual Report .....	12
• AHCCCS – Reconciliation Payment Report ..	9	• ABOR/Comm. College – Articulation.....	12
• AHCCCS – Hawaii Data Processing.....	9	• ABOR – Resident Student Cost Report .....	12
• DCS – Monthly Hiring Report.....	9	<b>December Spending</b> .....	14
• DCS – Report Consolidation .....	10	<b>Arizona Economic Trends</b> .....	Appendix A

## Summary (Continued)

Year-to-date, excluding Urban Revenue Sharing and one-time fund transfers, FY 2018 General Fund revenues are 6.1% above the prior year and are \$142.3 million above forecast.

In comparison to December revenues of \$1.02 billion, December 2017 spending was \$596.3 million, which is a decrease of \$(23.6) million below the prior year.

Fiscal year-to-date, General Fund revenues of \$4.84 billion have been exceeded by \$5.82 billion of expenditures.

The operating fund balance consists of the General Fund and certain dedicated funds. The operating balance as of mid-January 2018 is \$2.16 billion.

In addition to the state's operating fund, the Budget Stabilization Fund (BSF) has a balance of \$455.1 million.

### JLBC Baseline Summary

On January 12, JLBC Staff released its [FY 2019 Baseline budget](#). The Baseline reflects a consensus economic forecast and statutory funding formula requirements. The following summarizes the FY 2019 Baseline:

- For FY 2019, projected General Fund revenues are \$9.95 billion and projected spending is \$10.06 billion, leading to an estimated FY 2019 cash shortfall of \$(108) million.
- The ending balance projections exclude the state's \$455 million Budget Stabilization Fund.

In addition, the JLBC Staff has also published a comparison of the [Baseline with the Executive Budget](#).

## December Revenues

	<u>FY 2018 Collections</u>	<u>Difference From Enacted Forecast</u>	<u>Difference From FY 2017</u>
December	\$ 1,017.4	\$ 129.7	\$ 166.0
Year-to-Date	\$ 4,839.9	\$ 142.3	\$ 288.1

**Sales Tax** collections of \$388.3 million were 7.6% above December 2016 and \$11.9 million above the forecast for the month. Year to date, collections have increased by 6.0% and are \$43.6 million above the enacted budget forecast.

The 5 major categories of the state's sales tax shown in *Table 2* account for approximately 90% of total collections. December's revenue gain was largely due to the use tax and prime contracting category, which increased, year over year, by 24.5% and 15.3%, respectively.

	<u>December</u>	<u>YTD</u>
Retail	4.7%	4.6%
Contracting	15.3%	13.4%
Use	24.5%	10.0%
Restaurant & Bar	6.1%	5.5%
Utilities	(1.0)%	2.2%

**Individual Income Tax** net revenues of \$574.0 million in December were \$162.3 million more than in the prior year and \$137.2 million above the forecast for the month. Year to date, revenue has grown 10.3% over the prior year.

As indicated in *Table 3*, December withholding revenues increased by 4.6% from last year and were

## December Revenues (Continued)

\$3.4 million above the forecast. Year-to-date withholding collections are 5.4% above FY 2017.

December Individual Income Tax refunds totaled \$(3.2) million – this compares to \$(32.6) million in December 2016 and a forecasted amount of \$(25.7) million. Year to date, refunds have led to a \$1.7 million revenue increase compared to the enacted forecast.

**Table 3**

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

	<u>December</u>	<u>YTD</u>
Withholding	4.6%	5.4%
Estimated/Final Payments	116.5%	32.8%
Refunds	(90.2)%	2.7%

**Corporate Income Tax** net collections were \$37.0 million in December, which was \$(27.5) million less than in the prior year and \$(8.8) million below the forecast. Year to date, collections are \$(48.8) million below prior year collections and \$(7.6) million below the enacted forecast.

**Insurance Premium Tax** collections of \$52.2 million in December were \$2.6 million above the prior year and \$(1.1) million below the forecast. Year to date, collections are 3.1% above last year.

The **Lottery Commission** reports that December ticket sales were \$84.7 million, which is \$14.3 million, or 20.2%, above sales in December 2016. Sales during the month were boosted by high jackpots available for the Powerball and Mega Millions games. Year-to-date sales are 19.7% above the prior year. In terms of General Fund collections, year-to-date lottery revenues are \$0.3 million above the same period last year and \$4.5 million above the forecast.

**Highway User Revenue Fund (HURF)** collections of \$123.8 million in December were up 5.6% compared to December of last year and were \$1.7 million above forecast. Year-to-date collections are 3.7% above last year.

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 increased the amount of prior General Fund revenue collections by \$0.4 million, and the adjustment has been included in the reported year-to-date results.

Table 4

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

	Current Month					FY 2018 YTD (Six Months)				
	Actual December 2017	Change From December 2016		Budget Forecast		Actual December 2017	Change from December 2016		Budget Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b><u>Taxes</u></b>										
Sales and Use	\$388,327,446	\$27,275,191	7.6 %	\$11,851,844	3.1 %	\$2,308,659,423	\$130,177,160	6.0 %	\$43,592,238	1.9 %
Income - Individual	574,038,633	162,341,506	39.4	137,185,365	31.4	2,387,589,901	223,521,464	10.3	122,675,785	5.4
- Corporate	37,044,304	(27,524,457)	(42.6)	(8,753,914)	(19.1)	146,411,612	(48,800,578)	(25.0)	(7,550,551)	(4.9)
Property	1,383,304	(3,544,904)	(71.9)	(7,279,225)	(84.0)	18,522,286	398,165	2.2	(2,788,646)	(13.1)
Luxury - Tobacco	1,967,982	138,346	7.6	0	0.0	11,208,200	(99,883)	(0.9)	(426,661)	(3.7)
- Liquor	3,154,766	(58,770)	(1.8)	0	0.0	17,058,300	529,208	3.2	763,249	4.7
Insurance Premium	52,176,521	2,591,672	5.2	(1,064,560)	(2.0)	208,626,695	6,215,639	3.1	(1,068,259)	(0.5)
Other Taxes	39,553	3,121	8.6	(140,584)	(78.0)	254,162	(997,985)	(79.7)	(1,492,577)	(85.4)
<b>Sub-Total Taxes</b>	<b>\$1,058,132,511</b>	<b>\$161,221,705</b>	<b>18.0 %</b>	<b>\$131,798,926</b>	<b>14.2 %</b>	<b>\$5,098,330,579</b>	<b>\$310,943,189</b>	<b>6.5 %</b>	<b>\$153,704,578</b>	<b>3.1 %</b>
<b><u>Other Revenue</u></b>										
Lottery	6,286,112	6,286,112	--	6,286,112	--	27,065,387	321,344	1.2	4,493,472	19.9
License, Fees and Permits	2,929,073	(959,721)	(24.7)	(365,335)	(11.1)	20,680,572	2,258,413	12.3	4,817,444	30.4
Interest	3,156	(19,472)	(86.1)	(7,891)	(71.4)	266,403	95,355	55.7	149,983	128.8
Sales and Services	1,116,661	477,706	74.8	(646,155)	(36.7)	9,276,734	(1,666,612)	(15.2)	(3,033,115)	(24.6)
Other Miscellaneous	2,774,890	469,213	20.4	(548,771)	(16.5)	10,817,232	(9,800,016)	(47.5)	(10,484,295)	(49.2)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	2,856,351	(43,436)	(1.5)	(6,852,753)	(70.6)	13,869,751	(4,265,091)	(23.5)	(7,354,937)	(34.7)
<b>Sub-Total Other Revenue</b>	<b>\$15,966,244</b>	<b>\$6,210,401</b>	<b>63.7 %</b>	<b>(\$2,134,793)</b>	<b>(11.8) %</b>	<b>\$81,976,078</b>	<b>(\$13,056,607)</b>	<b>(13.7) %</b>	<b>(\$11,411,449)</b>	<b>(12.2) %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$1,074,098,754</b>	<b>\$167,432,106</b>	<b>18.5 %</b>	<b>\$129,664,133</b>	<b>13.7 %</b>	<b>\$5,180,306,658</b>	<b>\$297,886,582</b>	<b>6.1 %</b>	<b>\$142,293,129</b>	<b>2.8 %</b>
<b><u>Other Adjustments</u></b>										
Urban Revenue Sharing	(56,730,840)	(1,432,326)	2.6	0	(0.0)	(340,385,040)	(8,593,956)	2.6	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	(1,191,548)	(100.0)	0	--
<b>Sub-Total Other Adjustments</b>	<b>(56,730,840)</b>	<b>(1,432,326)</b>	<b>2.6 %</b>	<b>0</b>	<b>(0.0) %</b>	<b>(340,385,040)</b>	<b>(9,785,504)</b>	<b>3.0 %</b>	<b>0</b>	<b>(0.0) %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,017,367,914</b>	<b>\$165,999,780</b>	<b>19.5 %</b>	<b>\$129,664,133</b>	<b>14.6 %</b>	<b>\$4,839,921,618</b>	<b>\$288,101,078</b>	<b>6.3 %</b>	<b>\$142,293,129</b>	<b>3.0 %</b>
<b><u>Non-General Funds</u></b>										
Highway User Revenue Fund	\$123,775,143	\$6,520,428	5.6 %	\$1,736,173	1.4 %	\$714,655,709	\$25,800,818	3.7 %	(\$4,508,760)	(0.6) %

## 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 2017, following growth of 3.1% in the second quarter. The latest readings represented the first consecutive quarters of at least 3.0% growth since the third quarter of 2014. GDP has been bolstered by strong growth in consumption expenditures, business fixed investment, inventory investment, and exports. Increases in these categories were partly offset by decreases in residential fixed investment.

The Conference Board's **U.S. Consumer Confidence Index** decreased by (5.1)% to 122.1 in December and represented the largest monthly decrease in over 2 years. The latest reading is 7.8% above the index in December 2016, slowing substantially from year-over-year growth of 17.6% in November. The decrease in December reflected greater consumer pessimism about near-term economic expectations. Economists suggest the monthly decrease may have been temporarily caused by the then uncertain outcome of federal tax law changes.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** increased 0.2% in November. Monthly growth was primarily driven by energy prices, which rose 4.3% during the month. The index's year-over-year growth rate increased from 1.6% in October to 1.8% during the month, and is starting to approach the Federal Reserve Bank's (Fed) 2.0% annual inflation target. The index for core inflation (all items less food and energy) was 1.5% above the reading in November 2016. The Fed chose to raise short-term interest rates by 0.25% at its December meeting, under the expectation that overall and core inflation is set to gradually rise to its 2.0% target.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased 0.1% in December and increased 2.1% above December 2016 prices. The index increase is primarily due to a 0.4% increase in the shelter index, offsetting a decrease in the energy index. The monthly increase was also supplemented by a mild increase in the food index. Core inflation (all items less food and energy) increased 0.3%, and other increases include the indexes for medical care and new vehicles. The indexes for apparel, airline fares, and tobacco saw decreases for the month.

The Conference Board's **U.S. Leading Economic Index** increased 0.4% in November to 130.9 and stands 5.5%

above its November 2016 reading. The downward pressure of hurricane damage has subsided, and the index is now following a more typical growth pattern. The strongest positive contributor for the month was the Institute for Supply Management (ISM) new orders index, followed by the indexes for consumer expectations and stock prices, partially explained by potential tax cuts. The most significant negative contributor for the month was the average weekly initial claims index. Of the index's 10 components, 6 made positive contributions for the month.

### ARIZONA

#### Housing

Single-family housing construction is increasing. In November, Arizona's 12-month total of **single-family building permits** was 27,355, or 13.0% more than a year ago. The comparable single-family permit growth rate for the entire U.S. was 10.2%.

The 12-month total of multi-family building permits has been up and down. In November, Arizona's total of 10,722 **multi-family building permits** was (0.1)% less than in 2016. Nationwide multi-family permits were (0.5)% less than in 2016.

#### Tourism

**Revenue per available room** was \$74.38 in November, which was 6.1% above the amount in November 2016. **Ridership** through Phoenix Sky Harbor Airport during the month was up 1.1% compared to November 2016.

#### Employment

According to information released by the Office of Economic Opportunity (OEO), the state added 5,700 net new **nonfarm jobs** in December over the prior month. This was slightly less than the average employment gain for December in the prior 5 years, which was 6,400.

Year over year, the state added 42,500 net new jobs in December. This corresponds to a job growth rate of 1.5%. The average employment gain for all of calendar 2017 was 46,800, or 1.7%. This is the lowest number of net new jobs added in Arizona since 2011.

The state's **unemployment rate** increased from 4.3% in November to 4.5% in December. This was the first increase of the jobless rate since May 2017. The U.S. unemployment rate remained unchanged at 4.1% in December.

OEO reported that 14,339 **initial claims for unemployment insurance** were filed in December, a decrease of (7.8)% compared to the same month last year.

## Monthly Indicators (Continued)

According to OEO, the state had a total of 20,478 claimants receiving **unemployment insurance benefits** in December, a decrease of (10.5)% from November. This figure is (13.6)% below the December 2016 level.

In November, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.8 hours. This workload was (1.1)% below the level during the prior month, as well as 1.8% above the level in November 2016.

The **Average Hourly Earnings** received by private sector workers was \$25.57, which is (1.0)% below the average in the prior month. Year-over-year growth in earnings slowed from 5.7% in October to 5.1% in November, but remained above 5.0% for the fifth consecutive month.

The U.S. Department of Commerce Bureau of Economic Analysis quarterly releases estimates of annual **Personal Income** received in each state. This measure includes wages and salaries, proprietors' income, dividends, interest, rent, and various supplements to income while excluding capital gains, contributions for government social insurance, and pension benefit payments.

In the third quarter of 2017, Arizona personal income increased year-over-year by 2.4%, to \$290.2 billion. The largest component of personal income, wages and salaries, grew 1.4%. This rate reflects a slowdown from growth of 2.9% and 5.4% during the second and first quarters of 2017, respectively. Weak year-over-year wage growth does not appear to be consistent with average growth of 6.2% in average hourly earnings during the same quarter. The reasons for the divergence in the 2 measures is not clear.

The latest estimates for personal income are preliminary and subject to revision. In its most recent estimates, the Bureau of Economic Analysis revised its prior estimate of 2017 second quarter personal income growth down from 3.9% to 3.2%.

### State Agency Data

At the beginning of January 2018, the total **AHCCCS caseload** was 1.84 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 584,600 members.

Total monthly enrollment decreased by (12,600) during December and is (1.3)% lower than a year ago. The monthly decrease was spread across most populations. The Traditional and Proposition 204 populations of low income parents and children comprised the largest part of the decrease, collectively falling (9,900), or (0.8)%.

Laws 2016, Chapter 112 reopened enrollment in KidsCare program in September 1, 2016. Following the

enrollment freeze in January 2010, the KidsCare caseload had dropped to 500 members by August 2016. Through January 1, 2018, enrollment in the program reached 24,800, or 200 more than the prior month's enrollment.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In December 2017, the childless adult population decreased by (1,100), or (0.4)%. At 312,900, this population is (1.0)% lower than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment decreased by (900) in December and now totals 80,300 individuals. Enrollment is (1.8)% lower than a year ago. The percentage of this population's cost that the federal government funds decreased from 95% to 94% in January 2018.

There were 16,896 TANF **recipients** in the state in December, representing a (0.4)% monthly caseload decrease from November. The year-over-year number of TANF recipients has declined by (14.4)%. 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 December, 883,778 people received food stamp assistance in the state, representing a (1.1)% decrease over November caseloads. Compared to December caseloads last year, the level of food stamp participation has declined by (7.8)%.

The **inmate population** was 41,964 as of December 31, 2017. This is a (0.5)% decrease since November, and a (0.8)% decrease since last December.

Based on information the Department of Child Safety provided for November 2017, **reports of child maltreatment** totaled 47,575 over the last 12 months, a decrease of (1.2)% over the prior year. There were 15,774 **children in out-of-home care** as of October 2017, or (12.1)% less than in October 2016. Compared to the prior month, the number of out-of-home children decreased by (0.6)%.

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>
<b>Arizona</b>				
<i>Employment</i>				
- Regular Unemployment Rate	December	4.5%	0.2%	(0.5)%
- Total Unemployment Rate (discouraged/underemployed)	3 <sup>rd</sup> Q 2017	9.9%	(0.6)%	(1.0)%
- Initial Unemployment Insurance Claims	December	14,339	(7.7)%	(7.8)%
- Unemployment Insurance Recipients	December	20,478	(10.5)%	(13.6)%
- Non-Farm Employment - Total	December	2,815,500	0.2%	1.5%
Manufacturing	December	167,700	1.8%	3.5%
Construction	December	142,500	0.4%	6.3%
- Average Weekly Hours, Private Sector	November	34.8	(1.1)%	1.8%
- Average Hourly Earnings, Private Sector	November	\$25.57	(1.0)%	5.1%
<i>Sales</i>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	April	\$1,117 million	15.3%	5.4%
Furniture/Home Furnishings	April	\$342.9 million	4.1%	4.3%
Building Material/Lawn & Garden	April	\$463.6 million	26.6%	9.3%
<i>Building</i>				
- Residential Building Permits (12-month avg)				
Single-family	November	27,355	0.9%	13.0%
Multi-family	November	10,722	(4.7)%	(0.1)%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	November	5,286	1.6%	(1.9)%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	November	\$264,900	2.3%	9.1%
October	October	173.64	0.3%	6.0%
- Maricopa Pending Foreclosures	November	2,889	(3.6)%	(13.3)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	November	21,847	(5.3)%	(11.5)%
<i>Tourism</i>				
- Phoenix Sky Harbor Air Passengers	November	3,597,660	(1.5)%	1.1%
- National Park Visitors	September	1,539,048	(19.4)%	15.8%
- State Park Visitors	November	225,879	(8.9)%	14.9%
- Revenue Per Available Hotel Room	November	\$74.38	(10.2)%	6.1%
<i>General Measures</i>				
- Arizona Leading Index -- 6 month projected growth	November	6.1%	(1.5)%	1.8%
- Arizona Personal Income	3 <sup>rd</sup> Q 2017	\$290.2 billion	0.7%	2.4%
- Arizona Population	July 2017	7,016,270	N/A	1.6%
- 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	January 1 <sup>st</sup>	1,842,780	(0.7)%	(1.3)%
Acute Care Traditional		1,057,141	(0.7)%	(3.2)%
Prop 204 Childless Adults		312,944	(0.4)%	(1.0)%
Other Prop 204		188,088	(1.2)%	2.4%
Adult Expansion		80,306	(1.1)%	(1.8)%
Kids Care I		24,767	1.0%	85.0%
Long-Term Care – Elderly & DD		61,015	0.2%	3.6%
Emergency Services		118,519	(0.9)%	(2.4)%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	November	47,575	0.1%	(1.2)%
DCS Out-of-Home Children	October	15,774	(0.6)%	(12.1)%
Filled Caseworkers (1406 Budgeted)	December	1,321	(6)	(19)
- ADC Inmate Growth	December	41,964	(0.5)%	(0.8)%
- Department of Economic Security				
- TANF Recipients	December	16,896	(0.4)%	(14.4)%
- SNAP (Food Stamps) Recipients	December	883,778	(1.1)%	(7.8)%
- Judiciary Probation Caseload				
Non-Maricopa	October	19,255	67	276
Maricopa County	October	28,289	(302)	509
<b>United States</b>				
- Gross Domestic Product	3 <sup>rd</sup> Q, 2017	\$17.2 trillion	2.3%	3.2%
(Chained 2009 dollars, SAAR)	(3 <sup>rd</sup> Estimate)			
- Consumer Confidence Index (1985 = 100)	December	122.1	(5.1)%	7.8%
- Leading Indicators Index (2010 = 100)	November	130.9	0.4%	5.5%
- Consumer Price Index, SA (1982-84 = 100)	December	248.0	0.1%	2.1%
- Personal Consumption Price Index (2009 = 100)	November	113.5	0.2%	1.8%

## JLBC Meeting

At its January 9, 2018 meeting, the Joint Legislative Budget Committee considered the following issues:

**Arizona Department of Administration/Automation Projects Fund** – Review of FY 2018 Data Center Project (Automation Projects Fund) – The Committee gave a favorable review to \$3,405,100 in proposed FY 2018 expenditures from the Automation Projects Fund for information technology projects related to the State Data Center at the ASET Office in ADOA. The review included several provisions related to ADOA's future plans for the 1510 W Adams facility and operational savings from the data center project.

**AHCCCS** – Review of Capitation Rate Changes for Plan Years 2017 and 2018 – The Committee gave a favorable review of AHCCCS' plans to adjust capitation rates for numerous programs. In aggregate, the rate adjustments are 2.7%. This rate increase is within the 3.0% budgeted rate increase funded in the enacted FY 2018 budget, primarily due to savings associated with lower-than-expected growth in utilization and unit costs. These savings will fund \$27 million of substance abuse and behavioral health initiatives. The Committee, however, gave an unfavorable review to AHCCCS' timing of its submission as it did not comply with statutory requirements for JLBC review of new rates prior to implementation.

**Arizona Department of Education** – Review of Additional Empowerment Scholarship Account Administrative Funding – The Committee gave a favorable review of the expenditure plan for the additional \$400,000 appropriated in FY 2018 for Empowerment Scholarship Account administration. ADE indicates it will use approximately \$263,000 for salaries and benefits, \$96,000 for information technology upgrades to simplify application and expense reporting processes, and \$41,000 for indirect and capital costs.

**JLBC Staff** – Consider Approval of Index for School Facilities Board Construction Costs – The Committee gave a favorable review of a 3.12% adjustment in the cost-per-square-foot factors. The adjustment is based on the change in the Rider Levett Bucknall (RLB) Phoenix construction cost index since the cost factors were last adjusted in December 2016. The Committee has used the methodology for the last 3 years. The adjusted index does not apply to schools approved for funding in FY 2019. This adjustment will cost the state an estimated \$771,400 in total for school construction projects that start in FY 2020 based on preliminary school construction approvals by SFB.

## Summary of Recent Agency Reports

**Arizona Health Care Cost Containment System** – Report on Availability of Inpatient Psychiatric Treatment – Pursuant to Laws 2017, Chapter 309, the Arizona Health Care Cost Containment System (AHCCCS) reported on the availability of inpatient psychiatric treatment for enrollees in Arizona's behavioral health system. AHCCCS' report included the following findings:

1. There were 1,847 licensed psychiatric beds in Arizona hospitals as of 2016, a 16.2% increase compared to 2015. An average of 79% of those beds were occupied in 2016.
2. AHCCCS expended \$298.5 million in Total Funds for inpatient psychiatric stays in FY 2017, including \$87.2 million for members under 22 years of age and \$211.3 million for members 22 years of age or older.
3. There were 1,636 AHCCCS enrollees that were sent out of state for inpatient psychiatric care, including 454 members under the age of 22 and 1,182 members age 22 and older.
4. There were 905 AHCCCS members that experienced "psychiatric boarding" in SFY 2017, including 298 members under age 22 and 607 members age 22 or older. Psychiatric boarding refers to the holding of psychiatric patients in an emergency room for at least 24 hours before transferring to a psychiatric treatment setting. (Patrick Moran)

**Arizona Health Care Cost Containment System** – Report on Arnold v. Sarn – Pursuant to an FY 2018 General Appropriation Act (Laws 2017, Chapter 305) footnote, the Arizona Health Care Cost Containment System (AHCCCS) reported on its implementation of the *Arnold v. Sarn* joint agreement. The state has been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the Seriously Mentally Ill (SMI) population in Maricopa County. In January 2014, a joint agreement was filed

## Summary of Recent Agency Reports (Continued)

with the court to terminate the lawsuit, and the agreement received court approval in February 2014.

The agreement requires availability of certain behavioral health services for individuals with a serious mental illness in Maricopa County ("class members"). These services include assertive community treatment teams, peer support services, supported employment, supportive housing, and crisis services. AHCCCS continues to comply with these service capacity requirements. The agency is also working with a consultant to ensure that services are delivered in accordance with best practices prescribed by the federal Substance Abuse and Mental Health Services Administration (SAMHSA). AHCCCS estimates that the annual cost of providing *Arnold v. Sarn* services is approximately \$62 million, including \$29 million from the General Fund.

The agreement also limits the census of class members at the Arizona State Hospital (ASH) to 55 members. AHCCCS reports that there are currently 55 members receiving treatment at ASH. (Patrick Moran)

**AHCCCS – Report on Reconciliation Payments** – Pursuant to the FY 2018 General Appropriation Act (Laws 2017, Chapter 305), the Arizona Health Care Cost Containment System (AHCCCS) submitted a report on reconciliation payments and penalties made or received during the first 6 months of FY 2018. AHCCCS reports that during that 6-month period they paid a net amount of \$1.2 million from the General Fund. The net outflow of General Fund money reflects \$5.6 million in payments to limit losses of the state's Children's Rehabilitative Services contractor, partly offset by \$4.4 million in reconciliation payments and penalties received from other sources. AHCCCS also reports that it deposited a net \$5.6 million into the Hospital Assessment Fund and used a net \$17.1 million to offset Federal Medicaid Authority expenditures from reconciliation payments and penalties/sanctions during that time. DHS reports that \$0.6 million from the

General Fund and \$3.8 million from Federal Medicaid Authority in payments was returned from penalties/sanctions, net of any prior period adjustments.

AHCCCS limits financial risks and profits for health plans and Regional Behavioral Health Authorities (RBHAs) for most Medicaid populations (the maximum percentage of loss and profit varies by Medicaid population). Reconciliation payments are made by health plans/RBHAs to the state if profits exceed the set level. A penalty, or sanction, may be assessed against health plans/RBHAs for the failure to demonstrate compliance with their contractual responsibilities.

Pursuant to A.R.S. § 35-142.01, AHCCCS is required to deposit monies received for reconciliation payments and penalties received into the General Fund or the fund from which the appropriation was originally made. (Jon Stall)

**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.

This report summarizes the continued activities associated with the agreement between AHCCCS and Hawaii for Medicaid data processing. In FY 2017, Arizona received \$7.7 million in revenues from Hawaii while spending \$7.1 million for staffing and automation costs associated with implementing the agreement. During FY 2017, the balance of 2 funds used for the agreement increased by \$522,900, from \$1.9 million to \$2.5 million. (Jon Stall)

**Department of Child Safety – Monthly Report on Hiring** – Pursuant to a FY 2018 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on its progress in hiring and retaining child safety staff through December 2017. (See Table 6 below.)

**Table 6**

### DCS Filled FTE Positions as of December 2017

	<u>Funded</u>	<u>December</u>	<u>Difference</u>
Caseworkers	1,190	1,054	(136)
Hotline Staff	76	65	(11)
Staff in Training	<u>140</u>	<u>202</u>	<u>62</u>
Subtotal - Direct Line	1,406	1,321	(85)
Subtotal - Non-Direct Line Staff	<u>1,511</u>	<u>1,398</u>	<u>(113)</u>
<b>Grand Total <sup>1/</sup></b>	<b>2,917</b>	<b>2,719</b>	<b>(198)</b>

<sup>1/</sup> Excludes 276.2 Attorney General Staff.

## Summary of Recent Agency Reports (Continued)

The number of direct line child safety staff (caseworkers, caseworkers in training, caseworkers awaiting training and hotline staff) was 1,321 in December, or (85) 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 decreased by (6) since November.

There were also 1,398 non-direct line child safety staff in December, 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 increased by 8 compared to November. (Patrick Moran)

**Department of Child Safety – Report on Report Consolidation** – Laws 2017, Chapter 282 requires the Department of Child Safety (DCS) to report on consolidation of its reports to the Legislature and other stakeholders. DCS reported the following outcomes of the report consolidation process:

1. The department met with stakeholders throughout calendar year 2017 to receive feedback on and refine its proposal for report consolidation.
2. Beginning in January 2017, DCS began posting a sample of its proposed new reporting format on a monthly basis.
3. The department proposes to consolidate 2 existing semi-annual reports and a quarterly benchmark report into a single semi-annual report. Existing data elements for each report would be continued unless recommended for omission.
4. The department also recommends consolidating reports on kinship, independent living, and housing assistance into a single annual report on permanency support services.
5. DCS did not concur with stakeholder recommendations concerning enhanced reporting of behavioral health data and outcomes of cases referred to the Office of Child Welfare Investigations. The department believes that some of the data requested by stakeholders is published elsewhere or would be challenging to collect. (Patrick Moran)

**Department of Child Safety – Report on Court Authorized Removals** – Pursuant to Laws 2017, Chapter 282, the Department of Child Safety (DCS) reported on implementation of court authorized removals.

Under current law, a child may be taken into DCS custody without a court order for up to 72 hours prior to the filing of a petition for dependency with the Juvenile Court under specific circumstances outlined in statute. In

the absence of these circumstances, DCS or another interested party must file a dependency petition (which is typically prepared by an Assistant Attorney General) with the court and receive an order from the court prior to removing a child from the home.

Effective July 1, 2018, Chapter 282 continues to allow temporary DCS custody without a court order in the circumstances described above, but clarifies that a court order is required if the child is not imminently at risk of abuse or neglect in the time it would take to obtain a court order. For cases that are not eligible for temporary removal without a court order, Chapter 282 allows the court to issue an order for removal on the sworn testimony of a DCS caseworker or investigator prior to the filing of a dependency petition, called a "pre-petition" removal. A dependency petition would still need to be filed, however, within 72 hours of the initial removal of the child.

DCS and the Courts met during the summer and fall of 2017 and took the following steps to implement these new procedures:

1. The Arizona Supreme Court adopted new rules allowing DCS caseworkers and investigators to request a court-ordered removal prior to the filing of a dependency petition, effective July 1, 2018.
2. The Maricopa County Superior Court is developing an online portal through which DCS caseworkers and investigators from around the state, not just Maricopa County, may submit requests for pre-petition removals. Caseworkers would receive the ruling of the judge electronically. This online system will be financed within the Court's existing budget.
3. DCS may require its vehicles to be equipped with mobile printers to provide a printed copy of a court order for removal to parents or guardians upon removal of the child from the home. The department estimates the cost of equipping its 758 vehicles with a printer would be \$227,000, with ongoing annual costs for supplies and maintenance of \$75,000.
4. The courts hired 1.5 Court Commissioners and a Judicial Clerk to assist with the new procedures at an annualized cost of \$315,800. (Patrick Moran)

## Summary of Recent Agency Reports (Continued)

**Arizona Criminal Justice Commission – Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund** – Pursuant to A.R.S. § 41-2409E, the Arizona Criminal Justice Commission (ACJC) reported on expenditures for the prior fiscal year from the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund.

In FY 2017, the State Aid to County Attorneys Fund received revenues totaling \$727,800. ACJC reports that county attorneys, out of their \$973,700 appropriation, reported expenditures of \$914,000 in FY 2017, leaving an ending cash balance of \$554,800 in the State Aid to County Attorneys Fund. Of the \$914,000, \$876,300 was spent on salary and benefits, \$32,300 on equipment, \$2,700 for contractual services, \$1,100 on operating costs and supplies, and \$1,600 on case management software.

ACJC reports that counties used the monies in 3 main areas: additional staffing, technological purchases, and training on data systems.

ACJC also states that no prosecuting agencies reported case processing times that met the Supreme Court guidelines as no agency reported adjudicating 100% of eligible felony cases within 180 days of filing. Of the 14 agencies who provided case processing statistics, 7 reported an increase in the number of felony cases filed in FY 2017 and 12 reported an increase in the percentage of felony cases adjudicated within 180 days from FY 2016 to FY 2017.

ACJC did not distribute State Aid to Indigent Defense Fund revenues to counties in FY 2017, as they were appropriated for other non-Indigent Defense areas. (Josh Hope)

**Department of Education – Report on Broadband Expansion Fund** – Pursuant to A.R.S. § 15-249.07, the Arizona Department of Education (ADE) must report semi-annually on the status of broadband connectivity construction projects that ADE has certified to receive state matching contributions.

The FY 2018 General Appropriation Act included a one-time \$3 million appropriation to the newly-established Broadband Expansion Fund for state matching contributions for broadband construction projects for schools and libraries. Including another \$8 million raised by a temporary surcharge on consumer phone bills approved by the Arizona Corporation Commission, the \$11 million of state funds are anticipated to generate up to a 9:1 match from federal "E-Rate" funds for the projects.

ADE reports that through June 2017, it certified \$1.1 million in state matching funds for projects whose total construction costs were \$14.4 million. ADE states that these projects are resulting in broadband connectivity for 30,000 additional students across 84 sites. (ADE and the nonprofit organization Education Superhighway have previously estimated that up to 250,000 students lack broadband internet statewide). Consortia of schools and libraries in Apache and Yavapai Counties accounted for over 60 of the sites and \$809,280 of the certified state funds. (Matt Beienburg)

**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 2018. In that report, ADE estimates that it will experience a \$10.4 million net funding surplus for formula programs for FY 2018. This consists of an estimated \$20.2 million surplus for Basic State Aid and estimated \$(9.8) 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 FY 2019 JLBC Baseline includes a \$10.5 million supplemental to address anticipated shortfalls in Additional State Aid and Results-Based Funding for FY 2018. These shortfalls, however, could be offset by surpluses for Basic State Aid depending on actual enrollment growth for the year. (Steve Schimpp)

**Department of Environmental Quality – Third-Party Report on E-Licensing Project** – Pursuant to an FY 2015 General Appropriation Act footnote, the Department of Environmental Quality (DEQ) provided a quarterly update on its E-Licensing project. The vendor gave an overall favorable evaluation of DEQ's progress in incorporating recommendations from the previous third-party report. Approximately 25% of DEQ's 28,000 annual transactions are now being managed online. Customer adoption rates for myDEQ are also steadily increasing. As of December 2017, the overall average adoption rate is at 80%. The vendor continued its recommendation to create a DEQ Data Governance Board, which would make decisions relating to data management, data quality assurance, data analysis and business intelligence, and data security. The vendor also emphasized that DEQ should focus on finalizing the long planned transition of myDEQ to ADOA's cloud infrastructure. (Josh Hope)

## Summary of Recent Agency Reports (Continued)

**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** – At the 3 universities, 178,898 students registered for the fall 2017 semester. Of the total students registered, the universities were able to verify the legal immigration status of 163,868 students. Additionally, the universities reported that 18,897 of these students did not require verification because they have either not requested or received in-state tuition or state-supported financial aid. The universities reported that no students were unverifiable due to their inability to provide the requisite documentation.

**Department of Economic Security** – The department reported that 7,481 applications were received for child care assistance during the reporting period of June 1, 2017 to November 30, 2017. Of this number, 7 were denied assistance because criteria for citizenship or legal residency were not met.

**Community Colleges** – Statewide, the Community Colleges reported a total of 216,617 students classified as in-state for the fall 2017 semester. They reported 304 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 72,805 students applied for financial aid. Of those who applied, the community colleges reported that 39 were not entitled to any aid because they were not lawfully present in the United States.

**Department of Education** – The department reported that 10,361 people applied for instruction in Arizona Adult Education during the reporting period of June 1, 2017 to November 30, 2017. Of this amount, 492 were denied instruction because they failed to provide evidence of citizenship or legal residence in the United States. The Arizona Adult Education program is funded with a combination of state and Federal Funds. (Samuel Beres)

**Ombudsman-Citizens' Aide Office – Annual Report** – Pursuant to A.R.S. § 41-1376, the Ombudsman-Citizens' Aide is to submit an annual written report by January 1 summarizing their activities during the previous fiscal year (FY). The FY 2017 annual report cites examples of cases in the office's 3 focus areas: general complaints about state agencies,

Department of Child Safety (DCS) cases, and public access cases. There were 5,017 total cases in FY 2017 including 3,230 involving coaching, 1,466 needing assistance, and 321 requesting investigations. Department of Child Safety cases now account for 47.0% of the total workload. (Steve Grunig)

**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 2016-2017 academic year, 10,853 community college students transferred to the public university system. This is an increase of 7.2% from the 2011-2012 academic year.
- 52.8% of new transfer students had 60 or more credit hours transferred to a university in 2016-2017 versus 51.5% in 2011-2012.
- 55.5% of transfer students completed an associate's degree prior to transfer in 2015-2016 versus 54.0% in 2011-2012.
- Minority students accounted for 47% of new community college transfers in 2016-2017.

(Matt Beienburg)

**Arizona Board of Regents – Report on Resident Student Cost Study** – Pursuant to A.R.S. § 15-1650.03, the Arizona Board of Regents (ABOR) is required to conduct a comprehensive study to determine the actual cost of educating a full-time resident undergraduate student at each public Arizona university by December 15, 2017 and every 5 years thereafter.

ABOR reports an average annual academic cost per student, including both operating and capital costs, of \$16,813, including:

- \$8,047 in instruction related costs.
- \$2,451 in academic support (Dean's offices, libraries, academic advising, etc.).
- \$1,339 in student services (registrar, financial aid, health services, student recreation, counseling, etc.).
- \$1,276 in institutional support (office of the president, HR, finance, IT, etc.).
- \$1,474 in cash payments to students for living expenses beyond tuition (e.g. housing, meal

## Summary of Recent Agency Reports (Continued)

plans, books, etc.) as part of scholarship and fellowship awards.

- \$1,020 in capital costs and \$857 for operations and maintenance of academic buildings.
- \$349 in academic public service (activities for individuals outside the university including conferences, advisory services, UA's Biosphere, etc.).

The total includes the average costs for undergraduate and graduate students, excluding those in certain programs such as the UA Colleges of Medicine, due to the uniquely higher costs of those programs. The total also excludes costs associated with research and auxiliary functions (e.g. athletics, dining halls, etc.).

As part of the study, A.R.S. § 15-1650.03 requires ABOR to report on the following:

1. The use of instructional fees: ABOR reports that approximately 25% of courses include a course fee, which must be used for expenses directly related to the class and cannot be used for general expenditures. Combined with differential tuition and program fees (charged for specific colleges or programs such as Nursing), student fees generated \$291 million in FY 2016, or roughly 11% of gross tuition and fee revenues.
2. Differentiated costs between programs of study: Costs per student vary significantly across program and university. For example, Agriculture and Life Sciences students cost an average of \$13,153 per year to educate, compared to \$33,775 per student at ASU's School of Sustainability.
3. The costs of faculty and administration differentiated between time related to instruction versus conducting research: The universities did not provide data on the allocation of their faculty members' time nor the shares of faculty salaries that go to support instruction versus research. ABOR reported that nationwide, however, faculty and instructional staff spend approximately 58% of their time on instruction related activities, and 42% on research, administrative duties, personal growth, and service. ABOR believes Arizona faculty time allocation is likely consistent with this pattern.
4. A breakdown of the use of tuition dollars: ABOR reports that "since tuition dollars are comingled with general fund dollars, a comprehensive and isolated review of tuition expenditures is not available at this time," but adds that, "starting in FY

2019, university budget procedures will change to allow universities to track tuition expenditures separately."

5. Average and marginal costs of different programs, including online programs: ABOR reports that "at this time the universities are unable to provide separate cost data" for online and marginal costs, stating that "any cost allocations between online and on-campus programs would be arbitrary." ABOR does, however, cite a Western Interstate Commission for Higher Education (WICHE) survey in which "nearly every administrator surveyed scored each factor [of online education] the same as or more expensive than face-to-face education." (Matt Beienburg)

## December Spending

December 2017 General Fund spending was \$596.3 million, which is a decrease of \$(23.6) million below December 2016. (See Tables 7 & 8).

- Year-to-date, Department of Education (ADE) spending has increased by \$65.2 million compared to the prior year.
- School Facilities Board spending has increased by \$40.0 million so far during FY 2018 compared to the prior year. The agency received additional funding for the construction of 6 schools in the FY 2018 budget.

	General Fund Spending (\$ in Millions)			
	<u>Dec 17</u>	<u>Change From Dec 16</u>	<u>Year-to-Date</u>	<u>YTD Change from FY 17</u>
<b>Agency</b>				
AHCCCS	145.0	(14.3)	969.0	98.5
Corrections	65.6	(14.5)	542.3	22.2
Child Safety	21.6	(1.7)	186.6	(1.5)
Economic Security	6.7	10.2	501.9	38.8
Education	268.3	(4.5)	2,571.4	65.2
Health Services	5.6	(0.3)	47.6	0.5
Public Safety	2.2	0.1	48.6	3.8
School Facilities Board	0.1	0.0	211.0	40.0
Universities	58.8	3.8	354.5	15.1
Leaseback Debt Service	0.0	0.0	84.1	(0.0)
Other	<u>22.4</u>	<u>(2.4)</u>	<u>304.6</u>	<u>1.3</u>
<b>Total</b>	<b>596.3</b>	<b>(23.6)</b>	<b>5,821.6</b>	<b>283.9</b>

<b>Agency</b>	<b>General Fund Spending (\$ in Thousands)</b>			
	<b>December 17</b>	<b>Change from December 16</b>	<b>Year-to-Date</b>	<b>YTD Change from FY 17</b>
Dept. of Admin./Automation Projects Fund	1,800.4	(604.8)	22,383.2	29.5
ADOA – Sale/Leaseback Debt Service	-	-	84,115.1	(2.3)
Office of Administrative Hearings	-	(38.4)	456.3	27.1
Commission of African-American Affairs	8.9	0.7	68.6	10.6
Department of Agriculture	639.2	76.1	4,910.3	137.9
AHCCCS	145,045.6	(14,272.4)	969,002.8	98,502.4
Attorney General	1,565.5	(388.6)	12,570.6	793.0
State Board of Charter Schools	68.6	2.4	516.7	(1.0)
Department of Child Safety	21,562.5	(1,691.8)	186,590.2	(1,454.1)
AZ Commerce Authority	1,791.7	(75.0)	10,900.2	-
Community Colleges	1,569.2	1,327.7	27,903.2	2,000.9
Corporation Commission	25.7	(17.5)	1,273.8	742.4
Department of Corrections	65,563.2	(14,514.0)	542,304.9	22,157.6
County Funding	-	-	15,650.7	1,650.2
AZ State Schools for the Deaf & Blind	353.3	(1,135.2)	11,037.9	(1,704.5)
Office of Economic Opportunity	28.2	28.2	246.3	(443.6)
Department of Economic Security	6,706.0	10,228.3	501,928.6	38,769.5
State Board of Education	53.5	16.6	579.1	97.1
Department of Education	268,295.0	(4,533.9)	2,571,427.0	65,248.5
DEMA	452.0	(411.3)	5,500.4	833.8
DEQ – WQARF	-	-	2,823.6	-
Office of Equal Opportunity	12.8	3.8	95.6	(1.6)
State Board of Equalization	23.2	(0.1)	331.9	(27.4)
Board of Executive Clemency	56.5	(85.8)	508.9	103.4
Department of Financial Institutions	142.9	(59.3)	979.1	(470.0)
Department of Fire, Bldg and Life Safety	-	-	-	2.4
Department of Forestry and Fire Management	594.7	131.0	5,134.1	1,785.9
Department of Gaming	-	-	1,779.5	-
Governor/OSPB	880.5	162.9	5,904.2	874.5
Department of Health Services	5,609.8	(304.5)	47,626.6	527.5
Arizona Historical Society	174.8	46.0	1,233.8	(400.3)
Prescott Historical Society of AZ	54.9	(3.9)	421.4	16.1
Department of Housing	-	(61.0)	248.9	(203.5)
Independent Redistricting Comm.	0.2	(74.8)	0.8	(633.7)
Department of Insurance	345.0	45.5	2,679.7	204.0
Judiciary				
Supreme/Superior Court	2,234.8	(109.3)	47,984.8	844.8
Court of Appeals	1,068.0	69.9	7,063.7	131.9
Department of Juvenile Corrections	(49.8)	136.4	9,714.4	(1,585.7)

<b>Table 8 (Continued)</b>				
<b>Agency</b>	<b>December 17</b>	<b>Change from December 16</b>	<b>Year-to-Date</b>	<b>YTD Change from FY 17</b>
State Land Department	609.4	4.1	5,940.9	478.2
Legislature				
Auditor General	1,599.4	239.7	10,800.3	1,014.3
House of Representatives	1,178.1	65.6	6,667.9	402.0
Joint Legislative Budget Comm.	170.2	11.5	1,243.2	88.7
Legislative Council	393.4	(188.5)	3,294.9	(117.4)
Senate	676.7	3.0	4,389.7	129.6
Mine Inspector	75.9	(1.6)	605.3	20.5
Nav. Streams & Adjudication	8.8	3.8	66.5	0.2
Phoenix Convention Center	-	-	22,499.0	2,050.0
Comm. for Postsecondary Ed.	-	-	823.4	127.1
Department of Public Safety	2,178.5	132.3	48,591.8	3,778.0
Public Safety Personnel Retirement System	-	-	6,000.0	-
Radiation Regulatory Agency	55.0	(49.1)	622.8	(405.2)
Real Estate Department	153.5	8.5	1,317.5	(72.8)
Department of Revenue	1,619.0	220.6	15,008.9	(275.5)
School Facilities Board	102.6	23.1	210,966.6	39,972.2
Secretary of State	531.4	(2,042.1)	7,943.4	(8,354.9)
Tax Appeals Board	-	(0.2)	136.5	2.0
Office of Tourism	-	-	4,978.4	71.4
Department of Transportation	0.7	0.7	28.2	27.5
Governor's Office on Tribal Relations	0.8	1.9	14.2	(14.8)
Universities				
Board of Regents	498.4	(30.6)	5,536.7	(7,370.3)
Arizona State University	26,688.3	2,012.1	160,129.5	12,072.3
Northern Arizona University	9,051.1	614.7	54,306.4	3,737.7
University of Arizona	22,526.9	1,215.4	134,519.3	6,650.0
Department of Veteran Services	450.1	80.4	2,760.5	(67.4)
Department of Water Resources	1,050.0	272.3	7,918.5	2,672.9
Department of Weights & Measures	-	-	(1.0)	(1.0)
Other - State Treasurer/JP Salaries	4.4	4.4	487.3	109.3
Other - ADOT Capital	-	-	-	(1,500.0)
Other	-	(119.5)	62.5	62.5
<b>Total</b>	<b>596,299.5</b>	<b>(23,623.5)</b>	<b>5,821,556.0</b>	<b>283,850.5</b>

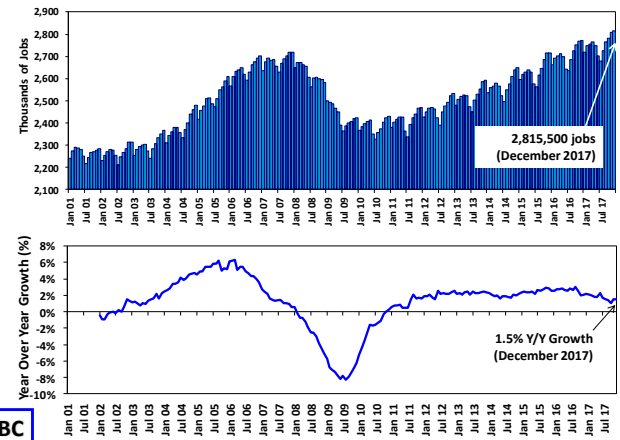
## Arizona Economic Trends

January 2018  
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

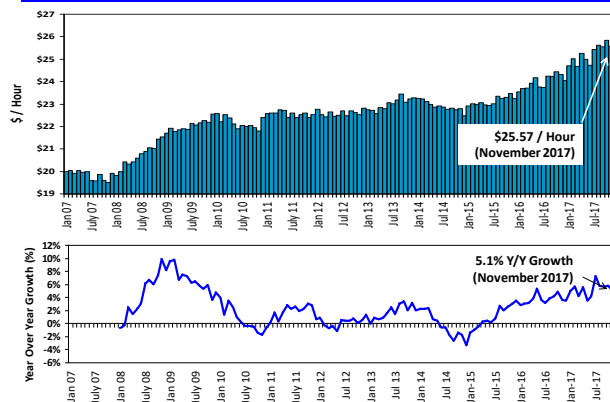
## Total Non-Farm Employment



JLBC

2

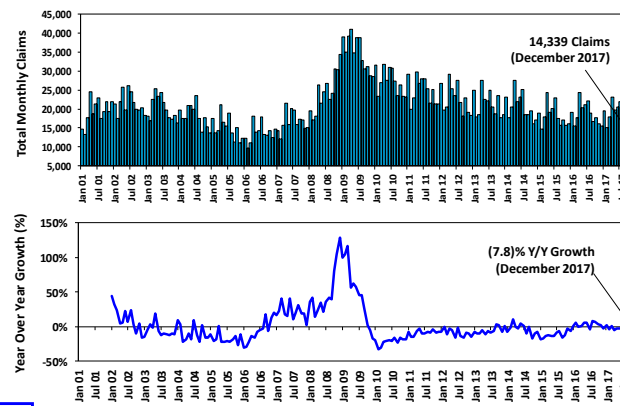
## Average Hourly Earnings – Private Sector



JLBC

3

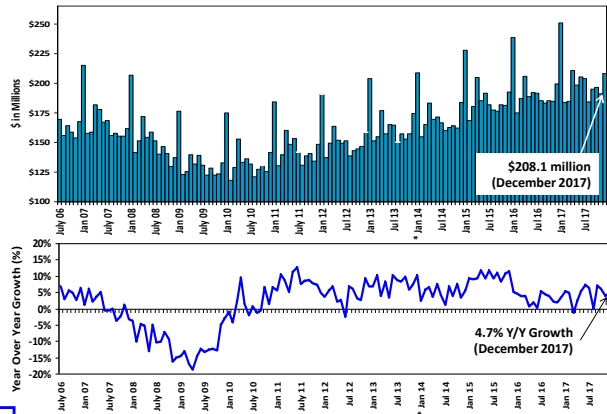
## Initial Claims for Unemployment Insurance



JLBC

4

## State Sales Tax Collections – Retail Category



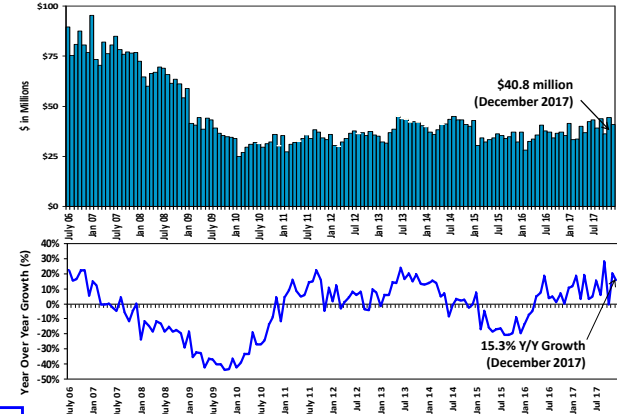
JLBC

Excludes temporary 1 c sales tax

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

5

## State Sales Tax Collections – Contracting Category

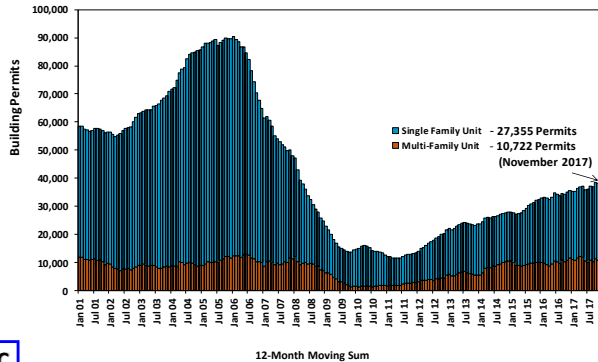


JLBC

Excludes temporary 1 c sales tax

6

## Residential Building Permits



JLBC

7