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“Year-to-date, revenues are (17.9)% below the prior year, and \$(376.2) million below the budget forecast”.

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on November 30, 2009.

Summary



General Fund spending exceeded revenues by \$644 million in October. Fiscal year-to-date, General Fund revenues are \$2.26 billion compared to spending of \$3.91 billion, for a 4-month deficit of \$(1.65) billion.

October was another very poor revenue collection month. October General Fund revenue collections were \$455.5 million. Excluding budgeted transfers and Urban Revenue Sharing, October collections were (23.8)% below the prior year, and \$(142.4) million below the budget forecast. (See Table 1 below and Table 5 on page 7 for more information.)

Year-to-date, revenues are (17.9)% below the prior year, and \$(376.2) million below the budget forecast.

In comparison, October 2009 General Fund spending was \$1.1 billion. October expenditures were inflated due to a one-time \$116 million cash balances reimbursement by the Arizona Department of Education (ADE) which was made in October. Year-to-date spending is (\$372.6) million less than the prior year.

The net October shortfall weakened the state's cashflow and increased the level of daily borrowing. The state pays its bills out of the operating fund balance, which consists of General Fund and certain dedicated funds. To cover last year's \$480 million shortfall and

this year's \$1.6 billion shortfall in the General Fund, the state has already effectively borrowed all of the state's approximately \$1.6 billion in dedicated funds in the operating balance. Having exhausted that source, the state literally borrowed as much as \$450 million in October from other dedicated accounts to pay its General Fund bills. These latter sources, known as "Pool 3," are dedicated funds which retain their interest earnings.

November cashflow has declined further from October. For the month of November, the highest daily borrowing was \$546 million on November 23 and the average daily balance was \$(431) million.

The Treasurer's current capacity to borrow against the Pool 3 interest-bearing accounts is approximately \$600 million. Since the level of daily borrowing (\$546 million) is bumping up against capacity, the Treasurer has just entered into an agreement to borrow commercially for as much as \$700 million. (See page 3 for further details.) Between the servicing bank and the use of the state's own dedicated funds, the state could borrow as much as \$1.3 billion daily (on top of using the \$1.6 billion in the operating fund) to pay its bills.

In November, the state also began to reduce the size of its shortfall by enacting a \$450 million budget package in the 4th Special Session.

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Summary (continued)

	FY 2010 Collections	Difference From Budget Forecast	Difference From FY 2009
October	\$ 455.5	\$ (142.4)	\$ (144.1)
Year-to-Date	\$ 2,258.9	\$ (376.2)	\$ (624.5)

Prior to the Special Session, the estimated year-end budget shortfall was \$(2.0) billion. The Special Session has reduced the year-end shortfall estimate to \$(1.6) billion. The continuing weakness in revenues, however, may result in the shortfall once again increasing.

This issue of the [Monthly Fiscal Highlights](#) also includes:

- An update on Highway User Revenue Fund (HURF) collections, which are down (9.1)% compared to the first 4 months of last year (see page 5).
- An update on Lottery sales. Lottery ticket sales are up, however distributions to state beneficiaries are down due to increased prize payouts (see page 5).
- A summary of the November 19th JCCR meeting (see page 13).

FY 2010 Revenues

The (23.8)% decline in October revenues reflects the 15th consecutive month of double-digit declines in General Fund revenue collections compared to the prior year.

Among the major revenue categories:

- October sales tax collections were down (17.6)% compared to October 2008, and were \$(42.3) million short of the monthly forecast. Year-to-date, sales tax collections are down (17.2)% from the prior year, and are \$(114.4) million below forecast.
- October individual income tax collections were down (34.6)% compared to October 2008, and were \$(91.7) million below forecast. October has significant income tax activity as individuals with a 6-month extension file their returns. Replicating the April results, the level of refunds was higher than anticipated.
- October corporate income tax collections were \$(10.3) million below the forecast for the month. Year-to-date, corporate collections are down (35.5)% from the prior year, and are \$(55.5) million below forecast.

FY 2010 Spending

October 2009 spending of \$1.10 billion was (\$119.9) million below October 2008. For the year-to-date, spending of \$3.91 billion is (\$372.6) million below 2009 (See *Table 2*). The main highlights were:

“For the year-to-date, spending... is \$(372.6) million below 2009”.

Agency	Oct 09	Change from Oct 08	Year to Date	YTD Change from FY 09
AHCCS	114.4	(25.1)	571.3	(25.0)
Corrections	90.1	14.7	283.0	(18.3)
Economic Security	80.3	(19.2)	409.0	(127.8)
Education	509.4	135.9	1,592.7	96.0
Health Services	120.6	(189.8)	273.5	(182.0)
Public Safety	(4.6)	(8.4)	38.3	15.2
School Facilities Board	0.9	(20.0)	82.0	(118.0)
Universities	82.7	(12.2)	403.9	35.6
Other	106.0	4.2	312.7	(48.3)
Total	1,099.8	(119.9)	3,912.4	(372.6)

Summary (continued)

“Given the on-going weakness in receipts, the \$1.6 billion General Fund shortfall estimate may rise again by January when the revenue estimates are updated. ”

- The Arizona Department of Education (ADE) has spent \$1.59 billion year-to-date in 2010, or \$96 million more than 2009. In October, ADE spending was \$135.9 million higher than the prior year. This increase was due to a one-time \$116 million cash balances reimbursement being paid in October. In FY 2009 the state required school districts to use a portion of their cash balances in lieu of a \$300 million state aid payment. After a final accounting, districts were able to use \$184 million in cash balances, thereby leaving the state to backfill the remaining \$116 million. Adjusting for this issue, federal stimulus savings of \$321 million, and an extra rollover payment of \$282 million, the ADOA figures suggest that ADE’s spending on an equivalent basis was \$19 million above FY 2009 levels.
- AHCCCS spending was \$(25) million below October 2008. This is generally consistent with the FY 2010 budget assumption that caseload growth in Medicaid spending would be offset by enhanced federal match from the federal stimulus legislation.
- The Department of Health Services (DHS) \$(190) million October spending reduction is probably misleading, and due to a technical reporting issue in FY 2009. Prior to October, DHS spending was slightly above the FY 2009 level.

FY 2010 Status

In last month’s MFH, the size of the FY 2010 budget shortfall was estimated at \$(2.0) billion.

The recently-completed 4th Special Session legislation had a total fiscal impact of \$452 million, of which \$423 million will directly reduce the FY 2010 shortfall. As a result of the \$(423) million in new budget savings, the 4th Special Session actions are estimated to reduce the \$(2.0) billion shortfall to \$(1.6) billion.

For more information see <http://www.azleg.gov/jlbc/4thspecialsessionifscalimpact.pdf>.

The \$423 million in budget savings includes:

- \$130 million in revenue changes. Most of these changes are one-time in nature, such as an estimated \$73 million from accelerating the deposit of unclaimed

property into the General Fund and \$28 million from additional revenues generated from a 5-year vehicle license tax renewal option.

- \$293 million in spending reductions, including \$(137) million in the Department of Education and \$(155) million in the Department of Economic Security (DES). Of the DES reductions, \$(25) million is one-time.

In addition to these changes, the 4th Special Session also generated \$29 million of non-General Fund revenue for agencies to offset General Fund reductions their budgets. Passage of the legislation allows the state to avoid adding \$29 million from the General Fund to backfill the agency budgets.

Given the on-going weakness in receipts, the \$(1.6) billion General Fund shortfall estimate may rise again by January when the revenue estimates are updated. The current shortfall estimate is based on a projected (8.7)% reduction in overall FY 2010 revenues. If this forecast is to be met, revenues can only fall by (2.4)% in the remaining 8 months after the (17.8)% first trimester decline.

Given that revenue began to decline dramatically in the second half of FY 2009, we do not anticipate that the double digit declines will continue past January. At the same time, however, limiting the revenue decline to (2.4)% seems too optimistic.

Daily Operating Borrowing

On November 24, the State Treasurer’s office signed a contract with Bank of America to purchase up to \$700 million of Treasurer’s Warrant Notes (TWNs). This daily borrowing facilitates the state’s cashflow issues, but does not address the budget shortfall.

As the State’s overnight borrowing method, TWNs are used when the operating fund balance is negative. The operating fund is used to pay the state’s obligations and consists of the General Fund and non-interest earning dedicated funds. The larger dedicated funds include AHCCCS interagency accounts, the state employee health self-insurance pool, the Risk Management Fund, the Land Department’s clearing accounts, and University Collections funds. The operating balance may also

Summary (continued)

“With this new commercial loan, the state’s borrowing capacity could expand to approximately \$1.3 billion--\$700 million commercially and \$600 million internally”.

temporarily include interest earning funds which are divested to the operating fund for purposes of bill paying.

The level of the operating fund balance varies daily as funds are divested and obligations are paid. Recently, the non-General Fund balances were typically between \$1.2 billion and \$1.6 billion. At the same time, however, General Fund spending exceeded revenues by \$(2.1) billion - \$(480) million from FY 2009 and \$(1.6) billion year-to-date in FY 2010. As a result, the General Fund has effectively “borrowed” all of the non-General Fund portion of the operating fund obligations. Since all these monies are combined together in the operating fund, it does not technically constitute a loan.

With a shortfall of \$(2.1) billion and operating balances of \$1.6 billion, the Treasurer has been using other internal funds outside the operating fund to pay state obligations.

Prior to the bank contract, the Treasurer was borrowing from the state’s interest-bearing dedicated accounts, which are kept in a separate pool of funds (“Pool 3”) from the operating fund balance. Beginning last spring, the funds were borrowed on a daily basis and repaid the next day to Pool 3. If insufficient funds were deposited into the operating fund on that following day to repay the obligation and pay any new bills, the state once again issued a new daily set of TWNs. This borrowing was done at an interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) Auction Rate 1-Month Index, which has varied between 0.59% and 1.53% (59 to 153 basis points) in the current fiscal year.

The larger Pool 3 funds include the Early Childhood Development and Health Board balances, the Parks Board’s Land Conservation Fund, the Heritage Fund, and the DES Long Term Care System Fund. The State Board of Investment limits the borrowing from Pool 3 to 50% of the approximately \$1.2 billion balance, or about \$600 million. On November 24, the state approached that limit, issuing a \$546 million TWN.

With the state approaching its internal borrowing cap the Treasurer has sought a new financing source. Under the new

commercial bank contract, the state will pay a variable interest rate determined by the current credit rating, market conditions and how much we borrow any given day. The TWNs can be issued as either taxable or non-taxable instruments. With the state’s current credit rating, the taxable rate is calculated on the 1-Month London Interbank Offer Rate (LIBOR), which is currently at 24 basis points, plus 50 basis points. For non-taxable notes, the rate would be 60.5% of the 1-Month LIBOR, plus 70 basis points.

Due to the current historically low LIBOR rate, taxable notes now have a lower interest rate than non-taxable notes. Based on these terms, the TWN rate in the near term will likely be between 75 and 104 basis points (0.75% to 1.04%). If the state’s credit rating were downgraded 1 level, the interest rate would increase between 10 and 15 basis points. In addition to the interest rate on borrowed funds, the contract charges a 25 basis point (0.25%) interest rate on the unborrowed portion of the \$700 million to cover the bank’s cost of reserving the capital.

The contract stipulates that TWNs must be first offered to Bank of America, up to the \$700 million limit. As a result, borrowing will shift away from the internal Pool 3 of state funds to the new bank contract. After reaching the bank limit, the state could then borrow again from Pool 3. With this new commercial loan, the state’s borrowing capacity could expand to approximately \$1.3 billion--\$700 million commercially and \$600 million internally.

The contract does allow Bank of America to cancel the contract if the state experiences a “Material Adverse Event,” which could include a further deterioration of the state’s fiscal situation. The contract runs to June 30, 2010. This means that the State will need to have a positive cash balance in the operating fund at the end of the fiscal year, after paying off any TWNs sold to Bank of America the prior day. By mutual agreement, the contract may be renewed for FY 2011.

Even a positive cash balance would not eliminate the state’s effective General Fund borrowing. With a small operating fund balance, the state would still be using near \$1.6 billion in non-interest bearing dedicated funds to pay bills.

October Revenues

“The October [sales tax] decline marked the 21st consecutive month of year-over-year reductions, and the 12th consecutive month of double digit declines compared to the previous year”.

Sales Tax collections were \$287.8 million in October. These revenues were down (17.6)% compared to last October, and were \$(42.3) million below the budget forecast. The October decline marked the 21st consecutive month of year-over-year reductions, and the 12th consecutive month of double digit declines compared to the previous year. *Table 3* displays the October growth rates for the largest categories.

	<u>Oct</u>	<u>YTD</u>
Retail	(12.7)%	(12.3)%
Contracting	(44.2)%	(40.6)%
Utilities	2.5%	(0.3)%
Use	(25.6)%	(25.1)%
Restaurant & Bar	(4.3)%	(4.9)%

As noted in previous months, retail and contracting together account for about 30% of all sales tax revenues. The retail sector decreased by (12.3)% in October, and contracting fell by (44.2)%.

Individual Income Tax net revenues were \$170.5 million in October. Collections were down (34.6)% compared to the prior year, and were \$(91.7) million below the budget forecast. Year-to-date collections are down by (18.8)% and are \$(205.3) million off the forecast amount. *Table 4* displays October growth rates for individual categories.

As indicated in the table below, withholding tax payments declined by (10.9)% in October, the 13th consecutive month of year-over-year declines. The state has not suffered that many months of year-over-year declines since at least 1960.

	<u>October</u>	<u>YTD</u>
Withholding	(10.9)%	(7.3)%
Estimated + Final Payments	(33.0)%	(34.8)%
Refunds	63.1%	40.6%

As noted in *Table 4* above, October payments in the individual income tax category were (33.0)% below last year. This amount was \$(17.6) million short of projections.

October refunds totaled \$(109.7) million, which was over 63% above the prior year. October is the month when taxpayers who requested an extension are required to file their tax return. The increase in refunds in October compared to the prior year was due to the relatively large number of extended returns filed which were due refunds.

Corporate Income Tax collections were \$18.8 million in October, or (11.1)% below last year. Collections were \$(10.3) million below forecast for the month. While collections are below forecast, October is a relatively small collection month. Year-to-date, corporate collections are (35.2)% below last year, and \$(55.5) million below the budget forecast.

The **Lottery Commission** reports that ticket sales for the month of October were \$40.8 million, which was \$6.9 million above sales in October 2008, an increase of 20.7%. Year-to-date, ticket sales of \$167.2 million are 18.6% above last year.

While ticket sales have increased \$26.2 million above last year at this time, distributions to state beneficiaries are down \$(3.8) million. It appears that sales have increased as prize payouts have increased. Statute requires the Lottery Commission to deposit at least 50% of ticket sales into the fund used for prize payouts. Prior to FY 2009, the percentage used for payouts was about 56%. Currently, prize payouts represent about 60% of ticket sales.

Higher prize payouts, however, result in reduced distributions to state beneficiaries. The percentage of ticket sales distributed to beneficiaries has dropped from 30% prior to FY 2009 to approximately 22% so far in FY 2010.

Highway User Revenue Fund (HURF)

While HURF revenues are not deposited into the General Fund, the decline in HURF collections has had significant implications for Arizona Department of Transportation operations.

HURF revenues consist of gasoline and use fuel (diesel) tax, motor carrier fees (commercial carriers), vehicle license tax and registration fees, and various other fees.

HURF collections of \$97.6 million in October were down \$(2.7) million or (2.7)% compared to October of last year. Year-to-date, total HURF collections of \$389.2 million are down \$(39.1) million or (9.1)% compared to the prior

October Revenues (Continued)

year. This amount is \$(15.2) million below the Arizona Department of Transportation (ADOT) forecast for the first 4 months of the fiscal year.

The downward trend in HURF collections began last fiscal year. Total FY 2009 HURF collections of \$1.25 billion were (7.1)% below FY 2008 collections.

The downward trend in HURF collections is due to a variety of factors related to the general economic downturn. Even with lower fuel prices, consumers have been driving less. Lower population growth has also contributed to fewer miles driven, as well as reduced vehicle license tax and registration fee growth. And finally, motor carrier fees are down due to the continued trend of fewer registered commercial vehicles.

As a result of the decline in HURF collections, ADOT has reduced its spending. In FY 2009, their appropriated operating budget after the mid-year adjustment was \$399 million. Actual FY 2009 spending was \$363 million.

The FY 2010 ADOT operating budget appropriation was flat at \$399 million. The current projected spending for FY 2010 is \$324 million, which is a (23)% cut from the FY 2009 appropriation. The lowered ADOT expenditure authority reflects the expected level of revenues available for the fiscal year.

State of Arizona

General Fund Revenue:

Change from Previous Year and Budget Forecast October 2009

	Current Month					FY 2010 YTD (Four Months)				
	Actual October 2009	Change From October 2008		Forecast		Actual October 2009	Change from October 2008		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	277,910,648	(\$59,402,692)	(17.6) %	(\$42,318,516)	(13.2) %	\$1,143,971,583	(\$237,049,521)	(17.2) %	(\$114,367,377)	(9.1) %
Income - Individual	170,528,545	(90,112,318)	(34.6)	(91,669,351)	(35.0)	903,429,770	(209,645,225)	(18.8)	(205,285,049)	(18.5)
- Corporate	18,811,973	(2,349,452)	(11.1)	(10,300,927)	(35.4)	126,255,405	(69,435,191)	(35.5)	(55,458,295)	(30.5)
Property	1,560,272	(483,305)	(23.6)	216,272	16.1	1,824,517	(489,729)	(21.2)	196,517	12.1
Luxury - Tobacco	2,180,424	(312,084)	(12.5)	(239,576)	(9.9)	9,506,982	(921,480)	(8.8)	(1,045,018)	(9.9)
- Liquor	2,351,405	52,707	2.3	(58,595)	(2.4)	8,275,840	(708,120)	(7.9)	(1,024,160)	(11.0)
Insurance Premium	2,887,171	814,056	39.3	(112,829)	(3.8)	132,715,911	5,787,544	4.6	90,911	0.1
Estate	0	0	--	0	--	294,106	289,910	--	294,106	--
Other Taxes	2,495,330	2,440,164	--	2,442,830	--	2,619,648	2,433,540	--	2,409,648	--
Sub-Total Taxes	\$478,725,768	(\$149,352,924)	(23.8) %	(\$142,040,692)	(22.9) %	\$2,328,893,762	(\$509,738,272)	(18.0) %	(\$374,188,717)	(13.8) %
Other Revenue										
Lottery	3,040,700	(6,522,700)	(68.2)	(59,300)	(1.9)	9,246,900	(5,139,500)	(35.7)	(53,100)	(0.6)
License, Fees and Permits	1,995,089	(1,609,204)	(44.6)	(1,859,911)	(48.2)	8,828,246	(2,550,718)	(22.4)	(4,301,754)	(32.8)
Interest	(67,327)	(1,533,190)	--	(67,327)	--	1,109,148	(5,481,172)	(83.2)	1,109,148	--
Sales and Services	2,214,589	(1,074,979)	(32.7)	(1,155,411)	(34.3)	9,845,317	(2,270,052)	(18.7)	(3,744,683)	(27.6)
Other Miscellaneous	7,118,493	(3,683,701)	(34.1)	(4,881,507)	(40.7)	16,979,228	(2,771,533)	(14.0)	(1,020,772)	(5.7)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	10,085,209	6,662,734	194.7	7,685,209	320.2	15,640,814	8,090,247	107.1	6,040,814	62.9
Sub-Total Other Revenue	24,386,753	(7,761,040)	(24.1) %	(338,247)	(1.4) %	61,649,653	(10,122,728)	(14.1) %	(1,970,347)	(3.1) %
TOTAL BASE REVENUE	\$503,112,521	(\$157,113,964)	(23.8) %	(\$142,378,939)	(22.1) %	\$2,390,543,415	(\$519,861,000)	(17.9) %	(\$376,159,064)	(13.6) %
Other Adjustments										
Urban Revenue Sharing	(52,387,052)	8,252,731	--	0	0.0	(209,548,209)	33,010,924	--	0	0.0
Budget Plan Transfers	4,754,117	4,754,117	--	0	0.0	77,943,077	(137,603,715)	(63.8)	0	0.0
Sub-Total Other Adjustments	(47,632,935)	13,006,848	-- %	0	0.0 %	(131,605,132)	(104,592,791)	387.2 %	0	0.0 %
TOTAL REVENUE	\$455,479,586	(\$144,107,116)	(24.0) %	(\$142,378,939)	(23.8) %	\$2,258,938,283	(\$624,453,791)	(21.7) %	(\$376,159,064)	(14.3) %

Economic Indicators

NATIONAL

According to the second estimate of the **U.S. Real Gross Domestic Product (GDP)** for the 3rd quarter of 2009, the nation's economy grew at an annual rate of 2.8% down from the previous estimate of 3.5% released last month. The downward revision was primarily due to less consumer spending and business structures spending than previously estimated. Additionally, international trade detracted more from economic growth than last month's figures indicated. The updated GDP report suggests that the nation's economic recovery did not start quite as strongly as first believed.

In November, the Conference Board's **U.S. Consumer Confidence Index** totaled 49.5, up 0.8 points from the revised October level of 48.7. The measure is up 4.8 points from November 2008 levels. The report cites that present day conditions were, in essence unchanged, and individuals' short-term outlook increased slightly.

The Conference Board's **U.S. Index of Leading Economic Indicators** rose for the seventh consecutive month in October, with a month-over-month increase of 0.3%. The index, which is designed to anticipate economic activity 3 to 6 months in advance, indicates that the national economy has begun to recover. Six of the 10 components that make up the index improved in October. The largest positive contribution came from the interest rate spread between the yield of 10-year Treasury Bonds and the Federal Funds rate, which is primarily the result of the Fed's ongoing monetary stimulus programs.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased by 0.3% in October. The larger-than-expected CPI increase was primarily due to the rise in both energy prices and new and used vehicle prices. The CPI is now (0.2)% below last year's level. Excluding food and energy, core consumer prices inched up 0.2% in October. The core CPI has risen by 1.7% over the last 12 months.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. totaled \$3.46 billion in September, the largest amount since December 2007. September was the seventh month in a row with monthly increases in semiconductor sales. Additionally, September

was also a significant month for the industry in the sense that it ended a string of 14 consecutive months of year-over-year sales declines. The outlook for the semiconductor industry has improved markedly over the last few months.

ARIZONA

The most recent release of economic indicators suggests that while the state's economy is still contracting it is doing so at a slower rate than in recent months. The best real-time measure of the economy is arguably nonfarm employment, which now appears to be declining, year over year, at a somewhat lower rate than what was reported in the previous 5 months. Instead of year-over-year declines of about (7.5)%, as reported for the period from May to September, the Commerce Department's October employment release showed a decline of (6.8)%. More importantly, the private sector added jobs in October for the first time since February 2008.

Although home prices appear to have hit the bottom and even started to slowly climb up, there is still cause for concern. This is highlighted by a recent report from the Realty Studies Group at Arizona State University, which shows that two-thirds of all existing home sales in the Greater Phoenix area are foreclosure-related. These are either foreclosed properties or properties sold in the traditional market (mainly by investors) but foreclosed on within the previous 12 months. It is difficult to imagine that the economy in Arizona, which has traditionally been supported by real estate and construction related activities, will begin to expand in earnest until the housing market recovers. This is unlikely to occur as long as the housing inventory for sale is predominantly foreclosure-related.

As reported in recent issues of *Monthly Fiscal Highlights*, the Federal Reserve Bank's coincident index is a relatively new measure designed to gauge current economic activity in the nation's 50 states, including Arizona. The index combines four state-level indicators into a single statistic: nonfarm payroll employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

The most recent release of the **state coincident index** shows that economic activity in Arizona fell by (0.2)% in October. This was the 24th

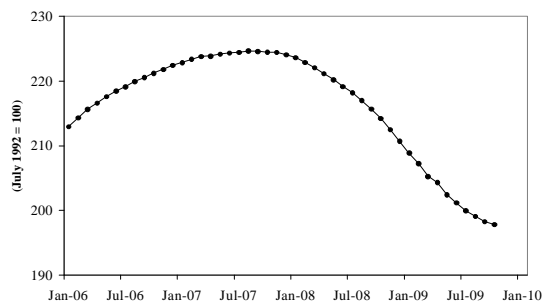
"The updated GDP report suggests that the nation's economic recovery did not start quite as strongly as first believed."

Economic Indicators (Continued)

consecutive month the Arizona coincident index declined. The index was (7.7)% below the reading in October 2008. By way of comparison, the national index declined by (0.1)% in October and was (3.3)% below last year's level. The Fed reported that the index increased in 15 states, decreased in 27 states, and remained unchanged in the remaining 8 states last month.

The graph below, which shows the history of the Arizona coincident index, suggests that economic activity in the state has not yet reached its bottom.

Arizona Coincident Economic Activity Index



“This was the first month since April with year-over-year job losses of less than (7.0)%.”

According to new figures released by the Arizona Department of Commerce, the state added 13,200 **nonfarm payroll jobs** in October. Year over year, total nonfarm employment was down by (6.8)%. This was the first month since April with year-over-year job losses of less than (7.0)%. The state has shed (10.7)% of its workforce, or (291,200) jobs, since the recession started in December 2007.

October marked the third straight month with monthly increases in total payroll employment, which has not occurred since 2007. Even more noteworthy is that private sector employment expanded for the first time since February 2008 with a total increase of 11,400 jobs. Most of these job gains were recorded in the following 3 industries: employment services (+4,800), retail trade (+2,600), and food services/drinking places (+2,600).

While private sector job losses appear to be moderating, the opposite scenario is taking place for government jobs. Although total government job losses have been accelerating over the last 4 months, it would be erroneous to assume that these losses have been distributed equally among different government sectors. For example, although

the government sector as a whole has shed (17,300) jobs, or (3.9)% of its workforce, over the last 12 months, federal government payrolls have increased by 2,000 positions, or 3.6%, during this time. Over the same period, state government employment has decreased by (7.1)% compared to (4.2)% for local government employment.

The government sub-sector most adversely affected by the recession is non-education related state government employment. This category is primarily state employment not related to higher education. According to data released by the Department of Commerce, non-education related state government employment has declined year over year for 19 consecutive months. Compared to the same month last year, non-education related state government employment was down by (10.2)% in October.

The **construction sector** shed (2,100) jobs in October. The industry now employs (42,600) or (23.8)% fewer workers than a year ago. At the height of the housing boom, the construction sector employed 9.5% of the state's workforce compared to 5.7% today.

The **manufacturing sector** lost (100) jobs in October. Year over year, manufacturing employment is down by (7.6)%. The industry has had 36 consecutive months of year-over-year job losses.

The **average weekly hours** of production workers in manufacturing industries is a leading indicator since “factory hours” tends to lead the business cycle as employers usually adjust work hours before increasing or decreasing the size of their workforce. According to the Department of Commerce, average weekly hours in October increased from 38.1 to 38.8 hours. While this was an improvement of 1.8% over the prior month, it was still (4.7)% below the level recorded one year ago. Manufacturing employment is not expected to improve until the average workweek begins to increase.

The state's **unemployment rate** in October rose from 9.1% to 9.3%, the highest reading in more than 26 years. The October unemployment rate varied from a low of 8.3% in Tucson to 22.8% in Yuma. The nation's unemployment rate increased from 9.8% in September to

Economic Indicators (Continued)

10.2% in October. This monthly unemployment rate has only been exceeded 6 times in the last 61 years.

The Department of Commerce reported that 31,279 **initial claims for unemployment insurance** were filed in October. While the number of individuals filing for initial jobless claims still remains high by historical standards, the year-over-year increases have moderated considerably over the last few months. October's year-over-year increase of 2.0% was the lowest in 3 years. Claims for initial unemployment insurance appear to have peaked in April when more than 41,000 individuals filed for benefits. For the week ending on November 7, a total of 98,785 Arizona residents filed for continued claims for jobless benefits, the lowest level in 7 months.

According to data released by the U.S. Census Bureau, an average of 1,166 building permits were issued each month for the period between August and October 2009. This amount includes an average of 1,120 **single-family residential building permits** authorized and 46 **multi-family permits**. Compared to the prior 3-month period, the number of single-family permits issued decreased (15.0)% while the number of multi-family permits decreased (70.2)%. Compared to the same period in the prior year, activity in the single family segment decreased (0.9)%, while permits in the multi-family segment is down (90.6)%.

Based on ASU's October real estate report, the **single-family median resale home price** was \$143,115 based on 9,955 **single-family existing home sales**. The median resale price in the single family segment was 2.3% higher than the prior month but (14.5)% below last year. The median resale price reached a high of \$267,000 in June 2006. The 9,955 transactions were 9.8% and 21.3% above the number of transactions in September 2009 and September 2008, respectively. Sales activity reached a high of 11,820 in June 2009.

In the multi-family segment, the report indicates there were 1,390 **townhouse-condominium median** transactions with an average **sales price** of \$100,000. The total number of units bought and sold represents an increase of 18.3% above September 2009 levels, while the median resale price decreased (2.4)%. The median resale price reached a high of \$189,990 in May 2007.

The **S&P/Case-Shiller Home Price Index** measures housing prices based on repeat sales. Utilizing September data, the index for the Phoenix metropolitan area increased on a month-over-month basis for the fourth straight month to a level of 109.26. At its current level, the index, increased 0.8% relative to the prior month (August) but is down (21.8)% on a year-over-year basis. Relative to peak in June 2006 (227.42), the index is down (52.0)%.

According to seasonally adjusted MLS data, the **month's supply of housing** indicator fell by (0.3) months between September and October. The measure currently suggests that it would take 5.4 months to deplete the current inventory of unsold homes. At this level, the supply of housing is (5.6) months less than it was a year ago and (11.0) months below the September 2007 high of 16.7 months.

The sharpest and longest recession in postwar history has not only resulted in record-large declines in tax receipts but also led to a surge in the demand for state health and welfare services. This explains why caseload growth is near or has exceeded the budget estimates for June 2010 as outlined below.

In November, **AHCCCS caseloads** increased to a total of 1,354,798 members, 1.9% above the number of recipients in the previous month. AHCCCS caseloads are currently 19.2% above November 2008 levels. The FY 2010 budget funded a projected June caseload growth of 10.7%, for a total of 1,388,147 members.

There were a reported 86,450 **TANF recipients** in the state in September, which represented a monthly caseload increase of 0.8%. September's year-over-year increase was 5.8%. The FY 2010 budget assumed that the June 2010 TANF caseload would be 84,287.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In September, there were a total 973,207 food stamp recipients in the state, an increase of 2.6% over the prior month. Compared to the same month last year, food stamp participation was up by 37.1%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.



Economic Indicators (Continued)

The **Department of Correction's (ADC) inmate population** increased to a 3-month average count of 40,654 inmates between August and October 2010. This equates to an average monthly increase of 89 inmates and a year over year increase of 1,353 inmates. In FY 2010, the department was funded for growth of 151 inmates per month. Fiscal year-to-date, monthly population growth has ranged from an increase of 6 inmates to 165 inmates.

The state and counties throughout the state typically share the costs of **adult and juvenile probation programs**. Maricopa County, however, assumes all costs associated with adult and juvenile probation programs. Based on adult and juvenile probation data from July and September, respectively, the non-Maricopa probation caseload was 20,021 individuals, 124 fewer probationers than the prior month and an additional 93 probationers from a year ago. In Maricopa County, there were 30,058 probationers during the period, 3,637 more than the prior month and 914 more than a year ago. The significant month-over-month increase in Maricopa County caseloads is attributed to large increases in adult standard probation.

Economic Indicators (Continued)

Table 6

ECONOMIC 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				
- Unemployment Rate	October	9.3%	0.2%	3.1%
- Initial Unemployment Insurance Claims	October	31,279	2.0%	2.0%
- Non-Farm Employment – Total	October	2.42 million	0.5%	(6.8)%
Manufacturing	October	160,100	(0.1)%	(7.6)%
Construction	October	136,300	(1.5)%	(23.8)%
- Average Weekly Hours, Manufacturing	October	38.8	1.8%	(4.7)%
- Contracting Tax Receipts (3-month average)	Aug-Oct	\$37.0 million	(6.6)%	(41.8)%
- Retail Sales Tax Receipts (3-month average)	Aug-Oct	\$126.4 million	(2.1)%	(12.4)%
- Residential Building Permits (3-month moving average)				
Single-unit	Aug-Oct	1,120	(15.0)%	(0.9)%
Multi-unit	Aug-Oct	46	(70.2)%	(90.6)%
- Greater Phoenix Existing Home Sales				
Single-Family	October	9,955	9.8%	21.3%
Townhouse/Condominium	October	1,390	18.3%	63.5%
- Greater Phoenix Median Home Sales Price				
Single-Family	October	\$143,115	2.4%	(14.5)%
Townhouse/Condominium	October	\$100,000	(2.4)%	(21.6)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	September	109.26	0.8%	(21.8)%
- Months Supply of Housing, (ARMLS)	October	5.4 months	(0.3) months	(4.4) months
- Phoenix Sky Harbor Air Passengers	August	3.17 million	(5.9)%	(4.3)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	August	\$6.24	(0.5)%	(17.1)%
- Arizona Consumer Confidence Index (1985 = 100)	3 rd Quarter 2009	60.2	26.6%	NA
- Arizona Coincident Index (July 1992 = 100)	October	197.84	(0.2)%	(7.7)%
- Arizona Personal Income	2 nd Quarter 2009	\$217.3 billion	(0.1)%	(3.3)%
- Arizona Population	July 1, 2008	6.50 million	146,759	2.3%
- AHCCCS Recipients	November	1,354,798	1.9%	19.2%
- TANF Recipients	September	86,450	0.8%	5.8%
- SNAP (Food Stamps) Recipients	September	973,207	2.6%	37.1%
- ADC Inmate Growth (3-month average)	Aug-Oct	40,654	89 inmates	1,353 inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	July/September	20,021	(124)	93
Maricopa County	July/September	30,058	3,637	914
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	3 rd Quarter 2009	\$13.0 trillion	2.8%	(2.5)%
- Consumer Confidence Index (1985 = 100)	November	49.5	1.6%	10.7%
- Leading Indicators Index (2004 = 100)	October	103.8	0.3%	4.2%
- U.S. Semiconductor Billings (3-month moving average)	Jul-Sep	\$3.46 billion	6.2%	7.8%
- Consumer Price Index, SA (1982-84 = 100)	October	216.38	0.3%	(0.2)%

JCCR Meeting

At its November 19, 2009 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona Department of Administration/Arizona Department of Corrections - Review of Prison Concession Agreement Request for Proposal - This item was discussed in Executive Session and action was deferred pending more information.

Arizona Game and Fish Department – Building Projects – The Committee gave a favorable review to the department’s \$473,200 FY 2010 Building Renewal Allocation Plan and \$489,300 Ben Avery Shooting Facility infrastructure improvement plan. The Committee also approved the appropriations transfers for the Tri-State/Lake Havasu Shooting Range appropriations and the Bellemont/Flagstaff Shooting Range appropriations.

Arizona Department of Transportation – Review of FY 2010 Building Renewal Plan – The Committee favorably reviewed the \$1,050,000 FY 2010 Building Renewal Allocation Plan, which included \$1,000,000 from the State Highway Fund for 97 projects and \$50,000 from the State Aviation Fund for 5 projects, with the provision that the department has to report any project reallocations above \$100,000. In addition, the plan included \$71,200 from the FY 2009 building renewal contingency allocation.

Arizona State University – Review of Science Building – The Committee gave a favorable review to Arizona State University (ASU) for its proposal to spend \$160.0 million in system revenue bonds to construct a new 293,000 square foot, 8-level, Interdisciplinary Science and Technology Building on its Main Campus. The following 2 provisions were included in the Committee review: 1. Debt service cannot be paid from General Fund monies or tuition collections; and 2. ASU must come back before JCCR for review prior to beginning construction if the total construction cost exceeds \$160.0 million. The estimated annual debt service payments of \$14.1 million beginning in FY 2013 will be paid from ASU’s Indirect Cost Recovery Fund.



Summary of Recent Agency Reports

Arizona Office of Economic Recovery – Report on the Receipt of Grants from the American Recovery and Reinvestment Act (ARRA) – Pursuant to Laws 2009, 3rd Special Session, Chapter 7, all agencies receiving monies from ARRA are required to report to the JLBC certain information about ARRA grants, including: the amount of funds received from each ARRA grant, how the funds were spent, and the grants impact on state personnel and mitigating the effect of budget reductions. The Governor's Office of Economic Recovery has elected to compile this information into one central report to the JLBC.

For the period from February 17 through September 30, 2009 Arizona was awarded 434 grants totaling \$1.9 billion. Through this period, Arizona received \$672 million of the funding awarded to the state. A substantial portion of the grants were awarded to three state agencies: The Governor's Office disbursed grants relating to the State Fiscal Stabilization Fund, which was used to stabilize the state's education funding; the Arizona Department of Education received increased funds through various formula-based programs such as Title 1 and the Individuals with Disabilities Education Act (IDEA); and the Arizona Department of Transportation received funds for various infrastructure projects. (Jack Brown)

Arizona Department of Administration - Report on Custodial and Janitorial Services Transfers (SB 1314) - Pursuant to Laws 2009, 1st Regular Session, Chapter 191, the Arizona Department of Administration (ADOA) is required to submit a report to JLBC by the 15th of each month in FY 2010 on the amounts transferred during the prior month for the purpose of providing custodial and janitorial services for state-owned and state-leased buildings.

Chapter 191 requires ADOA to transfer all custodial and janitorial services monies received in FY 2010 to state agencies that occupy state-owned or state-leased building space. The bill also requires ADOA to determine the amount of monies transferred to be based upon the square footage of the space occupied by each agency and designates that the monies be used for hiring current or former state employees to provide custodial and janitorial services.

According to ADOA, they have not implemented this session law as of October

31, 2009 because they have not yet found a way to resolve problems posed by the bill. ADOA states that there is insufficient funding to transfer to agencies in order for agencies to re-hire custodial staff. For example, ADOA says that the Acupuncture Board of Examiners would receive \$85 under this bill, which would not be sufficient enough to hire back a former custodian even if pooled with other tenant's funding.

Until the issues are resolved, ADOA plans on continuing to provide custodial and janitorial services for agencies occupying state buildings through custodial contracts, ADOA Staff, and Arizona Department of Corrections inmate labor. (Leatta McLaughlin)

Arizona Department of Administration – Motor Vehicle Fleet – Pursuant to A.R.S. § 41-803R, the Arizona Department of Administration reported on the FY 2009 year-end inventory of state-owned alternative fuel vehicles. Of the 12,076 state vehicles, 5,006, or 41.5% are subject to the alternative fuel vehicle requirements.

Of the 5,006 state vehicles subject to the alternative fuel vehicle requirements, 3,288, or 65.7% are alternative fuel vehicles. This is an increase of 0.8% from the prior year and exceeds the 40% target established by statute.

Statute also requires 90% of the state vehicles in Maricopa County to be capable of using alternative fuels. The state reports that 81.6% of its Maricopa County vehicles are alternative fuel vehicles.

Notwithstanding the quantity of vehicles capable of using alternative fuel, only 4.0% of the fuel budget was for alternative fuels. (Leatta McLaughlin)

State Board of Chiropractic Examiners – Report on Resources and Fund Balance – Pursuant to Laws 2009, 1st Regular Session, Chapter 12 (General Appropriation Act), the State Board of Chiropractic Examiners is required to submit a report to the Joint Legislative Budget Committee (by November 1, 2009) detailing the Board's ending fund balance for FY 2009, its estimated revenues for FY 2010, and its expenditures by month. The Legislature's intent was to determine if the Board has sufficient resources to continue its FY 2010 expenditure level through FY 2011. The Board submitted the report and has

Summary of Recent Agency Reports (Continued)

indicated that it will have sufficient resources. (Steve Grunig)

Arizona Community Colleges – Annual Report – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are required to report on their progress during the previous year. The FY 2009 report includes the following summary information on the state system:

- 377,093 students (headcount) were enrolled for credit, resulting in a Full-Time Student Equivalent count of 123,797.
- 87% of enrolled students resided within the district, while 13% did not reside within the district.
- Total number of instructors employed was 9,836, of which 2,563 (26%) were full-time and 7,273 (74%) were part-time.
- Total operating revenues were \$1.4 billion (this amount excludes bond proceeds and fund balance which total \$411.4 million).
- Total expenditures were \$1.5 billion.

In addition, districts are statutorily required to provide a listing and description of both credit and non-credit courses. The districts also included a description of their major accomplishments in FY 2009. (Marge Zylla)

Arizona Community Colleges – Report on Dual Enrollment – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are reporting on dual enrollment courses offered in FY 2009. Students

in a dual enrollment course can earn both high school and community college credit for courses taught at their high school.

Highlights of the FY 2009 report include:

- 22,244 students were dual enrolled (up from 19,899 in FY 2008).
- 1,673 courses were offered, of which 630 courses were classified as Academic and 1,043 were Occupational (up from 1,317 total courses in FY 2008). (Marge Zylla)

Arizona Department of Education – Report on K-12 Aggregate Expenditure Limit – Pursuant to A.R.S. § 15-911B, the State Board of Education reported on October 30, 2009 that currently budgeted expenditures for all school districts collectively statewide for FY 2010 are \$(337,406,000) below the aggregate expenditure limitation (AEL) defined in Article IX, Section 21, subsection (4) of the Constitution of Arizona. The AEL, which was established in the State Constitution in 1980, limits growth in statewide K-12 expenditures to the combined rate of growth for enrollment and inflation, with exceptions for items like bonding and Proposition 301 monies. (The latter were exempted from the AEL through voter enactment of Proposition 104 in November 2002.) (Steve Schimpp)

Department of Juvenile Corrections – Report on Restitution Fund – Pursuant to A.R.S. § 41-2826F, the Department of Juvenile Corrections

(DJC) is required to submit an annual report detailing all revenues and expenditures made from the department's Restitution Fund. DJC submitted its latest report on November 17, 2009.

These monies are used to pay restitution and monetary assessments on behalf of youth working in the Committed Youth Work Program who were unable to make these court-ordered payments when they were originally sentenced to DJC. As of June 30, 2009, the DJC reports that Restitution Fund revenues and expenditures for FY 2009 totaled \$22,867, as compared to \$24,564 in FY 2008. (Jon McAvoy)

Arizona Department of Public Safety – Quarterly Report on Photo Enforcement – Pursuant to a footnote in Laws 2009, 1st Regular Session, Chapter 12 (General Appropriation Act), the Department of Public Safety (DPS) is required to report quarterly on the Photo Enforcement program in FY 2010. During the first quarter of FY 2010, the Photo Enforcement Program issued 114,789 Notices of Violation (NOVs) and 21,642 citations from 42 mobile units and 36 stationary units. Of these NOVs, 40,413 became either civil or criminal citations. A total of 22,894 NOVs were paid within 40 days of issuance with an additional 6,480 citations also receiving payment.

Since the inception of the program in September 2008, a total of

Table 7

		Photo Radar Distributions	
		<u>1st Quarter FY 2010</u>	<u>Program-to-Date</u>
General Fund		\$9,953,100	\$22,759,000
Administrative Office of Courts		841,600	3,372,400
Vendor Payments		607,200	4,365,200
Clean Elections Commission		574,000	2,045,700
DPS		516,200	3,346,000
Photo Enforcement	Fund Balance	<u>250,000</u>	<u>250,000</u>
Total		\$12,742,100	\$36,138,300

Summary of Recent Agency Reports (Continued)

655,864 NOVs and citations have been issued and 246,059, or 38%, have been paid.

The NOVs and citations issued by the Photo Enforcement Program generated \$12.7 million in revenue for the first quarter of FY 2010 and have generated \$36.1 million since the program's inception. At the end of each quarter, the department is statutorily required to revert all unused monies in excess of \$250,000 to the General Fund. These monies were distributed to recipients as shown in *Table 8* below. (Eric Billings)

Department of Public Safety – Quarterly Report on GIITEM – Pursuant to Laws 2009, 1st Regular Session, Chapter 12 (General Appropriation Act), the Department of Public Safety (DPS) is required to report quarterly on the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). As of the first quarter of FY 2010, DPS had spent or encumbered \$7.2 million of the \$9.4 million appropriation for the direct DPS immigration staff. In terms of local law enforcement grants, DPS has not spent any of the FY 2010 \$2.6 million appropriation but has spent \$2.6 million of an available \$3.5 million in non-lapsing FY 2009 monies. (Eric Billings)

Supreme Court – Report on Adult Probation Services Fund and the Juvenile Probation Fund – Pursuant to A.R.S. § 12-262C, the Administrative Office of the Courts (AOC) is required to report to the JLBC on the total receipts and expenditures in each account of the Adult Probation Services Fund (A.R.S. § 12-267) and the Juvenile Probation Fund (A.R.S. § 12-268). The report is to present the information by county and include the amount of Personal Services expended from each revenue source of each account. AOC submitted the report for FY 2009 on November 2, 2009.

Adult Probation

AOC reports statewide Adult Probation Services Fund total expenditures of \$134.8 million in FY 2009. Of this total, county funds represent 58.2% of all expenditures, state funds represent 22.7%, Federal Funds represent 1.7%, and other sources of revenue, such as probation fees and local fees, represent 17.4%.

Juvenile Probation

Total FY 2009 expenditures for the Juvenile Probation Fund were \$156.1 million. Of this total, county funds represent 63.5% of all expenditures, state funds represent 27.8%, Federal Funds represent 1.2%, and other sources of revenue, such as probation fees and local fees, represent 7.5%. (Jon McAvoy)

Superior Court – Report on Probation Services – Pursuant to Laws 2009, 1st Regular Session, Chapter 11, the Administrative Office of the Courts (AOC) is required to report to the JLBC on several probation items:

Case Carrying and Non-Case Carrying Positions

Adult Probation and Juvenile Probation maintained 395.3 and 177.5 case carrying positions, and 463.2 and 398.9 non-case carrying positions, respectively in FY 2009. Between 74.0% and 95.8% of these positions were filled.

Total Receipts and Expenditures

Total FY 2009 spending from all funds for Adult and Juvenile Probation Services was \$290.8 million, including \$74.6 million of state funding. This represents a decrease in total spending of (4.6)% and in state funding of (9.1)% over FY 2008.

Retained Funding

The AOC retained a total of \$7.4 million in FY 2009 to support local probation departments and the state level probation staff through

training, certification, and research. (Jon McAvoy)

University Research Infrastructure – Report on General Fund Deposits – Laws 2003, Chapter 267 appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Beginning in FY 2008, Chapter 267 (A.R.S. § 15-1670) requires the universities to deposit into the state General Fund a portion of the income from licensure and royalty payments or the sale and transfer of intellectual property developed by the university. All 3 universities have recently reported that no deposits were made in FY 2009.

As a result of the research infrastructure projects, the University of Arizona reports \$687,100 in revenues; Northern Arizona University reports no revenues; and Arizona State University did not provide revenue information, as required by statute. While the University of Arizona reported revenues, they believe that their income is net of expenses. After accounting for that factor, they report no net income available for transfer. (Kim Cordes-Sween)

Agency	Oct 09	Change from Oct 08	Year-to-Date	YTD Change from FY 09
Department of Administration	1,538.6	(719.0)	7,578.4	(7,329.7)
Office of Administrative Hearings	188.6	(2.5)	465.4	(154.3)
Department of Agriculture	1,639.9	992.1	4,365.8	427.2
AHCCCS	114,401.2	(25,111.1)	517,271.6	(24,971.5)
Arizona Commission on the Arts	116.1	(24.6)	153.7	(269.8)
Attorney General	1,506.1	(421.2)	9,003.7	(3,520.8)
AZ Capital Post Conviction Public Defender	20.1	(36.7)	226.3	(84.8)
State Board of Charter Schools	113.4	67.2	342.3	(52.5)
State Bd. of Chiropractic Exam.	-	-	148.0	148.0
Department of Commerce	187.7	(164.6)	535.0	(1,341.3)
Community Colleges	33,106.6	(2,952.4)	66,213.2	(6,404.8)
Corporation Commission	45.2	(372.6)	190.5	(1,927.4)
Department of Corrections	90,062.9	14,719.0	283,049.3	(18,289.4)
AZ Criminal Justice Commission	-	-	(4.6)	(721.7)
AZ St. Schools for the Deaf & Blind	4,069.8	1,677.5	9,259.5	(1,174.8)
Dept. of Economic Security	80,296.4	(19,216.3)	408,968.8	(127,792.0)
Department of Education	509,415.0	135,936.4	1,592,661.3	95,986.5
DEMA	1,356.7	48.4	3,310.1	(534.9)
Dept. of Environmental Quality	960.6	261.1	2,209.0	(1,117.8)
DEQ-WQARF	-	-	7,000.0	(6,000.0)
Office of Equal Opportunity	35.2	(5.7)	83.2	(25.9)
State Board of Equalization	110.4	35.4	290.2	(89.1)
Board of Executive Clemency	63.0	2.7	502.8	(28.9)
Dept. of Financial Institutions	628.2	308.0	1,567.7	(123.2)
Department of Fire, Life, Bldg Safety	671.8	254.5	1,195.4	(275.1)
State Board of Funeral Directors	-	-	100.0	100.0
Arizona Geological Survey	105.2	54.2	353.8	27.1
Government Information Tech.	9.9	(51.0)	187.4	(167.1)
Governor	1,305.6	(528.7)	3,412.5	(707.9)
Department of Health Services	120,590.2	(189,839.2)	273,536.1	(181,973.3)
Arizona Historical Society	322.5	17.6	2,226.0	(403.6)
Prescott Historical Society of AZ	71.1	(116.1)	232.1	(97.8)
Independent Redistricting Comm.	-	(15.3)	24.8	(55.0)
AZ Commission of Indian Affairs	3.3	(18.4)	11.5	(62.8)
Department of Insurance	338.0	(234.3)	2,742.8	(473.7)
Judiciary				
Supreme Court	20,264.9	1,683.9	47,597.2	(3,181.7)
Court of Appeals	1,442.+	(100.0)	5,037.3	(441.5)
Dept. of Juvenile Corrections	13,617.7	7,306.5	29,754.1	(762.0)
State Land Department	1,678.1	(578.5)	6,438.3	(1,934.2)
Law Enforcement Merit System	11.1	5.6	31.7	2.1

Agency	Oct 09	Change from Oct 08	Year-to-Date	YTD Change from FY 09
Legislature				
Auditor General	1,203.5	(1,414.8)	6,218.7	(930.1)
House of Representatives	973.3	242.9	5,089.8	255.0
Joint Legislative Budget Comm.	187.6	(8.4)	974.5	(67.6)
Legislative Council	709.6	(1,131.0)	2,395.1	(4,303.0)
AZ Library, Archives	508.4	(146.7)	2,251.1	(1,052.7)
Senate	544.7	21.6	3,607.3	226.7
Dpt. of Liquor Licenses	122.1	(227.8)	659.9	(1,408.0)
Board of Medical Student Loans	-	(327.1)	383.1	(207.6)
Mine Inspector	103.8	0.7	561.7	(77.0)
Dpt. of Mines & Mineral Resources	165.3	130.8	335.8	155.3
Nav. Streams & Adjudication	20.4	(9.1)	74.7	(29.2)
State Board of Nursing	-	(9.1)	-	(51.9)
Board of Osteopathic Examiners	-	-	100.0	100.0
Arizona State Parks Board	-	(576.8)	21,900.3	(1,634.8)
Personnel Board	-	(39.8)	-	(157.6)
Arizona State Board of Pharmacy	-	200.0	200.0	200.0
Arizona Pioneers Home	-	(4.0)	-	(4.0)
Comm. for Postsecondary Ed.	223.7	(1,302.5)	806.1	(2,549.1)
Board of Psychologist Examiners	-	-	300.0	300.0
Department of Public Safety	(4,610.7)	(8,356.7)	38,314.6	15,170.4
Department of Racing	424.1	48.5	3,133.8	2,018.1
Radiation Regulatory Agency	385.1	131.9	798.7	(167.0)
Rangers Pension	1.2	-	4.6	0.1
Real Estate Department	986.0	229.3	1,671.2	(278.9)
Department of Revenue	6,563.5	1,392.0	17,057.6	(12,476.0)
School Facilities Board	93.4	(20,004.6)	82,018.9	(118,008.5)
Secretary of State	205.1	(558.7)	889.2	(981.8)
Tax Appeals Board	32.3	15.9	115.8	(7.5)
Office of Tourism	-	-	200.0	200.0
Department of Transportation	22.1	15.3	32.7	2.1
State Treasurer *	638.4	284.6	1,399.8	(449.6)
Universities				
Board of Regents	5,586.1	1344.4	10,423.1	(2,374.7)
Arizona State University	36,851.7	(1,958.8)	178,233.3	22,991.4
Northern Arizona University	11,181.4	(3,774.2)	59,966.2	6,112.9
University of Arizona	28,950.8	(7,686.8)	155,263.9	8,850.6
Department of Veteran Services	574.4	(147.7)	2,410.0	(714.3)
Veterinary Medical Examining Board	-	-	250.0	250.0
Department of Water Resources	2,812.4	1,738.6	6,755.4	2,223.1
Dept. of Weights & Measures	233.2	133.1	542.5	(84.0)
Other	-	-	14,835.1	11,535.9
Grand Total	1,099,790.7	(119,870.7)	3,912,386.7	(372,629.6)

* Includes items not related to Treasurer's operating budget.