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“March was the eighth consecutive month of year-over-year growth in base General Fund revenue collections... these collections were 4.5% above last year.”

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on April 28, 2011.

Summary



March was the eighth consecutive month of year-over-year growth in base General Fund revenue collections. General Fund revenues totaled \$489.3 million. Excluding the temporary 1-cent sales tax, these collections were 4.5% above last year.

March collections potentially indicate positive signs for the economy. In particular, base sales tax collections (excluding the 1-cent increase) were 6.8% above the prior year, which represents the largest increase since February 2007 (excluding a technical adjustment made in April 2010).

In contrast, individual income tax collections continue to be difficult to interpret as the state is still processing refund checks and depositing payments. The current forecast projects refunds to increase overall in the “refund season” (February - June) as compared to the prior year due to overwithholding by taxpayers. Year-to-date, however, refunds have actually declined from the prior year. Because April is a significant refund and payment month, additional data is needed to determine the ultimate trend in individual income tax collections.

March General Fund collections were \$24.4 million above the January Baseline forecast. Year-to-date, revenues are \$108.5 million above the January Baseline forecast. Of that amount, \$72.5 million is due to the individual income tax and the remaining \$36.0 million is related to all other tax categories. Given the uncertainty surrounding individual income tax

collections, the recently enacted FY 2011 budget revisions incorporated only \$40 million of the \$108.5 million in establishing a new budgeted revenue level.

In comparison to March revenue of \$489.3 million, March 2011 General Fund spending was \$420.0 million, or \$58.1 million above last year. March expenditures were higher than the prior year in part due to differences in the timing of ADE reductions as compared to last year.

Fiscal year-to-date, General Fund revenues of \$5.83 billion have been offset by \$6.69 billion in spending.

The state began FY 2011 with an operating balance of \$1.5 billion. The divergence of revenues and spending year-to-date has caused the operating fund balance to decline to \$825.1 million at the end of March.

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March Revenues

Table 1

General Fund Revenues (\$ in Millions)			
	FY 2011 Collections	Difference From Forecast	Difference From FY 2010
March	\$ 489.3	\$ 24.4	\$ 86.3
Year-to-Date	\$ 5,829.5	\$ 108.5	\$ 391.0

Sales Tax collections were \$358.3 million in March. Excluding the \$70.6 million from the temporary 1-cent increase, collections were \$287.7 million, or 6.8% above March 2010.

Table 2 displays the March growth rates for the largest categories.

Table 2

Sales Tax Growth Rates Compared to Prior Year

	March	YTD
Retail	8.6%	3.0%
Contracting	15.6%	(8.0)%
Utilities	2.8%	0.9%
Use	(4.6)%	0.3%
Restaurant & Bar	5.1%	3.2%

Retail and contracting together account for about 60% of all sales tax revenues. Retail collections were again very strong compared to the same month last year, up 8.6%, or about \$11 million. Contracting was also strong compared to March of last year; however, losses earlier in the year continue to weigh down the year-to-date growth.

Historically, Contracting has been the second largest category. Since FY 2007, however, Contracting revenues have declined by over 60%. FY 2010 was the first time in at least the past 20 years that Contracting slipped from the second position, falling just short of Utilities. Since the start of FY 2011, Utilities collections have exceeded Contracting 6 of the 9 months, making the year-to-date Utilities collections \$12.6 million, or 4.1% greater than Contracting. For the past 2 months, Restaurant & Bar collections have also exceeded Contracting.

Including the 1-cent increase, collections were \$16.3 million above the forecast year-to-date.

Individual Income Tax net revenues were \$(4.6) million in March, as refunds exceeded withholding and payments. Collections were \$16.9 million above the forecast. Year-to-date, revenues have grown 13.0% and are \$72.5 million above forecast through March.

As indicated in Table 3 below, withholding tax payments declined by (2.5)% in March for a year-to-date increase of 5.9%. This increase continues to be difficult to interpret due to changes in the state withholding rates last July. (See the August MFH for additional information.)

Since job growth has been nearly flat, the strong year-to-date withholding growth has led us to believe that taxpayers were being overwithheld as a result of the change in the rates in July. If this were the case, refunds would be expected to grow during tax season.

In March, however, refunds were actually (5.4)% below the prior year and \$36.0 million less than the forecast amount, continuing the trend from February. Given the significance of April collections, we will need an additional month of data before interpreting the results.

Table 3

Individual Income Tax Growth Rates Compared to Prior Year

	March	YTD
Withholding	(2.5)%	5.9%
Estimated + Final Payments	6.4%	1.2%
Refunds	(5.4)%	(10.5)%

Corporate Income Tax net collections were \$51.2 million in March, or \$(15.2) million below the prior year. Collections were \$(6.3) million below the forecast. Year-to-date through March, revenues are up 54.8% and are right at forecast.

The **Lottery Commission** reports that March ticket sales were \$60.0 million, which is \$4.5 million, or 8.2%, above sales in the prior year. Year-to-date, ticket sales are \$434.3 million, which is 7.0% above last year's sales. The General Fund share of sales has increased significantly more than overall sales, however, due to changes in the distribution formula.

Non-General Fund

Tobacco Tax revenues were \$27.6 million in March. Collections were up 4.0% compared

"[Base sales tax] collections were \$287.7 million, or 6.8% above March 2010"

March Revenues (Continued)

to the prior year, and were \$(1.7) million below the budget estimate for the month. Year-to-date collections are down (1.3)% and are \$(0.4) million below the budget estimate.

Less than 10% of tobacco taxes are deposited directly into the General Fund. The remainder primarily goes to AHCCCS and the Department of Health Services to defray the General Fund cost of operating those programs, along with funding the Early Childhood Development and Health Board.

Highway User Revenue Fund (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 \$98.6 million in March were up \$0.4 million or 0.4% compared to March of last year. Year-to-date, revenues have grown 1.6%.

Table 4

General Fund Revenue: Change from Previous Year and Enacted Budget Forecast March 2011

	Current Month					FY 2011 YTD (Nine Months)				
	Actual March 2011	Change From March 2010		Forecast		Actual March 2011	Change from March 2010		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use w/o 1¢ *	\$287,692,472	\$18,420,620	6.8 %	\$11,150,280	4.0 %	\$2,583,757,809	\$45,579,445	1.8 %	\$23,645,742	0.9 %
Income - Individual	(4,565,068)	14,244,787	--	16,947,063	(78.8)	2,004,351,585	230,011,982	13.0	72,463,550	3.8
- Corporate	51,246,697	(15,237,601)	(22.9)	(6,302,548)	(11.0)	324,518,625	114,832,251	54.8	35,358	0.0
Property	656,801	(9,274)	(1.4)	(43,199)	(6.2)	12,839,166	(224,866)	(1.7)	105,099	0.8
Luxury - Tobacco	1,429,076	(1,009,140)	(41.4)	(1,126,679)	(44.1)	18,027,670	(1,252,778)	(6.5)	(3,164,897)	(14.9)
- Liquor	3,224,982	265,433	9.0	681,602	26.8	21,962,986	210,091	1.0	3,156,231	16.8
Insurance Premium	94,458,657	3,613,295	4.0	2,758,657	3.0	273,286,315	6,953,095	2.6	1,954,459	0.7
Estate	0	0	--	0	--	437,372	52,544	13.7	0	0.0
Other Taxes	1,121,002	370,726	49.4	998,502	815.1	1,987,006	680,922	52.1	854,533	75.5
Sub-Total Taxes	\$435,264,619	\$20,658,846	5.0 %	\$25,063,678	6.1 %	\$5,241,168,534	\$396,842,685	8.2 %	\$99,050,076	1.9 %
Other Revenue										
Lottery	5,662,540	(1,217,660)	(17.7)	662,540	13.3	35,453,449	9,488,549	36.5	3,621,819	11.4
License, Fees and Permits	2,239,360	(433,529)	(16.2)	139,360	6.6	21,203,061	1,681,144	8.6	2,743,917	14.9
Interest	5,826	71,113	--	(284,174)	(98.0)	1,888,301	1,306,534	224.6	(1,241,700)	(39.7)
Sales and Services	1,876,546	(255,698)	(12.0)	(123,454)	(6.2)	21,809,097	(447,329)	(2.0)	3,389,430	18.4
Other Miscellaneous	3,260,981	145,060	4.7	(2,839,019)	(46.5)	19,234,238	(8,189,805)	(29.9)	(1,907,925)	(9.0)
Disproportionate Share	0	0	--	0	--	27,146,306	27,146,306	--	0	0.0
Transfers and Reimbursements	202,124	425,229	--	(3,297,876)	(94.2)	15,099,604	(18,806,086)	(55.5)	(9,380,469)	(38.3)
Sub-Total Other Revenue	13,247,377	(1,265,485)	(8.7) %	(5,742,623)	(30.2) %	141,834,056	12,179,314	9.4 %	(2,774,927)	(1.9) %
TOTAL BASE REVENUE	\$448,511,996	\$19,393,361	4.5 %	\$19,321,055	4.5 %	\$5,383,002,590	\$409,021,999	8.2 %	\$96,275,149	1.8 %
Other Adjustments										
Urban Revenue Sharing	(39,500,543)	12,886,509	--	0	0.0	(355,504,888)	115,978,581	--	0	0.0
1¢ TPT Increase*	70,646,937	70,646,937	--	5,106,437	7.8	614,565,441	614,565,441	--	12,222,024	2.0
Budget Plan Transfers	9,647,264	(16,584,163)	(63.2)	0	0.0	187,445,346	(13,141,362)	(6.6)	0	0.0
Leaseback Proceeds	0	0	--	0	--	0	(735,419,300)	(100.0)	0	--
Sub-Total Other Adjustments	40,793,658	66,949,283	-- %	5,106,437	14.3 %	446,505,899	(18,016,641)	(3.9) %	12,222,024	2.8 %
TOTAL GENERAL FUND REVENUE	\$489,305,653	\$86,342,644	21.4 %	\$24,427,491	5.3 %	\$5,829,508,489	\$391,005,359	7.2 %	\$108,497,173	1.9 %
Non-General Funds										
Highway User Revenue Fund	\$98,584,000	\$374,000	0.4 %	(\$1,099,358)	(1.1) %	\$897,140,000	\$14,252,000	1.6 %	\$1,008,727	0.1 %
Tobacco Tax (All Funds Total)	\$27,617,173	\$1,062,752	4.0 %	(\$1,705,574)	(5.8) %	\$241,525,155	(\$3,125,892)	(1.3) %	(\$406,518)	(0.2) %

* Sales and Use line excludes revenue from the temporary 1¢ increase approved by the voters in May 2010. That revenue is shown under One-Time Revenues. Total March collections including the 1¢ increase were \$358.3 million. This amount is \$89.1 million, or 33.1%, above March 2009 and \$16.3 million, or 4.8%, above forecast. Year to date, total collections including the 1¢ increase were \$3.20 billion. This amount is \$660.1 million, or 26.0%, above March 2009 and \$35.9 million, or 1.1%, above forecast.

Economic Indicators

NATIONAL

The Conference Board's **U.S. Consumer Confidence Index** increased by 1.6 points in April to a reading of 65.4, following an (8.2) point drop in the prior month. Survey respondents' assessment of both current and future economic conditions improved. Although the index has risen in 6 of the last 7 months, it still remains considerably below pre-recession levels. It should be noted that a recent change in the methodology employed by the Conference Board makes year-over-year comparisons difficult to interpret.

The Conference Board's **U.S. Index of Leading Economic Indicators** rose 0.4% in March, following a 1.0% increase in February, indicating that the economy will continue to grow in spite of rising fuel costs and falling home prices. The leading index rose for the 9th consecutive month in March and is now significantly above pre-recession levels. The slight increase in March was primarily due to a combination of slower delivery times (indicating an increase in factory orders) and increased building permitting activity.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, rose by 0.5% in March, following a 0.5% increase February. These price increases come on top of the 0.4% CPI increases in both January and December. The sharp increase in the CPI over the last 4 months is primarily due to rising food and gasoline prices. Year over year, the index is up by 2.7%, the highest rate of inflation since December 2009. Higher energy prices will likely cause consumers to increasingly shift their spending patterns away from non-essentials towards necessities, such as food and gasoline. Core inflation, which excludes food and energy prices, remains subdued with a year-over-year increase of 1.2%.

ARIZONA

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

Arizona's coincident index rose for the 6th consecutive month in March. The month-over-month increase of 0.3% was (0.1)% below the national average. When compared to the

same month in the prior year, Arizona's coincident index was up by 0.7%, which was significantly below the national average of 2.9%. There were only 3 states (Kansas, Montana, and Nevada) with a lower year-over-year growth rate than Arizona. The Arizona coincident index is currently more than (13)% below its peak reading in August of 2007, almost 3 times the national average decline for the comparable period. See [Tracking Arizona's Recovery](#) for additional historical information.

Employment

According to most recent Arizona Workforce Employment Report, the state added 9,900 **nonfarm jobs** in March. This translates into a month-over-month increase of 0.4%, or half of the average gain for March in the 10-year period prior to the last recession.

Statewide payroll employment in March was up by 0.2%, or 5,000 jobs, compared to 1 year ago. According to the Federal Bureau of Labor Statistics, there were only 3 other states with a lower year-over-year job growth in March.

As reported last month, the March revision of state employment data revealed that labor market conditions in 2010 were considerably worse than previously reported. Instead of adding jobs between August and December of 2010, the state shed an average of (22,000) jobs per month over the same period. January 2011 marked the first year-over-year increase (700 jobs) in payroll employment since January 2008. While February and March job numbers were marginally better, overall labor market conditions in the state remain weak. There were (319,000) fewer payroll employees last month than when employment peaked in December 2007. This represents a net job loss of (11.7)%. See [Tracking Arizona's Recovery](#) for additional historical information.

While current conditions in the job market remain weak, there are a couple of forward-looking indicators that suggest that better days lie ahead. First, the number of individuals filing **initial claims for unemployment insurance** has been trending down ever since October 2009. This is generally considered a good sign, as a decline of this measure typically indicates that employers are shedding fewer workers than previously. This phase is typically followed by a gradual increase in payroll employment.

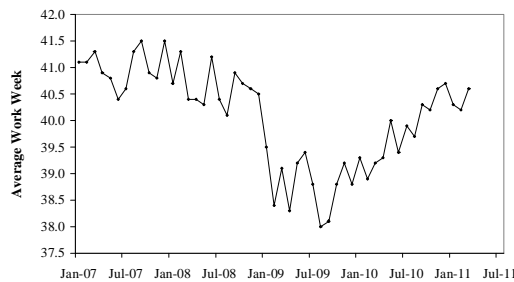
"There were (319,000) fewer payroll employees last month than when employment peaked in December 2007. This represents a net job loss of (11.7)%."

Economic Indicators (Continued)

In March, there were a total of 23,037 first-time claims in the state, a (14.9)% decline over the same month in the prior year. While this is a significant improvement, the overall level of initial jobless claims for the month of March is still close to 50% above the pre-recession average. Claims peaked in April 2009 when more than 41,000 individuals filed for initial jobless benefits. See [Tracking Arizona's Recovery](#), for additional historical information.

The other leading indicator that points to increased hiring in the future is the **average work week** of production employees in manufacturing industries. "Factory hours" tend to lead the business cycle as employers typically adjust work hours before increasing or decreasing the size of their workforce. This measure has been trending up since reaching a trough in August 2009, as seen in the graph below.

Average Weekly Hours of Production Workers



According to the Federal Bureau of Labor Statistics, the average work week in March was 40.6 hours, a 1.0% increase over the prior month, and a 3.6% improvement since March 2010. This figure matches the average work for March in the 5-year period leading up to the 2007-2009 recession. The state's manufacturing sector has added jobs in 5 of the last 6 months.

Housing

In March, the number of new Maricopa County **foreclosure notices** increased 11.6% from February levels to 5,692. The number of Maricopa County **pending foreclosures** decreased in March. The March total of 35,495 is (31.0)% below the peak in December 2009 (51,466). See [Tracking Arizona's Recovery](#) for additional historical information.

While foreclosure notices and pending foreclosures continue their decline from recent highs, they continue to be a major influence on existing home sales and the respective prices. In the Metropolitan Phoenix

area in March, there were a total of 11,055 **existing single-family home sales** that resulted in a **median resale home price** of \$128,825. Relative to the prior year, the number of sales is up 1.8%, while prices are (13.0)% lower. Of the existing sales, 37.5%, or 4,145 were foreclosures.

The number of new single family building permits averaged 801 for the 3-month period ending in March. This was a 20.8% increase over the previous 3-month period (through February) and was (31.5)% below the same period last year. The number of single family permits is (89.5)% below the peak of 7,648 average permits issued for the June, July, and August 2004 3-month period.

State Agency Data

In April **AHCCCS caseloads** equaled 1.34 million members, a (0.1)% decrease over the prior month. AHCCCS caseloads are currently (1.4)% below April 2010 levels. Total enrollment reached its peak in June 2010, and has declined slowly since then.

There were 41,389 **TANF recipients** in the state in March, a monthly caseload decrease of (2.2)%. Year-over-year, the number of TANF recipients has declined by (47.5)%. This decline is the result of changes to the statutory lifetime limit a person may receive cash assistance. Beginning in July 2010, recipients can only receive benefits for a maximum of 36 months in a lifetime. The FY 2012 budget further reduces this limit to 24 months. Previously, the maximum had been 60 months. The FY 2011 budget assumed caseloads of approximately 70,000 in FY 2011.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In March, there were a total 1.1 million food stamp recipients in the state, a 0.4% increase over the prior month. Compared to the same month last year, food stamp participation was up by 1.7%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.

The 3-month average count of the **Department of Correction's (ADC) inmate population** declined to 40,070 inmates between February and April 2011. Relative to the prior period, the population has increased by 7 inmates, and compared to a year ago the population has declined by (394) inmates.

"Year-over-year, the number of TANF recipients has declined by (47.5)%."

Economic Indicators (Continued)

Table 5

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 (SA)	March	9.5%	(0.1)%	(0.6)%
- Initial Unemployment Insurance Claims	March	23,037	15.9%	(14.9)%
- Unemployment Insurance Claimants	February	63,322	(8.4)%	(31.7)%
- Non-Farm Employment - Total	March	2.40 million	0.4%	0.2%
Manufacturing	March	149,100	0.5%	0.7%
Construction	March	107,200	1.9%	(2.5)%
- Average Weekly Hours, Manufacturing	March	40.6	1.0%	3.6%
- Contracting Tax Receipts (3-month average)	Jan-Mar	\$31.2 million	0.9%	9.1%*
- Retail Sales Tax Receipts (3-month average)	Jan-Mar	\$151.4 million	(0.4)%	7.3%*
- Residential Building Permits (3-month moving average)				
Single-family	Jan-Mar	801	20.8%	(31.5)%
Multi-unit	Jan-Mar	197	3.3%	8.0%
- Greater Phoenix Existing Home Sales				
Single-Family	March	11,055	29.1%	1.8%
Townhouse/Condominium	March	1,785	22.3%	1.4%
- Greater Phoenix Median Resale Home Price				
Single-Family	March	\$128,825	(3.2)%	(13.0)%
Townhouse/Condominium	March	\$85,000	0.0%	(15.0)%
- Foreclosure Activity, Maricopa County				
Foreclosure Notices (Notice of Trustee's Sales Recorded)	March	5,692	11.6%	(29.2)%
Pending Foreclosures (Active Notices)	March	35,495	(9.3)%	(27.7)%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	February	100.81	(0.7)%	(8.4)%
- Arizona Months Supply of Housing, (ARMLS)	March	3.8 months	(1.9) months	(1.0) months
- Phoenix Sky Harbor Air Passengers	February	2.98 million	(8.7)%	2.6%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	December	\$6.64	10.5%	(0.7)%
- Arizona Consumer Confidence Index (1985 = 100)	1 st Quarter 2011	62.8	11.5%	25.1%
- Arizona Coincident Index (July 1992 = 100)	March	179.08	0.3%	0.7%
- Arizona Personal Income	4 th Quarter 2010	\$226.7 billion	1.1%	3.3%
- Arizona Population	April 1, 2010	6.39 million	N/A	N/A
- AHCCCS Recipients	April	1,338,013	(0.1)%	(1.4)%
- TANF Recipients	March	41,389	(2.2)%	(47.5)%
- SNAP (Food Stamps) Recipients	March	1,070,156	0.4%	1.7%
- ADC Inmate Growth (3-month average)	Feb-April	40,070	7 inmates	(394) inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	February	19,077	(450)	(629)
Maricopa County	February	26,066	(46)	(2,852)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	4th Quarter 2010 (Final Estimate)	\$13.4 trillion	3.1%	2.8%
- Consumer Confidence Index (1985 = 100)	April	65.4	2.5%	13.3%
- Leading Indicators Index (2004 = 100)	March	114.1	0.4%	5.1%
- U.S. Semiconductor Billings (3-month moving average)	Dec-Feb	\$4.68 billion	(0.5)%	26.6%
- Consumer Price Index, SA (1982-84 = 100)	March	223.49	0.5%	2.7%

*Adjusted for 1¢ sales tax

FAC Meeting

At its April 13, 2011 meeting, the Finance Advisory Committee (FAC) heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. See [FAC Meeting Packet](#) for additional information

JLBC Staff provided members with the latest 4-sector consensus estimates for the “Big 3” revenue collections. The 4-sector consensus estimate is a composite of equally weighted estimates from:

- The University of Arizona Economic and Business Research (EBR) General Fund baseline model;
- The EBR conservative forecast model;
- The FAC panel; and
- JLBC Staff.

For FY 2011, base revenue collections are expected to grow 5.6%, compared to the FY 2011 budgeted rate of 5.7%.

The 4-sector consensus forecast projects base revenue growth of 4.2% in FY 2012. The conservative forecast model, which represents a “worst case scenario”, predicted a double-dip recession and a decline in General Fund revenues. FAC panelists generally believed that this scenario was unlikely.

Excluding the conservative forecast, General Fund revenues were projected to grow by 6.0%, compared to the FY 2012 budgeted rate of 5.7%.

JLBC Staff outlined the enacted FY 2012 budget which was approved in earlier in April.

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Jim Rounds and the State Treasurer, Doug Ducey. The presenters and FAC panelists generally believed that the recession has ended in Arizona, but there were still concerns about how the recovery could be more prolonged than previously predicted.



JLBC Meeting

At its April 14, 2011 meeting, the Joint Legislative Budget Committee considered the following issues:

Land Department – Review of Establishing Fees in Rule – The Committee gave a favorable review of the State Land Department's request to establish its current statutory fees in rule as required by recent legislation.

School Facilities Board – Approval of Index for School Facilities Board (SFB) Construction Costs – The Committee approved a 0% adjustment in the cost-per-square-foot factors used in SFB funding formulas based on the latest 1-year change in the Rider Levett Bucknall national construction cost index.

Attorney General – Review of Allocation of Settlement Monies – The Committee gave a

favorable review of a total of \$6,206,800 from 5 settlements: 1) a \$3,471,900 settlement resulting from an agreement with Wells Fargo Bank as a result of alleged misrepresentation in the marketing of adjustable rate mortgages; 2) a \$1,500,000 settlement from a consent judgment with Home Loan Center as a result of alleged misrepresentation in the marketing of adjustable rate mortgages; 3) a \$188,800 settlement from a consent judgment with Amerix Corp, as a result of alleged deceptive practices while offering and selling debt management services; 4) a \$861,100 settlement from a consent judgment with Dannon Co, as a result of alleged misleading product advertising; and 5) a \$185,000 settlement from a consent judgment with DirectTV Inc., as a result of alleged misleading advertising.

JCCR Meeting

At its April 19, 2011 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona State University – Review of Housing Indirect Financing and Dining Bond Projects – The Committee gave a favorable review of the university's request to enter into ground leases with 2 private entities to renovate 2 dorms at the Tempe campus and to build a new dorm at each of the West and East campuses, at a cost of \$99.5 million. The Committee also gave a favorable review of the university's request to issue a \$17.7 million revenue bond to build a new dining hall facility at each of the West and East campuses.

Northern Arizona University – Review of Housing Indirect Financing Projects – The Committee gave a favorable review of the university's request to enter into a ground lease with a private entity to build 2 new dorms at its Flagstaff campus, at a cost of \$68.0 million.

Maricopa County Community College District – Review of General Obligation Bond Issuance – The Committee gave a favorable review of the district's request to issue a \$150 million General Obligation bond, which is the fourth issuance of a 5 series bonding package totaling \$951.4 million approved by voters in

2004. The favorable review includes the following 2 provisions: 1) the district will seek Committee review before using any portion from the bond issuance for any project not previously reviewed by the Committee, and 2) the district will report to the Committee on updated project costs when they return for review of their fifth issuance.

Arizona Department of Administration – FY 2011 Partial Rent Exemptions and FY 2012 – FY 2013 Rent Payments – The Committee recommended the proposed FY 2011 partial rent exemptions for the Department of Corrections, State Parks Board, Secretary of State, and Governor's Office and the FY 2012 and FY 2013 quarterly payment plan for the State Board of Technical Registration.

Arizona State Lottery Commission – Review of FY 2011 Building Renewal Allocation Plan – The Committee gave a favorable review to the commission's \$75,600 FY 2011 Building Renewal Allocation Plan to be spent on a replacement generator, updated uninterruptible power supply system, and damaged light pole.

March Spending

“March 2011 spending of \$420.0 million was \$58.1 million higher than March 2010.”

March 2011 General Fund spending was \$420.0 million. March expenditures were higher than the prior year in part due to differences in the timing of soft capital reductions compared to the prior year.

FY 2011 Spending

March 2011 spending of \$420.0 million was \$58.1 million higher than March 2010 (See Table 2).

- In March, the Arizona Department of Education spending was \$37.2 million higher than the prior year. March expenditures were greater due to the timing of soft capital reductions compared to the prior year.
- University spending was \$56.9 million in March, or \$(16.9) million lower than the

prior year. The decreased expenditure amount reflects the rollover being spread out over the course of the fiscal year.

- Department of Economic Security spending was \$57.8 million higher than March of the prior year. The increased expenditures amount is due to the prior year expenditures being artificially decreased because of operating transfers among the agency's funds.
- In March, Department of Health Services (DHS) spending was \$21.8 million, or \$(31.1) million lower than the prior year. The decreased expenditure amount reflects a difference in the timing of transfers to AHCCCS for the Medicaid state match in the behavioral health program compared to the prior year.

Table 6

General Fund Spending (\$ in Millions)

Agency	<u>Mar 11</u>	<u>Change from Mar 10</u>	<u>Year to Date</u>	<u>YTD Change from FY 10</u>
AHCCCS	129.5	20.1	1,143.8	86.9
Corrections	59.2	(11.0)	651.2	14.3
Economic Security	29.5	57.8	492.6	13.9
Education	96.2	37.2	2,680.5	(379.1)
Health Services	21.8	(31.1)	401.9	(53.6)
Public Safety	1.6	(0.4)	35.1	(7.0)
School Facilities Board	0.1	-	67.1	(36.9)
Universities	56.9	(16.9)	721.3	(60.9)
Leaseback Debt Service	-	-	52.1	52.1
Other	<u>25.2</u>	<u>2.4</u>	<u>448.7</u>	<u>(46.5)</u>
Total	420.0	58.1	6,694.3	(416.8)

Agency	General Fund Spending (\$ in Thousands)			YTD Change from FY 10
	March 11	Change from March 10	Year-to-Date	
Department of Administration	1,661.0	804.8	16,185.0	2,657.0
Department of Admin Sale/Leaseback D/S	-	-	52,066.9	52,066.9
Office of Administrative Hearings	1.4	(0.2)	665.3	(6.3)
Department of Agriculture	650.1	144.4	6,588.7	(249.5)
AHCCCS	129,450.3	20,118.3	1,143,781.2	86,943.1
Arizona Commission on the Arts	46.0	(46.7)	495.4	(160.8)
Attorney General	1,007.3	270.4	12,794.3	(1,507.2)
AZ Capital Post Conviction Public Defender	51.5	35.5	527.9	54.2
State Board of Charter Schools	26.7	(13.7)	552.2	(9.4)
Board of Chiropractic Examiners	-	-	-	(148.0)
Department of Commerce	83.2	34.5	2,896.6	480.0
Community Colleges	-	-	99,319.7	-
Corporation Commission	30.7	(4.7)	467.3	53.5
Department of Corrections	59,195.8	(10,958.1)	651,245.6	14,322.4
Board of Cosmetology	-	-	-	(252.0)
AZ Criminal Justice Commission	-	-	-	4.6
AZ State Schools for the Deaf & Blind	1,056.0	811.4	16,090.4	783.2
Department of Economic Security	29,469.0	57,820.0	492,602.4	13,875.6
Department of Education	96,152.4	37,218.6	2,680,536.1	(379,090.3)
DEMA	707.2	(190.2)	8,455.1	1,510.6
Department. of Environmental Quality	-	(330.2)	0.6	(4,126.8)
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	9.3	9.2	138.5	(18.5)
State Board of Equalization	17.5	(2.8)	467.8	(9.2)
Board of Executive Clemency	62.6	19.0	682.2	(77.5)
Department of Financial Institutions	149.6	30.2	2,099.7	(380.1)
Department of Fire, Life, Bldg Safety	118.4	41.0	1,642.1	(186.0)
Office of the State Forrester	39.1	39.1	1,996.2	1,996.2
Board of Funeral Directors	-	-	-	(100.0)
Arizona Geological Survey	41.5	31.4	541.2	(65.5)
Government Information Tech.	39.0	4.9	381.2	29.8
Governor	98.8	(366.6)	4,880.3	(1,036.4)
Gov. - OSPB	73.6	(48.1)	1,414.3	(132.7)
Department of Health Services	21,830.2	(31,062.0)	401,944.2	(53,629.5)
Arizona Historical Society	170.0	93.3	4,771.3	1,573.4
Prescott Historical Society of AZ	24.3	(11.0)	563.7	21.1
Independent Redistricting Comm.	0.7	0.7	0.7	(25.4)
Commission on Indian Affairs	1.5	(4.3)	46.5	(30.4)
Department of Insurance	345.0	39.4	4,406.8	(88.8)
Judiciary				
Supreme Court	655.2	48.8	15,990.6	2,462.4
Superior Court	8,386.0	6,525.4	55,824.5	(7,722.6)
Court of Appeals	586.1	208.3	11,305.7	762.4
Department of Juvenile Corrections	2,182.2	(719.2)	40,410.6	(10,353.2)
State Land Department	132.3	1,299.5	2,473.6	(8,166.5)

Agency	March 11	Change from March 10	Year-to-Date	YTD Change from FY 10
Law Enforcement Merit System	4.0	3.9	55.0	(0.6)
Legislature				
Auditor General	1,062.0	(93.2)	13,339.2	1,916.0
House of Representatives	848.4	(19.7)	9,296.4	(349.6)
Joint Legislative Budget Comm.	113.1	(27.6)	1,603.1	(201.0)
Legislative Council	271.2	(23.4)	3,351.3	(315.7)
Senate	593.4	(5.5)	6,571.3	(260.1)
Department of Liquor Licenses	-	(7.1)	3.3	(744.4)
Board of Medical Student Loans	16.9	16.9	360.7	(441.2)
Mine Inspector	64.6	(13.7)	863.2	(152.1)
Department of Mines & Mineral Resources	8.6	(146.0)	815.8	208.7
Nav. Streams & Adjudication	4.9	(1.2)	106.6	0.6
OSHA	-	-	-	(14.4)
Arizona State Parks Board	-	-	20,000.0	(1,900.3)
Pioneers' Home	196.7	196.7	1,181.1	1,184.1
Board of Psychologist Examiners	-	-	25.0	(275.0)
Comm. for Postsecondary Ed.	0.5	(175.4)	610.4	(1,817.0)
Department of Public Safety	1,631.7	(394.6)	35,070.4	(7,040.2)
Arizona Department of Racing	109.5	77.4	3,540.8	(525.7)
Radiation Regulatory Agency	-	-	1,031.3	(40.0)
Arizona Rangers Pension	-	(1.0)	8.2	(2.1)
Real Estate Department	154.9	20.7	2,208.7	(345.3)
Department of Revenue	1,830.8	(2,425.4)	31,311.3	4,765.5
School Facilities Board	65.7	40.4	67,094.0	(36,890.8)
Secretary of State	803.5	(2,955.0)	12,112.2	1,444.4
Tax Appeals Board	15.4	5.0	199.9	1.6
Office of Tourism	-	-	-	(200.0)
Department of Transportation	0.9	(1.8)	37.4	(5.3)
State Treasurer	-	(136.8)	-	(2,044.8)
Universities				
Board of Regents	802.0	695.8	16,555.7	(3,365.7)
Arizona State University	25,435.6	(7,999.6)	319,185.6	(26,049.1)
Northern Arizona University	8,551.9	(2,668.3)	107,460.9	(8,761.9)
University of Arizona	22,135.0	(6,906.4)	278,144.4	(22,688.9)
Veterinary Medical Examiners Board	-	-	-	(250.0)
Department of Veteran Services	69.4	(671.3)	9,299.5	2,368.8
Department of Water Resources	403.3	(397.6)	5,189.9	(7,776.3)
Department of Weights & Measures	61.0	50.0	833.2	(45.5)
Other	188.7	213.6	2,537.3	(18,238.7)
Grand Total	419,995.1	58,140.1	6,694,255.5	(416,828.2)