

JLBC - Monthly Fiscal Highlights

June 2013

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“From a year-to-date perspective, base revenues are 5.8% higher than last year. In total, year-to-date General Fund collections are \$185.9 million above the Baseline forecast...”

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on June 20, 2013.

Summary

May General Fund revenue collections totaled \$705.0 million. Base revenues, which exclude one-time adjustments, were 8.0% above the prior year. The increase in May collections was largely due to growth in Sales and Corporate Income Tax receipts, along with the Department of Environmental Quality receiving a one-time settlement payment. Overall May collections were \$16.6 million above the January Baseline forecast.

From a year-to-date perspective, base revenues are 5.8% higher than last year. In total, year-to-date General Fund collections are \$185.9 million above the Baseline forecast, primarily as a result of the surge in Income Tax collections seen in April.

In comparison to revenue of \$705.0 million, May 2013 General Fund spending was \$560.6 million, or \$35.0 million above last year.

Fiscal year-to-date, General Fund revenues of \$8.11 billion have been offset by \$7.99 billion in General Fund spending. Given the state's cash flow through a given fiscal year, May is typically the first month where year-to-date revenues exceed spending.

Next month's *Monthly Fiscal Highlights* will look at the year-end estimates of FY 2013 revenues and expenditures in order to develop a preliminary projection of the FY 2013 ending balance.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. As of mid-June 2013, the operating balance is \$2.4 billion.

FY 2014 Budget Enactment

The Legislature passed the FY 2014 budget, which was approved by the Governor on June 17th. For a complete listing of spending changes, long-term projections, and statutory changes associated with the budget, please see the [JLBC Special Session Budget Summary](#).

Updated ADE Spending Estimates

The JLBC Staff recently revised the FY 2014 Arizona Department of Education (ADE) Baseline estimate upward by \$5 million in FY 2014, \$22 million in FY 2015 and \$39 million in FY 2016 due to increased reports of “charter conversions.” This process converts existing traditional district schools into charter schools, which entitles a school district to approximately \$1,000 in additional funding per pupil for students in the converted schools.

The JLBC estimates are based on 30 schools converting in FY 2014, 60 in 2015 (including the 30 in FY 2014) and 90 in FY 2016. These estimates are speculative and could be significantly higher, given the conversion financial incentives. The enacted 3-year Special Session budget plan does not include these revised ADE estimates. For a complete summary of the fiscal impact of school district charter conversions, please see [JLBC Staff Charter Conversion Memo](#).

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May Revenues

Table 1

	General Fund Revenues (\$ in Millions)		
	<u>FY 2013 Collections</u>	<u>Difference From Baseline Forecast</u>	<u>Difference From FY 2012</u>
May	\$ 705.0	\$ 16.6	\$ 40.3
Year-to-Date	\$ 8,107.3	\$ 185.9	\$ 152.3

Sales Tax collections of \$404.4 million were 5.3% above May 2012 and \$10.1 million above the Baseline forecast for the month.

May refunds of \$(94.3) million were \$(24.7) greater than last year's amount. Year-to-date, refunds are \$75.2 million below forecast.

Year-to-date, sales tax collections are 4.5% above the prior year and are \$22.1 million above forecast.

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

Retail and contracting together account for about 60% of all sales tax revenues. May retail, which reflects April sales, increased by 3.4% reducing year-to-date retail growth to 6.1%.

Contracting collections have been much more volatile than retail. The May increase of 13.4% brings the year-to-date increase to 4.9%.

Table 2

	Sales Tax Growth Rates Compared to Prior Year	
	<u>May</u>	<u>YTD</u>
Retail	3.4%	6.1%
Contracting	13.4%	4.9%
Utilities	21.5%	3.5%
Use	2.8%	(2.7)%
Restaurant & Bar	4.7%	5.5%

Individual Income Tax net revenues were \$229.2 million in May, which was \$(2.6) million less than the prior year. Collections were \$(11.9) million below the forecast for the month. Year-to-date, revenues have grown 11.2% and are \$145.3 million above forecast.

As indicated in Table 3, withholding was up 4.4% in May. The May increase brings withholding tax collections for the fiscal year to 4.1% over the prior year. This amount is \$(15.4) million below the Baseline forecast.

May estimated and final payments of \$27.1 million were 54.7% above last year, and were \$7.1 million above forecast. Year-to-date, payments are \$85.5 million above the forecast.

Table 3

Individual Income Tax Growth Rates Compared to Prior Year

	<u>May</u>	<u>YTD</u>
Withholding	4.4%	4.1%
Estimated + Final Payments	54.7%	16.1%
Refunds	35.6%	(3.1)%

Corporate Income Tax net collections were \$30.7 million in May, which is \$20.7 million greater than the prior year's net collections of \$10.0 million. Collections for the month were \$5.6 million above the forecast. Year-to-date, collections are up 0.7% compared to the prior year, and are approximately \$5.4 million above the forecast.

The **Lottery Commission** reports that May ticket sales were \$77.9 million, which is \$22.3 million, or 40.1%, greater than sales in the prior year. Year-to-date ticket sales are \$644.9 million, which is 7.9% above last year's sales. While year-to-date sales have increased, net General Fund revenues actually declined due to an increase in the payment of debt service for the Lottery Revenue Bonds issued in FY 2010.

Non-General Fund

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 \$101.4 million in May were up \$5.9 million, or 6.2%, compared to May of last year. Year-to-date revenues are 0.2% above collections in the prior year, and \$(4.9) million below forecast.

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Table 4

General Fund Revenue: Change from Previous Year and January Baseline Forecast May 2013

	Current Month					FY 2013 YTD (Eleven Months)				
	Actual May 2013	Change From				Actual May 2013	Change from			
		May 2012		Baseline Forecast			May 2012		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use - Base*	\$322,843,958	\$15,954,087	5.2 %	\$6,003,067	1.9 %	\$3,490,458,478	\$142,699,733	4.3 %	\$2,098,635	0.1 %
- 1¢ Increase*	81,599,140	4,318,562	5.6	4,119,155	5.3	882,655,407	46,686,206	5.6	20,002,943	2.3
Income - Individual	229,188,191	(2,579,228)	(1.1)	(11,947,087)	(5.0)	3,066,983,484	309,136,149	11.2	145,338,203	5.0
- Corporate	30,735,404	20,682,832	205.7	5,623,955	22.4	537,433,417	3,792,970	0.7	5,409,620	1.0
Property	1,526,028	220,911	16.9	26,028	1.7	11,176,464	(2,333,560)	(17.3)	(1,858,818)	(14.3)
Luxury - Tobacco	1,103,839	(10,851)	(1.0)	0	0.0	22,589,040	(705,865)	(3.0)	86,959	0.4
- Liquor	2,238,179	(1,306,874)	(36.9)	0	0.0	29,671,160	1,551,441	5.5	(335,828)	(1.1)
Insurance Premium	40,903,081	5,139,986	14.4	903,081	2.3	316,139,181	(10,590,884)	(3.2)	(2,346,333)	(0.7)
Estate	0	0	--	0	--	0	(200,825)	(100.0)	0	--
Other Taxes	39,678	2,178	5.8	(60,322)	(60.3)	1,522,737	(135,234)	(8.2)	(177,263)	(10.4)
Sub-Total Taxes	\$710,177,499	\$42,421,604	6.4 %	\$4,667,878	0.7 %	\$8,358,629,369	\$489,900,132	6.2 %	\$168,218,119	2.1 %
Other Revenue										
Lottery	9,201,200	748,500	8.9	1,201,200	15.0	48,385,300	(9,989,660)	(17.1)	337,100	0.7
License, Fees and Permits	2,552,381	530,335	26.2	752,381	41.8	26,289,961	1,113,976	4.4	1,333,898	5.3
Interest	(577,885)	(586,363)	--	(587,885)	--	6,819,256	2,245,659	49.1	6,756,611	--
Sales and Services	1,988,756	101,803	5.4	(11,244)	(0.6)	25,605,740	1,409,186	5.8	834,249	3.4
Other Miscellaneous	12,660,247	10,122,393	398.9	9,660,247	322.0	35,193,590	4,414,061	14.3	8,132,432	30.1
Disproportionate Share	0	0	--	0	--	0	(17,869,682)	(100.0)	0	--
Transfers and Reimbursements	1,370,365	1,031,616	304.5	870,365	174.1	9,930,391	(3,315,533)	(25.0)	273,180	2.8
Sub-Total Other Revenue	\$27,195,064	\$11,948,284	78.4 %	\$11,885,064	77.6 %	\$152,224,239	(\$21,991,992)	(12.6) %	\$17,667,470	13.1 %
TOTAL BASE REVENUE	\$737,372,563	\$54,369,888	8.0 %	\$16,552,942	2.3 %	\$8,510,853,608	\$467,908,140	5.8 %	\$185,885,589	2.2 %
Other Adjustments										
Urban Revenue Sharing	(42,798,670)	(7,430,050)	21.0	0	0.0	(470,785,370)	(81,730,548)	21.0	0	0.0
Budget Plan Transfers	10,387,984	(6,635,443)	(39.0)	0	0.0	67,247,316	(221,036,018)	(76.7)	0	0.0
Tax Amnesty	0	0	--	0	--	0	(12,867,428)	(100.0)	0	--
Sub-Total Other Adjustments	(32,410,686)	(14,065,493)	76.7 %	0	0.0 %	(403,538,054)	(315,633,994)	359.1 %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$704,961,877	\$40,304,395	6.1 %	\$16,552,942	2.4 %	\$8,107,315,554	\$152,274,146	1.9 %	\$185,885,589	2.3 %
Non-General Funds										
Highway User Revenue Fund	\$101,381,406	\$5,907,340	6.2 %	\$5,334,495	5.6 %	\$1,106,918,365	\$1,682,108	0.2 %	(\$4,949,310)	(0.4) %

* Total May collections including the temporary 1¢ increase approved by the voters in May 2010 were \$404.4 million. This amount is \$20.3 million, or 5.3%, above May 2012 and \$10.1 million, or 2.6%, above forecast.

Recent Economic Indicators

NATIONAL

The Conference Board's **U.S. Consumer Confidence Index** grew 7.2 points in May to 76.2, the highest reading since February 2008. Recent increases in confidence reflect a widespread improved outlook on the labor market and economy. This has largely been attributed to better housing and jobs reports, reduced gas prices, and diminished fears over impacts of sequestration.

The Conference Board's **U.S. Leading Economic Index** increased by 0.6% in April and 2.3% above the measure in April 2012. The index's current reading of 95 is the highest since early months of the recession. While 7 of the 10 components of the index contributed to the improved reading, growth was largely due to increased building permits—the national total of permits in April were at its highest level since June 2008.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased 0.1% in May. A (0.1)% decline in food prices was more than offset by increases in rent, lodging, and energy. The latest price increase follows 2 months of decreases.

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.

In April, 45 out of 50 states had increases in their coincident indexes. Arizona's coincident index increased by 0.1% compared to the prior month. Year-over-year, the Arizona index is 1.9% above last year, which is the thirty-seventh highest growth rate in the country. While this is a significant improvement, Arizona's index is still (10.3)% below its peak, which occurred in August 2007. *See Appendix A – Tracking Arizona's Recovery* for additional historical information.

The Federal Reserve Bank of Philadelphia also publishes a **leading index** for each state that forecasts economic conditions for the next 6 months. In addition to the coincident index, Arizona's leading index is based on Arizona housing permits, Arizona initial unemployment insurance claims, national manufacturing

delivery times, and the interest rate spread between the 3-month and 10-year Treasury instruments.

Using a 3-month average, Arizona's leading index projects that state GDP will grow at an annualized rate of 1.8% over the next 6 months. This is lower than the revised 2.0% growth projection in March and lower than the 2.4% projection in April 2012.

Housing

The number of Maricopa County **pending foreclosures** decreased from 9,424 in April to 8,826 in May. The May total is significantly below the peak in December 2009 (51,466). *See Appendix A – Tracking Arizona's Recovery.*

The total housing inventory in the Greater Phoenix area decreased from 20,162 in May 2012 to 19,734 in May 2013, a (2.1)% decrease. This continues the decline in inventory that started in January 2011. As the supply of housing has declined, the price has increased. In the Metropolitan Phoenix area, the **median price of a single family home** was \$181,399 in April. This represents a 3.7% increase from March, and a 29.6% increase from April of last year.

Another measure of the health of the Arizona real estate market is permitting activity. For the 3-month period through April, a total of 1,562 **single-family building permits** had been issued statewide, a 16.6% increase from last year. While permitting activity has seen gains, the current level of permitting remains far below a more normal 3-month average of 3,000 to 4,000 permits. *See Appendix A – Tracking Arizona's Recovery.*

The multi-family housing sector has seen recent gains, with the 3-month period ending in April resulting in a total of 403 **multi-family building permits** being issued in the state. However, this figure remains well below the peak of activity in April 2007.

State Agency Data

At the beginning of June, total **AHCCCS** caseloads equaled 1.27 million members, a 0.2% increase from the prior month. Overall, AHCCCS caseloads are currently (0.4)% below June 2012 levels. The traditional acute care AHCCCS population, which consists primarily of lower income children and their parents, decreased by (0.1)% since last month

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Recent Economic Indicators (Continued)

and remained the same as a year ago. The total population in this program is almost 900,000.

The childless adult program has not allowed new participants since July 2011. This population has declined (148,842) since then to 75,650. As a whole, the Proposition 204 program has declined (0.7)% compared to the prior month, and (16.5)% from the prior year. KidsCare I provides coverage for 7,185 children with incomes above those in the traditional population. Its enrollment has declined since a freeze was implemented in January 2010. Enrollment declined (1.0)% compared to the prior month and (30.5)% from the prior year.

“Compared to the same month last year, food stamp participation was down by (1.1)%.”

Beginning on May 1, 2012, AHCCCS began a new program, entitled KidsCare II, which provides coverage for children up to 175% of the Federal Poverty Level. The state match is provided by voluntary payments from political subdivisions. As of the beginning of June, 36,026 children were enrolled in KidsCare II.

There were 36,864 **TANF recipients** in the state in April, a monthly caseload decrease of (1.1)%. Year-over-year, the number of TANF recipients has declined by (6.6)%. The statutory lifetime limit on cash assistance is 24 months. The appropriation for TANF cash assistance in the FY 2013 budget funds a caseload of approximately 36,200 recipients in FY 2013.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In April, there were a total 1.1 million food stamp recipients in the state, a (1.4)% decrease over the prior month. Compared to the same month last year, food stamp participation was down by (1.1)%. The number of SNAP 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 Corrections (ADC) inmate population** increased to 40,331 inmates in May 2013. Relative to the prior 3-month period, the population has increased by 160 inmates. Compared to a year ago, the population has increased by 331 inmates.

Recent 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)	April	7.9%	0.0 %	(0.5)%
- Initial Unemployment Insurance Claims	April	27,564	48.8%	(5.6)%
- Unemployment Insurance Recipients	April	41,439	12.1%	(27.5)%
- Non-Farm Employment - Total	April	2.52 million	0.2%	2.0%
Manufacturing	April	154,800	(0.3)%	0.3%
Construction	April	119,600	(0.1)%	6.5%
- Average Weekly Hours, Manufacturing	April	41.7	2.5%	2.0%
- Contracting Tax Receipts (3-month average)	Mar-May	\$35.6 million	6.3%	11.2%*
- Retail Sales Tax Receipts (3-month average)	Mar-May	\$163.0 million	1.2%	5.2%*
- Residential Building Permits (3-month moving average)				
Single-family	Feb-Apr	1,562	10.9%	16.6%
Multi-unit	Feb-Apr	403	18.2%	(2.8)%
- Greater Phoenix Home Sales				
Single-Family	April	9,233	4.2%	3.9%
Townhouse/Condominium	April	1,574	10.5%	(0.6)%
- Greater Phoenix Median Home Price				
Single-Family	April	\$181,399	3.7%	29.6%
Townhouse/Condominium	April	\$119,900	3.4%	34.6%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	March	130.29	1.7%	22.5%
- Foreclosure Activity, Maricopa County	May	8,826	(6.3)%	(52.5)%
Pending Foreclosures (Active Notices)				
- Greater Phoenix Total Housing Inventory, (ARMLS)	May	19,734	(1.7)%	(2.1)%
- Phoenix Sky Harbor Air Passengers	April	3.41 million	(10.0)%	1.1%
- Revenue Per Available Hotel Room	April	\$67.68	(25.3)%	5.3%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	March	\$5.50	19.8%	12.7%
- Arizona Consumer Confidence Index (1985 = 100)	2nd Quarter 2013	69.6	N/A	1.5%
- Arizona Coincident Index (July 1992 = 100)	April	181.44	0.1%	1.9%
- Arizona Leading Index -- 6 month projected growth rate	Feb-Apr	1.8%	(0.2)%	(0.6)%
- Arizona Personal Income	4th Quarter 2012	\$240.2 billion	2.1%	4.8%
- Arizona Population	July 1, 2012	6.55 million	N/A	1.3%
- AHCCCS Recipients	June	1,274,732	0.2%	(0.4)%
Acute Care Traditional		886,795	(0.1)%	(0.0)%
Prop 204 Childless Adults		75,650	(1.2)%	(35.0)%
Other Prop 204		147,885	(0.4)%	(2.3)%
Kids Care		7,185	(1.0)%	(30.5)%
Kids Care II		36,026	12.7%	
Long-Term Care – Elderly & DD		53,628	0.3%	2.5%
Emergency Services		67,563	(0.4)%	11.1%
- TANF Recipients	April	36,864	(1.1)%	(6.6)%
- SNAP (Food Stamps) Recipients	April	1,099,471	(1.4)%	(1.1)%
- ADC Inmate Growth (3-month average)	Mar-May	40,331	160 inmates	331 inmates
- Probation Caseload				
Non-Maricopa	April	17,722	(17)	(442)
Maricopa County	April	25,279	(22)	(350)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1 st Quarter 2013 (2 nd Estimate)	\$13.7 trillion	2.4%	1.8%
- Consumer Confidence Index (1985 = 100)	May	76.2	10.4%	18.3%
- Leading Indicators Index (2004 = 100)	April	95.0	0.6%	2.3%
- U.S. Semiconductor Billings (3-month moving average)	Feb-April	\$4.36 billion	(0.6)%	(4.4)%
- Consumer Price Index, SA (1982-84 = 100)	May	231.8	0.1%	1.4%

*Adjusted for 1¢ sales tax

JLBC Meeting

At its June 11, 2013 meeting, the Joint Legislative Budget Committee considered the following issues:

Attorney General – Review of Allocation of Settlement Monies – The Committee gave a favorable review to the allocation plan of \$4.7 million from 3 settlements: 1) a \$3.8 million consent judgment with Lender Processing Services, Inc.; 2) a \$682,100 consent judgment with Toyota; and 3) a \$326,300 consent judgment with Google. The settlements will be deposited into the Consumer Fraud Revolving Fund.

Arizona Department of Administration – Review of Federal Reimbursement for FY 2012 Fund Transfers – The

Committee gave a favorable review to the department's \$5.1 million expenditure plan for the reimbursement of federal monies related to FY 2012 fund transfers from the Special Employee Health Insurance Trust Fund (HITF).

JCCR Meeting

At its June 12, 2013 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona Department of Administration – Review of the Arizona Department of Corrections 500 Public Prison Beds – The Committee gave a favorable review of the Arizona Department of Administration's (ADOA) proposed plan to construct 500 male state-run maximum security prison beds at a cost of \$50 million. The favorable review includes the provision that the Arizona Department of Corrections (ADC) report to the Committee on: the final cost details and timeline for each of the 5 bid components, any increase in costs above the current non-contingency estimate of \$49.7 million, and the timing for opening the 500 beds.

Arizona Game and Fish Department – Review of Lake Havasu (Tri-State Shooting Park) Shooting Range FY 2005 Appropriation Expenditures– The Committee gave a favorable review of the Arizona Game and Fish

Department's (AGFD) plan for construction of the Lake Havasu (Tri-State) Shooting Range at a cost of \$600,000, which includes \$484,000 of already completed design and construction projects along with \$116,000 for planned expenditures to complete the shooting range.

Arizona Exposition & State Fair Board – Review of New Power Distribution Line and Meter Appropriation Expenditures – The Committee gave a favorable review of the Arizona Exposition and State Fair's (AESF) plan for the construction of a new electrical power line and meter at a cost of \$300,000.

Summary of Recent Agency Reports

Arizona Department of Administration – Report on State Surplus Materials Revolving Fund Excess Revenue – Pursuant to a FY 2013 General Appropriation Act footnote, all State Surplus Materials Revolving Fund revenues received by the Arizona Department of Administration (ADOA) in excess of the \$1.3 million appropriation to State Surplus Property Sales Proceeds line item in FY 2013 are appropriated to ADOA. Prior to expending the additional State Surplus Materials Revolving Fund receipts, ADOA is required to report the intended use of the monies to the Joint Legislative Budget Committee.

Monies appropriated to the State Surplus Property Sales Proceeds line item are used to reimburse agencies for the sale of surplus materials and are funded out of the State Surplus Property Revolving Fund. ADOA indicates the Surplus Property Management Program has experienced an increase in proceeds from the sale of materials and that the Surplus Materials Revolving Fund will receive \$325,000 above the appropriated amount in FY 2013. ADOA will expend the additional \$325,000 from the State Surplus Materials Revolving Fund to reimburse agencies for the sale of surplus materials.

In addition, last year ADOA reported that the Surplus Property Management Program experienced an increase in proceeds from the sale of materials and that the Surplus Materials Revolving Fund would receive \$300,000 above the appropriated amount in FY 2012. ADOA has reported that it was only necessary for the program to utilize \$147,000 of the projected \$300,000 increase in expenditure authority in FY 2012. (Ben Henderson)

Office of the Attorney General – Report on Incarceration Costs Offset by Monetary Judgments – Pursuant to A.R.S. § 31-238, the Office of the Attorney General is required to report semi-annually on the use of monetary judgments awarded to inmates to offset the costs of incarceration. From June 30, 2012 to January 1, 2013, the state did not exercise its right to offset the costs of incarcerating inmates under this statute, since no monetary judgments were awarded during this time period. The agency does, however, indicate that it believes the existing statute results in reduced negotiated settlement amounts, which also discourages the filing of frivolous lawsuits. (Andrew Hartsig)

Department of Economic Security (DES) – Monthly Report on CPS – Pursuant to Laws 2013, Chapter 1, DES has submitted the April financial and program accountability report. According to the report, out-of-home placements increased from 14,095 in January 2013 to 14,158 in February 2013. Caseloads are above the department's goals, and turnover for Child

Protective Services (CPS) case managers was approximately 2.0%. The highlights of this report are summarized below.

- The CPS Training Academy had 280 new CPS case managers in training as of February, or (15) fewer than in January.
- As of February, the number of filled case manager positions was 1,163, including those in training, an increase of 20 from January. In February, caseloads per worker remained considerably higher than caseload goals but were better than the prior month. In February, caseloads were 87.9% above the department's caseload goals of 10 investigations, 19 in-home cases, or 16 out-of-home children per case manager, compared to being 101.4% above caseload goals in January.
- DES reports that monthly case manager turnover during February was 2.0%, down from a 2.2% rate in January.
- In addition to 3,446 continuing in-home cases, an increase of 416 from January, there were 2,050 new in-home cases in February. The total number of continuing out-of-home children, however, declined slightly to 12,785 in February from 12,845 in January.
- The number of children who left CPS care in February was 1,310, essentially flat when compared to 1,314 in January.
- The ratio of filled supervisor positions to filled CPS case manager positions in February remained at the January level of about 1:7.
- DES plans to spend \$650.2 million from all funds on CPS in FY 2013, an increase of 11.1% from \$585.3 million in FY 2012.

(Ben Beutler)

Department of Education – Budget Status Report – Pursuant to A.R.S. § 35-131D, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2013. In that report, ADE estimates that it will experience a \$56.9 million net funding surplus for formula programs for FY 2013. The estimated surplus includes a \$36.4 million savings from prior year (FY 2012) overpayments that are being recaptured in the current year on a one-time basis. The remaining \$20.5 million represents an ongoing savings. The FY 2014 budget assumes an ongoing savings of \$25.5 million based on previous reports. ADE's final formula costs for FY 2013 will not be known until later in the year due to ongoing data updates and corrections. (Steve Schimpp)

Department of Public Safety – Quarterly Report on the GIITEM Fund – Pursuant to A.R.S. § 41-1724, the Department of Public Safety (DPS) is required to report quarterly on Gang and Immigration Intelligence Team

Summary of Recent Agency Reports (Continued)

Enforcement Mission (GIITEM) Fund expenditures. During the third quarter of FY 2013, DPS expended \$757,700 in GIITEM Immigration Enforcement Grant monies, bringing the year-to-date total to \$2.1 million. Year-to-date, DPS has expended \$1.6 million for a grant to the Maricopa County Sheriff's Office from the FY 2013 non-lapsing \$2.6 million appropriation for local law enforcement grants. Included in this amount is \$319,500 in third quarter spending. Per statute, Maricopa County receives \$1.6 million annually. Pinal County also is statutorily required to receive \$500,000 annually, but only \$352,600 has been distributed, all in the third quarter. The remaining \$222,600 in total year-to-date expenditures was funded from the FY 2011 non-lapsing \$2.6 million appropriation

and was utilized to fund border detectives and detention liaison officers. Included in this amount is \$85,600 in third quarter spending. There remains a balance of \$73,100 in the FY 2011, \$41,000 in the FY 2012, and \$651,700 in the FY 2013 appropriations available for use.

Additionally, the GIITEM Border Security and Law Enforcement Subaccount received \$554,512 in criminal fine and fee revenues in the third quarter of FY 2013, for a total of \$1.7 million year-to-date. DPS expended \$371,100 in the third quarter and \$836,100 year-to-date from the Subaccount for border detectives, detention liaison officers, and a grant to the Pima County Sheriff's Office. (Eric Billings)

May Spending

May 2013 General Fund spending of \$560.6 million was \$35.0 million higher than May 2012. Year-to-date, spending is \$8.0 billion, or \$275.2 million above last year.

FY 2013 Spending

May 2013 spending of \$560.6 million was \$35.0 million lower than May 2012 (See *Tables 6 & 7*).

- The Department of Education spent \$71.0 million more than in May 2012. The higher expenditure amount reflects higher General Fund funding for the agency, as well as increased charter school enrollment.

Table 6

General Fund Spending (\$ in Millions)

Agency	<u>May 13</u>	<u>Change from May 12</u>	<u>Year to Date</u>	<u>YTD Change from FY 12</u>
AHCCCS	120.3	15.6	1,119.5	(181.8)
Corrections	96.8	(1.7)	851.6	(4.5)
Economic Security	(3.7)	(28.2)	621.9	64.9
Education	239.9	71.0	3,173.4	100.8
Health Services	17.6	(6.2)	566.3	69.4
Public Safety	2.0	0.6	41.0	(2.8)
School Facilities Board	0.2	(11.5)	173.6	(1.8)
Universities	40.1	(2.7)	668.0	(15.8)
Leaseback Debt Service	0.0	0.0	84.1	35.1
Other	<u>47.4</u>	<u>(1.9)</u>	<u>485.8</u>	<u>11.7</u>
Total	560.6	35.0	7,785.2	75.2
Budget Stabilization Fund Deposit	0.0	0.0	200.0	200.0
Grand Total	560.6	35.0	7,985.2	275.2

Table 7

General Fund Spending (\$ in Thousands)				
Agency	May 13	Change from May 12	Year-to-Date	YTD Change from FY 12
Department of Administration	1,428.8	508.3	27,402.9	13,761.3
ADOA Sale/Leaseback Debt Service	-	-	84,119.8	35,069.1
Office of Administrative Hearings	73.6	(19.5)	758.2	(17.0)
Department of Agriculture	857.4	(91.5)	7,063.3	(269.9)
AHCCCS	120,269.9	15,571.6	1,119,500.8	(181,805.9)
Arts, AZ Commission on the	-	-	-	(10.4)
Attorney General	2,674.8	1,056.9	20,310.4	5,116.2
AZ Capital Post Conviction Public Defender	-	(78.7)	4.4	(590.8)
State Board of Charter Schools	87.9	8.7	702.9	22.7
AZ Commerce Authority	2,625.0	-	28,875.0	-
Community Colleges	-	-	64,192.6	5,350.0
Corporation Commission	64.0	14.4	549.0	80.1
Department of Corrections	96,776.9	(1,667.2)	851,637.0	(4,494.0)
AZ State Schools for the Deaf & Blind	2,538.2	(131.3)	20,875.2	1,002.9
Department of Economic Security	(3,659.5)	(28,199.7)	621,907.3	64,888.7
Department of Education	239,879.5	70,960.5	3,173,387.0	100,819.5
DEMA	447.7	(432.5)	7,085.1	454.0
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	88.0	59.1	155.6	(16.9)
State Board of Equalization	40.3	3.0	457.9	(34.9)
Board of Executive Clemency	98.0	25.3	748.1	14.8
Department of Financial Institutions	345.1	74.4	2,652.9	197.3
Department of Fire, Bldg and Life Safety	118.3	(11.0)	1,665.5	30.3
State Forester	2,409.9	597.3	6,895.3	1,240.0
Arizona Geological Survey	93.4	(15.9)	805.6	(40.1)
Government Information Tech.	-	-	-	3.1
Governor/OSPB	1,099.7	252.5	8,007.6	1,771.9
Department of Health Services	17,578.7	(6,212.0)	566,324.1	69,371.5
Arizona Historical Society	287.8	(1,127.5)	2,867.6	(1,149.7)
Prescott Historical Society of AZ	65.3	1.5	621.8	(0.3)
Independent Redistricting Comm.	621.8	453.2	2,357.7	(1,431.6)
Commission of Indian Affairs	5.7	(0.7)	48.2	(2.7)
Department of Insurance	556.1	(20.4)	4,529.1	(303.5)
Judiciary				
Supreme Court	1,489.9	(844.9)	13,449.7	(1,823.8)
Superior Court	9,838.0	(357.6)	75,803.6	(1,359.4)
Court of Appeals	1,654.6	(75.6)	12,610.0	(210.1)
Department of Juvenile Corrections	3,900.9	(759.9)	37,072.7	(5,318.5)

Agency	May 13	Change from May 12	Year-to-Date	YTD Change from FY 12
State Land Department	287.2	18.3	1,165.9	35.3
Law Enforcement Merit System	8.7	1.2	63.5	8.7
Legislature				
Auditor General	1,927.2	66.2	15,913.6	(265.4)
House of Representatives	1,469.2	90.0	10,924.5	(538.9)
Joint Legislative Budget Comm.	207.9	(6.5)	1,745.5	(82.3)
Legislative Council	506.0	42.6	6,277.8	1,584.1
Senate	965.0	9.4	7,409.9	(479.9)
Mine Inspector	123.3	(4.1)	1,036.0	(22.5)
Nav. Streams & Adjudication	13.4	2.2	110.8	(18.5)
Pioneers' Home	53.4	67.8	1,118.2	(450.1)
Comm. for Postsecondary Ed.	0.1	0.1	1,396.8	-
Department of Public Safety	2,038.1	617.3	41,031.6	(2,830.7)
Arizona Department of Racing	2.8	(10.3)	1,980.3	(833.8)
Radiation Regulatory Agency	77.1	8.0	1,368.1	1.9
Real Estate Department	236.3	(37.6)	2,241.3	45.2
Department of Revenue	4,457.3	653.2	37,844.3	(3,039.8)
School Facilities Board	153.1	(11,492.3)	173,563.6	(1,811.7)
Secretary of State	914.3	(2,269.3)	15,045.6	3,886.8
Tax Appeals Board	27.5	0.5	239.2	(1.1)
Office of Tourism	556.4	556.4	4,414.3	4,414.3
Department of Transportation	1.1	(5.3)	21.0	(30.3)
Universities				
Board of Regents	866.1	609.3	37,089.6	20,433.7
Arizona State University	17,381.2	(1,788.1)	281,768.8	(19,669.7)
Northern Arizona University	5,924.2	(507.4)	95,661.0	(5,581.7)
University of Arizona	15,879.7	(992.8)	253,517.0	(11,011.1)
Department of Veteran Services	613.1	(132.0)	5,065.5	(2,781.1)
Department of Water Resources	1,389.7	14.5	9,016.2	3,767.9
Department of Weights & Measures	109.0	(31.0)	1,431.8	404.5
Other	37.0	(34.3)	4,304.9	(10,248.6)
Total	560,581.5	34,986.9	7,785,210.2	75,158.3
Budget Stabilization Fund Deposit	-	-	200,000.0	200,000.0
Grand Total	560,581.5	34,986.9	7,985,210.2	275,158.3

Tracking Arizona's Recovery

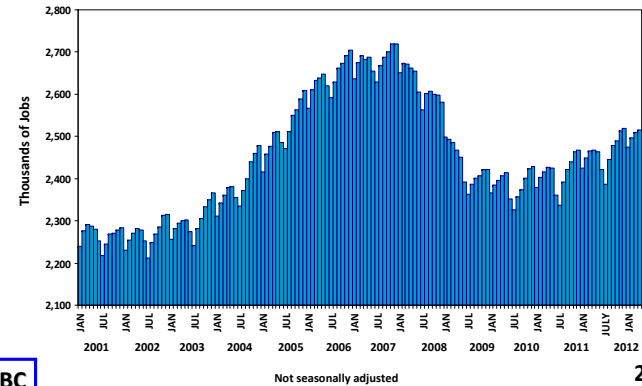
June 2013
Appendix A

Slide:

- 2.....Total Non-Farm Employment
- 3.....Initial Claims for Unemployment Insurance
- 4.....State Sales Tax Collections – Retail Category
- 5.....State Sales Tax Collections – Contracting Category
- 6.....Single Family Building Permits
- 7.....Maricopa County Pending Foreclosures
- 8.....Coincident Index

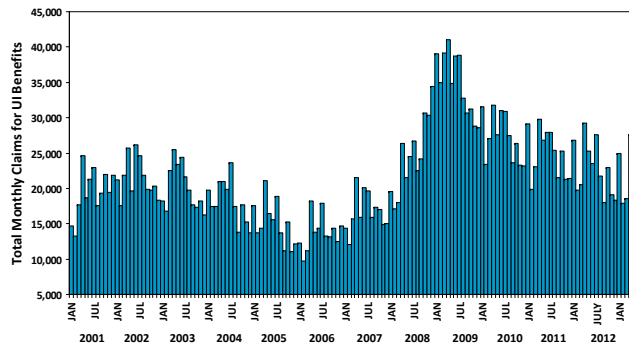
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Total Non-Farm Employment



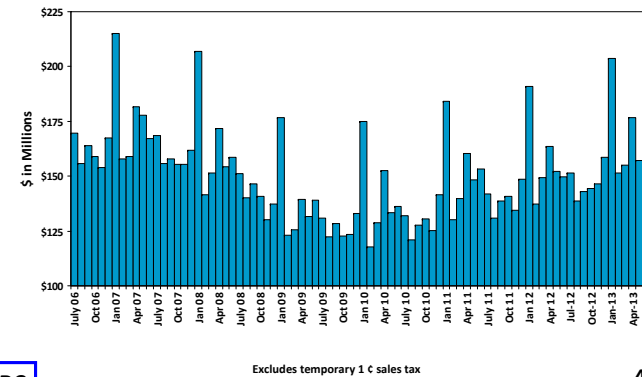
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Initial Claims for Unemployment Insurance



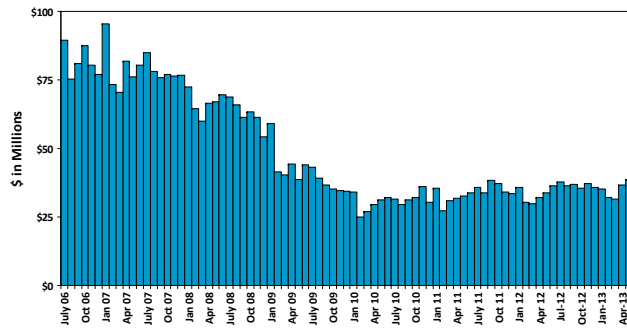
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State Sales Tax Collections – Retail Category



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State Sales Tax Collections – Contracting Category

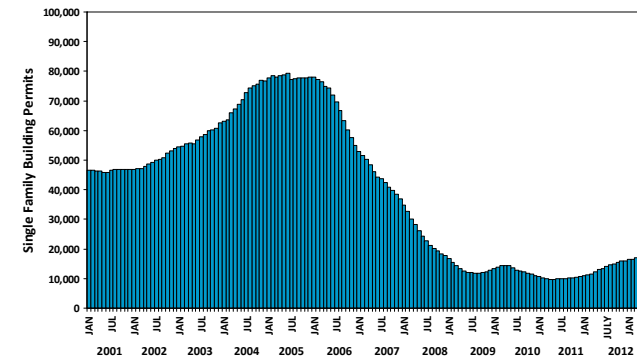


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Excludes temporary 1 ¢ sales tax

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Single Family Building Permits

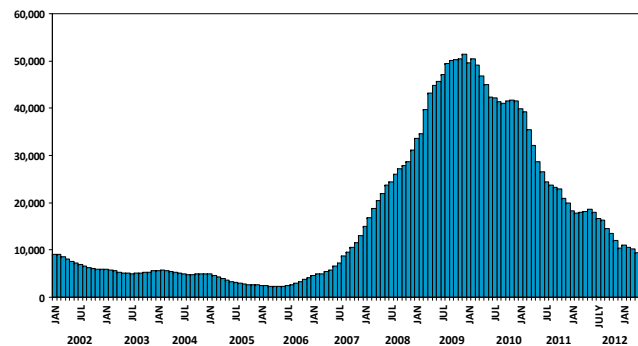


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12-Month Moving Sum

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Maricopa County Pending Foreclosures

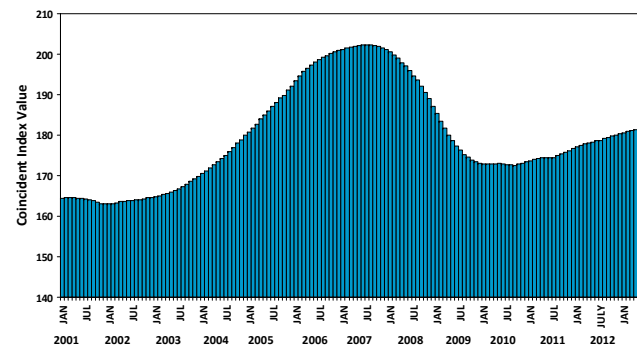


JLBC

An initial notice of trustee sale has been recorded but final sale has not yet occurred

7

Economic Activity Index



JLBC

Source: Coincident Index – Federal Reserve Bank of Philadelphia. Combines four state-level indicators (employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements) to summarize current economic conditions.

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