JLBC - Monthly Fiscal Highlights

May 2013

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"Year-to-date, base revenues are 5.6% higher than last year. In total, year-to-date General Fund collections are $167.8 million above the Baseline forecast."

"

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

Summary

April General Fund revenue collections totaled $1.09 billion. Base revenues, which exclude one-time adjustments, were 17.3% above the prior year.

Collections were approximately $154 million greater than April of last year, and $140 million over the forecast for the month.

Year-to-date, base revenues are 5.6% higher than last year. In total, year-to-date General Fund collections are $167.8 million above the Baseline forecast.

<u>April Spending</u>

In comparison to revenue of $1.09 billion, April 2013 General Fund spending was $544.8 million, or $67.9 million above last year.

Fiscal year-to-date, General Fund revenues of $7.40 billion have been offset by $7.42 billion in General Fund spending.

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-May 2013, the operating balance is $2.8 billion.

<u>April Income Tax "Windfall"</u>

Of the $140 million positive forecast variance in April, $119 million was due to individual income tax collections. Estimated and final April income tax payments were 28% higher than a year ago.

An April income tax revenue windfall had been anticipated. As noted in the December Monthly Fiscal Highlights, federal tax law changes created incentives for taxpayers to shift income from calendar 2013 into calendar 2012. The Baseline forecast, however, did not account for this FY 2013 growth as it may only reflect a timing shift between fiscal years and not an actual growth in long term income.

The threat of Bush-era tax cuts expiring on December 31, 2012 appears to have shifted some of Arizona individual income tax collections forward into tax year (TY) 2012 that would have otherwise occurred in future years. Though the United States Congress eventually passed legislation to avert many tax increases of the "fiscal cliff," investors appear to have proactively taken steps to avoid even the potential of higher tax rates in TY 2013. As a result, investors' TY 2012 personal income increased substantially, which has resulted in higher FY 2013 income tax collections in April. This short term gain, however, could be offset by a lower than expected income tax liability in FY 2014.

Even without the fiscal cliff, the federal Affordable Care Act (ACA) of 2010 created incentives for investment income to be accelerated into TY 2012. To help finance federal health care changes, the ACA legislation established a 3.8% surtax on the lesser of net investment income (capital gains, interest, dividends, rents, etc.) or annual earnings over a certain threshold amount ($250,000 for married couples) as of January 2013.

Given these time-shifting incentives, the April

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Summary (Continued)

revenue acceleration is part of a nationwide trend. The Rockefeller Institute at the State University of New York at Albany regularly reports on federal and state revenue trends. On May 8, 2013, the Institute reported that federal income tax payments grew by 37% in April, compared to the prior year. The Institute has also received reports of substantial income tax gains at the state level in California, Connecticut, Illinois, Nebraska and Pennsylvania. They expect similar reports from other states as more information becomes available.

The Institute also attempted to place the April revenue gains into a broader context:

> "One of the complications that revenue analysts face when April tax-return revenue surges is that it could mean the economy in the previous year actually was stronger than previously believed. In that case, the longer term revenue outlook could be better than previously thought. Revenue analysts won't know whether this is a contributing factor until more economic data are available.
>
> "However, much of the available economic data suggests the underlying economy remains very weak, and there are well-known reasons to believe that federal tax incentives caused much of the increase. In that case, the temporary surge in revenue may mask underlying weakness in the economy."

The Institute also provided this perspective:

> "…many revenue forecasters anticipated a surge and have been properly cautious in estimating that revenue has been borrowed from the future. Still, the temptation will be to treat it as recurring revenue available to support ongoing spending, or available for tax cuts. Caution is in order." *(Rockefeller Institute Brief – May 8, 2013)*

"Year-to-date, sales tax collections are 4.5% above the prior year and are $12.0 million above forecast."

April Revenues

Table 1

General Fund Revenues ($ in Millions)

	FY 2013 Collections	Difference From Baseline Forecast	Difference From FY 2012
April	$ 1,088.5	$ 140.4	$ 154.0
Year-to-Date	$ 7,400.8	$ 167.8	$ 110.4

Sales Tax collections of $429.4 million were 5.4% above April 2012 and $6.4 million above the Baseline forecast for the month.

Year-to-date, sales tax collections are 4.5% above the prior year and are $12.0 million above forecast.

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

Retail and contracting together account for about 60% of all sales tax revenues. April retail, which reflects March sales, increased by 8.1% bringing year-to-date retail growth up to 6.3%.

Contracting collections have been much more volatile than retail. The April increase of 14.0% brings the year-to-date increase to 4.1%.

Table 2

Sales Tax Growth Rates Compared to Prior Year

	April	YTD
Retail	8.1%	6.3%
Contracting	14.0%	4.1%
Utilities	5.2%	2.1%
Use	(10.2)%	(3.3)%
Restaurant & Bar	4.4%	5.5%

Individual Income Tax net revenues were $519.8 million in April, which was $143.0 million more than the prior year. Collections were $119.0 million above the forecast for the month. Year-to-date, revenues have grown 12.3% and are $157.3 million above forecast. For a more detailed discussion of the growth in individual

April Revenues (Continued)

income tax collections, please refer to the Summary section at the beginning of this document.

As indicated in *Table 3*, withholding was up 6.6% in April. The April increase brings withholding tax collections for the fiscal year to 4.0% over the prior year. This amount is $2.2 million above the Baseline forecast.

April estimated and final payments of $558.7 million were 28.3% above last year, and were $86.1 million above forecast. Year-to-date, payments are $78.4 million above the forecast.

April refunds of $(340.4) million were approximately equal to last year's amount. Year-to-date, refunds are $76.7 million below forecast.

Table 3

Individual Income Tax Growth Rates Compared to Prior Year

	April	YTD
Withholding	6.6%	4.0%
Estimated + Final Payments	28.3%	15.3%
Refunds	(0.3)%	(5.4)%

"Withholding was up 6.6% in April. The April increase brings withholding tax collections for the fiscal year to 4.0% over the prior year."

Corporate Income Tax net collections were $102.2 million in April, which is $12.1 million greater than the prior year's net collections of $90.1 million. Collections for the month were $3.3 million above the forecast. Year- to-date, collections are down (3.2)% compared to the prior year, and are approximately equal to the forecast.

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 $109.2 million in April were up $1.4 million, or 1.3%, compared to April of last year. Year-to-date revenues are (0.4)% below collections in the prior year, and $(10.3) million below forecast.

Table 4

General Fund Revenue:

Change from Previous Year and January Baseline Forecast
April 2013

	Current Month					FY 2013 YTD (Ten Months)				
		Change From					Change from			
	Actual	April 2012		Baseline Forecast		Actual	April 2012		Baseline Forecast	
	April 2013	Amount	Percent	Amount	Percent	April 2013	Amount	Percent	Amount	Percent
Taxes										
Sales and Use - Base*	$341,689,456	$16,877,134	5.2 %	$1,347,436	0.4 %	$3,167,614,520	$126,745,647	4.2 %	($3,904,432)	(0.1) %
- 1¢ Increase*	87,704,514	5,286,182	6.4	5,094,212	6.2	801,056,267	42,367,644	5.6	15,883,788	2.0
Income - Individual	519,783,007	142,976,117	37.9	118,961,799	29.7	2,837,795,293	311,715,377	12.3	157,285,290	5.9
- Corporate	102,221,603	12,072,149	13.4	3,265,973	3.3	506,698,013	(16,889,862)	(3.2)	(214,335)	(0.0)
Property	568,062	(361,027)	(38.9)	(531,938)	(48.4)	9,650,436	(2,554,472)	(20.9)	(1,884,846)	(16.3)
Luxury - Tobacco	2,127,282	16,570	0.8	0	0.0	20,026,891	(2,153,323)	(9.7)	(1,371,353)	(6.4)
- Liquor	3,345,622	753,838	29.1	0	0.0	27,319,251	2,744,585	11.2	(449,558)	(1.6)
Insurance Premium	54,650,143	12,646,318	30.1	14,650,143	36.6	275,236,100	(15,730,869)	(5.4)	(3,249,414)	(1.2)
Estate	0	0	--	0	--	0	(200,825)	(100.0)	0	--
Other Taxes	73,168	2,130	3.0	(26,832)	(26.8)	1,483,059	(137,410)	(8.5)	(116,941)	(7.3)
Sub-Total Taxes	$1,112,162,857	$190,269,411	20.6 %	$142,760,793	14.7 %	$7,646,879,830	$445,906,492	6.2 %	$161,978,199	2.2 %
Other Revenue										
Lottery	7,555,140	(2,084,200)	(21.6)	(1,444,860)	(16.1)	39,184,100	(10,738,160)	(21.5)	(864,100)	(2.2)
License, Fees and Permits	1,924,531	(325,026)	(14.4)	(175,469)	(8.4)	23,737,580	583,640	2.5	581,517	2.5
Interest	2,487,913	30,499	1.2	2,477,913	--	7,397,141	2,832,021	62.0	7,344,496	--
Sales and Services	2,274,477	474,787	26.4	274,477	13.7	23,616,985	1,307,382	5.9	845,493	3.7
Other Miscellaneous	840,495	(2,438,024)	(74.4)	(1,159,505)	(58.0)	22,533,343	(5,708,332)	(20.2)	(1,527,815)	(6.3)
Disproportionate Share	0	(17,869,682)	(100.0)	0	--	0	(17,869,682)	(100.0)	0	--
Transfers and Reimbursements	(1,802,243)	(2,013,502)	--	(2,302,243)	--	8,560,026	(4,347,149)	(33.7)	(597,185)	(6.5)
Sub-Total Other Revenue	$13,280,313	($24,225,148)	(64.6) %	($2,329,687)	(14.9) %	$125,029,175	($33,940,280)	(21.4) %	$5,782,406	4.8 %
TOTAL BASE REVENUE	**$1,125,443,170**	**$166,044,263**	**17.3 %**	**$140,431,106**	**14.3 %**	**$7,771,909,005**	**$411,966,212**	**5.6 %**	**$167,760,605**	**2.2 %**
Other Adjustments										
Urban Revenue Sharing	(42,798,670)	(7,430,050)	21.0	0	0.0	(427,986,700)	(74,300,500)	21.0	0	0.0
Budget Plan Transfers	5,898,735	(4,598,797)	(43.8)	0	0.0	56,859,332	(214,400,575)	(79.0)	0	0.0
Tax Amnesty	0	0	--	0	--	0	(12,867,428)	(100.0)	0	--
Sub-Total Other Adjustments	(36,899,935)	(12,028,847)	48.4 %	0	0.0 %	(371,127,368)	(301,568,503)	433.5 %	0	0.0 %
TOTAL GENERAL FUND REVENUE	**$1,088,543,235**	**$154,015,416**	**16.5 %**	**$140,431,106**	**14.8 %**	**$7,400,781,637**	**$110,397,709**	**1.5 %**	**$167,760,605**	**2.3 %**
Non-General Funds										
Highway User Revenue Fund	$109,220,212	$1,389,523	1.3 %	$742,539	0.7 %	$1,005,536,959	($4,225,232)	(0.4) %	($10,283,805)	(1.0) %

*** Total April collections including the temporary 1¢ increase approved by the voters in May 2010 were $429.4 million. This amount is $22.2 million, or 5.4%, above April 2012 and $6.4 million, or 1.5%, above forecast.**

Recent Economic Indicators

"The Conference Board's U.S. Consumer Confidence Index grew 6.2 points to 68.1 in April, more than recovering the (6.1) point decrease in March."

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 2.5% in the first quarter of 2013. This acceleration from fourth quarter growth of only 0.4% was largely due to upturns in inventory investment and exports and acceleration in consumption expenditures. Decreased federal, state, and local spending were the largest drags on growth.

The Conference Board's **U.S. Consumer Confidence Index** grew 6.2 points to 68.1 in April, more than recovering the (6.1) point decrease in March. The April increase primarily represents an improved 6-month outlook on the economy. This improved outlook was attributed to better housing data and stock market performance and lower gas prices during the month.

The Conference Board's **U.S. Leading Economic Index** decreased by (0.1)% in March, but still increased 1.7% above the measure in March 2012. This modest monthly drop, the first since August 2012, was primarily the result of decreases in consumer expectations and building permits. Half of the index's 10 sub-indices decreased during the month while half increased.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, decreased (0.4)% in April. This drop represents the largest monthly decrease in prices since December of 2008. A (8.1)% decline in gas prices more than offset a 0.1% increase in core inflation (all prices except for food and energy).

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 March, 47 out of 50 states had increases in their coincident indexes. Arizona's coincident index increased by 0.2% compared to the prior month. Year-over-year, the Arizona index is 2.0% above last year, which is the thirty-second highest growth rate in the country. While this is a significant improvement, Arizona's index is still (10.5)% 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 2.3% over the next 6 months. This is unchanged from the 2.3% growth projection in February and lower than the 2.9% projection in March 2012.

Housing

The number of Maricopa County **pending foreclosures** decreased from 10,189 in March to 9,424 in April. The April 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 20,676 in April 2012 to 20,083 in April 2013, a (2.9)% 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 $175,000 in March. This represents a 2.9% increase from February, and a 29.7% increase from March of last year.

Another measure of the health of the Arizona real estate market is permitting activity. For the 3-month period through March, a total of 1,408 **single-family building permits** had been issued statewide, a 26.6% 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 also seen gains, with the 3-month period ending in

Recent Economic Indicators (Continued)

March resulting in a total of 341 **multi-family building permits** being issued in the state. However, this figure remains well below the peak of activity in April 2007.

Employment

The state gained a total of 5,200 **nonfarm jobs** between March and April. The private sector added a net of 4,200 jobs in April, while the government sector gained 1,000 jobs. The largest contributions to April's month-over-month net job gain came from the following sectors: professional and business services (+3,100), financial activities (+1,400), trade, transportation and utilities (+1,300), and government (+1,000).

Compared to April 2012, **nonfarm employment** was up by 2.0%, or 48,300 jobs. Of the 11 major industry sectors, 10 recorded employment gains while only 1 sector, Other Services, lost jobs. The largest year-over-year net job gains came from the following industries: leisure and hospitality (+9,800), construction (+7,300), professional and business services (+7,100), and financial activities (+6,900).

See Appendix A – Tracking Arizona's Recovery.

State Agency Data

At the beginning of May, total **AHCCCS** caseloads equaled 1.27 million members, a 0.2% increase from the prior month. Overall, AHCCCS caseloads are currently (1.1)% below May 2012 levels. The traditional acute care AHCCCS population, which consists primarily of lower income children and their parents, increased by 0.2% since last month and decreased (0.1)% from 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 (147,889) since then to 76,603. As a whole, the Proposition 204 program has declined (0.8)% compared to the prior month, and (18.4)% from the prior year. KidsCare I provides coverage for 7,258 children with incomes above those in the traditional population. Its enrollment has declined since a freeze was implemented in January 2010. Enrollment declined (4.7)% compared to the prior month and (31.6)% from the prior year.

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 May, 31,956 children were enrolled in KidsCare II.

There were 37,276 **TANF recipients** in the state in March, a monthly caseload decrease of (0.9)%. Year-over-year, the number of TANF recipients has declined by (5.0)%. 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 March, there were a total 1.1 million food stamp recipients in the state, a 1.2% increase over the prior month. Compared to the same month last year, food stamp participation was down by (0.3)%. 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 40,171 inmates in April 2013. Relative to the prior 3-month period, the population has increased by 86 inmates. Compared to a year ago, the population has increased by 186 inmates.

Recent Economic Indicators (Continued)

Table 5

ECONOMIC INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate (SA)	April	7.9%	0.0 %	(0.5)%
- Initial Unemployment Insurance Claims	March	18,518	3.7%	(9.8)%
- Unemployment Insurance Recipients	March	36,956	(2.1)%	(29.4)%
- 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	March	40.7	0.2%	(1.0)%
- Contracting Tax Receipts (3-month average)	Feb-Apr	$33.5 million	1.6%	8.5%*
- Retail Sales Tax Receipts (3-month average)	Feb-Apr	$161.0 million	(5.3)%	7.3%*
- Residential Building Permits (3-month moving average)				
Single-family	Jan-Mar	1408	19.9%	26.6%
Multi-unit	Jan-Mar	341	(54.7)%	(28.1)%
- Greater Phoenix Home Sales				
Single-Family	March	8,858	20.5%	(8.0)%
Townhouse/Condominium	March	1,425	17.2%	(13.1)%
- Greater Phoenix Median Home Price				
Single-Family	March	$175,000	2.9%	29.7%
Townhouse/Condominium	March	$116,000	7.4%	43.2%
- Greater Phoenix S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	February	128.10	1.1%	23.0%
- Foreclosure Activity, Maricopa County Pending Foreclosures (Active Notices)	April	9,424	(7.5)%	(47.8)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	April	20,083	(3.1)%	(2.9)%
- Phoenix Sky Harbor Air Passengers	February	3.06 million	(5.5)%	(2.7)%
- Revenue Per Available Hotel Room	March	$90.63	17.5%	1.6%
- Arizona Average Natural Gas Price ($ per thousand cubic feet)	February	$4.59	3.6%	(14.2)%
- Arizona Consumer Confidence Index (1985 = 100)	2nd Quarter 2013	69.6	N/A	1.5%
- Arizona Coincident Index (July 1992 = 100)	March	181.43	0.2%	2.0%
- Arizona Leading Index -- 6 month projected growth rate	Jan-Mar	2.3%	(0.0)%	(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	May	1,272,501	0.2%	(1.1)%
Acute Care Traditional		887,418	0.2%	(0.1)%
Prop 204 Childless Adults		76,603	(3.1)%	(38.0)%
Other Prop 204		148,499	0.4%	(2.4)%
Kids Care		7,258	(4.7)%	(31.6)
Kids Care II		31,956	5.8%	
Long-Term Care – Elderly & DD		53,470	0.3%	2.4%
Emergency Services		67,297	2.0%	12.5%
- TANF Recipients	March	37,276	(0.9)%	(5.0)%
- SNAP (Food Stamps) Recipients	March	1,114,638	1.2%	(0.3)%
- ADC Inmate Growth (3-month average)	Feb-Apr	40,171	86 inmates	186 inmates
- Probation Caseload				
Non-Maricopa	March	17,739	(41)	(487)
Maricopa County	March	25,301	(33)	(252)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	1st Quarter 2013 (1st Estimate)	$13.8 trillion	2.5%	1.8%
- Consumer Confidence Index (1985 = 100)	April	68.1	10.0%	(0.9)%
- Leading Indicators Index (2004 = 100)	March	94.7	(0.1)%	1.7%
- U.S. Semiconductor Billings (3-month moving average)	Jan-Mar	$4.38 billion	(1.9)%	(1.5)%
- Consumer Price Index, SA (1982-84 = 100)	April	231.5	(0.4)%	1.1%

*Adjusted for 1¢ sales tax

Summary of Recent Agency Reports

Arizona Commerce Authority – Annual Report on the Healthy Forest Enterprise Incentives Program – Pursuant to A.R.S. § 41-1516 I, the Arizona Commerce Authority is required to report on the Healthy Forest Enterprise Incentives Program on May 1 annually regarding the: 1) quantity and measured weight of qualifying forest products reported; 2) number of new full-time employees hired in qualified employment positions; and 3) number of all full-time employees employed in qualified employment positions. In calendar year 2012 the total weight of qualified harvest, processed, or transported forest products was 1.0 million tons; however, none of the 4 companies participated in the income tax credit portion of the program.

The Healthy Forest Enterprise Incentives Program allows businesses primarily engaged in the harvesting, initial processing, or transporting of forest products in Arizona to exempt qualified purchases from use and transaction privilege taxes, a 50% reduction in the use fuel tax, a reduction in the assessment ratio of personal and real property from 25% to 5%, and an income tax credit of up to $3,000 per employee on new jobs created. (Eric Billings)

Department of Economic Security – Report on Cash Assistance – Pursuant to a FY 2013 General Appropriation Act footnote, the Department of Economic Security reported its intent to use $500,000 in appropriation authority for TANF Cash Benefits in FY 2013. These monies are intended to ensure sufficient cash flow for tribes operating their own programs. Instead, the department will use the authority to pay for benefits. (Ben Beutler)

Department of Economic Security – Report on the Workforce Investment Act Grant – Pursuant to the FY 2013 General Appropriation Act, the Department of Economic Security reported its plan to expend $5.5 million above the Workforce Investment Act Grant's $56.0 million appropriation. The excess $5.5 million consists of $2.4 million in incentive funding and $3.1 million in unexpected balances. The monies will be distributed to Local Workforce Investment Areas for job training activities for dislocated workers and disadvantaged adults and youth. (Ben Beutler)

Department of Health Services – Report on Arnold v. Sarn - Pursuant to a FY 2013 General Appropriation Act footnote, the Department of Health Services (DHS) has submitted the third quarter report on settling the *Arnold v. Sarn* lawsuit.

The state has been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the Seriously Mentally Ill (SMI) population. Due to the state's fiscal condition, the plaintiffs and the state agreed in March 2010 to suspend the lawsuit for 2 years due to lack of funding. The latest agreement with the plaintiffs does not contain an exit criteria or a schedule for compliance.

The latest agreement focuses on the conditions for admission and the length of stay for *Arnold* class members at the Arizona State Hospital (ASH), as DHS and the Regional Behavioral Health Authorities (RBHAs) have continued to coordinate discharges to provide appropriate community support and services following discharge, in addition to ensuring that ASH has a census of 55 or fewer class members. DHS did not exceed this limit at any time during the third quarter. As agreed upon by the parties, DHS has not encouraged, recommended, or provided funding for class members in supervisory care homes, as the department has prepared efforts to secure alternative housing for class members in these homes. The latest agreement also focuses on employment support for class members. DHS reports that employment has increased by 0.13% during the third quarter. The agreement further states that DHS will implement Quality Service Reviews (QSR) in order to evaluate network sufficiency, identify service gaps, and maximize customer satisfaction. In order to comply with the QSR provision of the agreement, DHS also continues to contract with an independent third party to perform chart reviews and inquiries with clients and families. (Art Smith)

April Spending

April 2013 General Fund spending of $544.8 million was $67.9 million higher than April 2012. Year-to-date, spending is $7.4 billion, or $240.2 million above last year.

FY 2013 Spending

April 2013 spending of $544.8 million was $67.9 million lower than April 2012 (*See Tables 6 & 7*).

- The Department of Education spent $29.0 million more than in April 2012. The higher expenditure amount reflects higher General Fund funding for the agency, as well as increased charter school enrollment.
- AHCCCS spent $(35.8) million less than in April 2012 as the result of a settlement from the Tobacco Master Settlement Agreement.

Table 6

General Fund Spending ($ in Millions)

Agency	**April 13**	**Change from April 12**	**Year to Date**	**YTD Change from FY 12**
AHCCCS	(35.8)	(43.1)	999.2	(197.4)
Corrections	84.1	3.7	754.9	(2.8)
Economic Security	94.8	58.4	625.6	93.1
Education	270.1	29.0	2,933.5	29.9
Health Services	10.8	0.2	548.7	75.6
Public Safety	17.6	14.8	38.9	(3.4)
School Facilities Board	0.9	0.8	173.4	9.7
Universities	44.3	0.1	627.9	(13.1)
Leaseback Debt Service	0.0	0.0	84.1	35.1
Other	58.0	4.0	438.4	13.5
Total	**544.8**	**67.9**	**7,224.6**	**40.2**
Budget Stabilization Fund Deposit	0.0	0.0	200.0	200.0
Grand Total	**544.8**	**67.9**	**7,424.6**	**240.2**

Table 7

General Fund Spending
($ in Thousands)

Agency	April 13	Change from April 12	Year-to-Date	YTD Change from FY 12
Department of Administration	5,041.0	4,326.0	25,974.1	13,253.0
ADOA Sale/Leaseback Debt Service	-	-	84,119.8	35,069.1
Office of Administrative Hearings	72.0	7.1	684.5	2.5
Department of Agriculture	659.9	25.9	6,205.9	(178.4)
AHCCCS	(35,801.0)	(43,106.3)	999,230.9	(197,377.5)
Arts, AZ Commission on the	-	-	-	(10.4)
Attorney General	1,572.5	411.2	17,635.6	4,059.3
AZ Capital Post Conviction Public Defender	-	(52.9)	4.4	(512.1)
State Board of Charter Schools	54.7	(0.6)	614.9	14.0
AZ Commerce Authority	2,625.0	-	26,250.0	-
Community Colleges	16,048.2	(1,308.4)	64,192.6	5,350.0
Corporation Commission	48.8	16.8	485.0	65.7
Department of Corrections	84,080.5	3,662.2	754,860.1	(2,826.8)
AZ State Schools for the Deaf & Blind	2,362.9	533.9	18,336.9	1,134.2
Department of Economic Security	94,787.9	58,400.4	625,566.8	93,088.4
Department of Education	270,143.5	29,006.6	2,933,507.5	29,859.1
DEMA	592.4	(367.5)	6,637.3	886.5
DEQ – WQARF	-	-	7,000.0	-
Office of Equal Opportunity	12.2	(1.6)	67.7	(76.0)
State Board of Equalization	20.8	(3.3)	417.6	(37.9)
Board of Executive Clemency	60.5	(7.4)	650.1	(10.5)
Department of Financial Institutions	214.8	8.6	2,307.8	122.9
Department of Fire, Bldg and Life Safety	271.5	54.7	1,547.2	41.3
State Forester	201.2	(39.3)	4,485.4	642.7
Arizona Geological Survey	67.4	(20.6)	712.2	(24.2)
Government Information Tech.	-	-	-	3.1
Governor/OSPB	534.1	(7.7)	6,907.8	1,519.4
Department of Health Services	10,758.1	195.5	548,745.4	75,583.5
Arizona Historical Society	210.7	11.4	2,579.8	(22.3)
Prescott Historical Society of AZ	53.2	12.8	556.6	(1.7)
Independent Redistricting Comm.	111.0	(62.4)	1,735.9	(1,884.8)
Commission of Indian Affairs	4.8	(4.6)	42.5	(2.0)
Department of Insurance	391.1	(15.2)	3,973.0	(283.1)
Judiciary				
Supreme Court	937.2	(1,260.1)	11,959.8	(981.4)
Superior Court	9,545.3	(561.7)	65,965.6	(999.3)
Court of Appeals	1,040.4	54.7	10,955.4	(134.5)
Department of Juvenile Corrections	2,866.9	(205.4)	33,171.8	(4,558.6)

Agency	April 13	Change from April 12	Year-to-Date	YTD Change from FY 12
State Land Department	126.4	8.7	878.7	17.1
Law Enforcement Merit System	5.4	0.5	54.8	7.5
Legislature				
Auditor General	1,296.9	(21.0)	13,986.4	(331.6)
House of Representatives	1,007.1	8.4	9,455.3	(629.0)
Joint Legislative Budget Comm.	144.6	2.9	1,537.7	(75.8)
Legislative Council	357.1	27.0	5,771.8	1,541.5
Senate	673.8	(112.5)	6,444.8	(489.3)
Mine Inspector	97.9	(6.1)	912.7	(18.4)
Nav. Streams & Adjudication	8.9	0.9	97.3	(20.8)
Pioneers' Home	193.2	187.5	1,064.9	(518.0)
Comm. for Postsecondary Ed.	-	-	1,396.7	(0.1)
Department of Public Safety	17,591.4	14,840.4	38,993.4	(3,448.0)
Arizona Department of Racing	100.1	71.3	1,977.5	(823.5)
Radiation Regulatory Agency	220.6	1.1	1,291.0	(6.1)
Real Estate Department	268.0	110.4	2,005.0	82.8
Department of Revenue	3,311.4	1,464.3	33,387.0	(3,693.0)
School Facilities Board	867.6	787.3	173,410.5	9,680.6
Secretary of State	636.5	(334.4)	14,131.3	6,156.1
Tax Appeals Board	18.2	(2.2)	211.7	(1.5)
Office of Tourism	366.0	366.0	3,857.9	3,857.9
Department of Transportation	0.4	(6.9)	19.8	(25.0)
Universities				
Board of Regents	5,101.6	4,605.8	36,223.5	19,824.4
Arizona State University	17,381.2	(2,954.5)	264,387.6	(17,881.5)
Northern Arizona University	5,924.2	(507.4)	89,736.8	(5,074.3)
University of Arizona	15,870.8	(1,001.8)	237,637.3	(10,018.2)
Department of Veteran Services	506.7	(504.9)	4,452.4	(2,649.1)
Department of Water Resources	800.3	652.3	7,626.4	3,753.4
Department of Weights & Measures	327.8	229.8	1,322.9	435.5
Other	1,994.5	240.3	4,267.8	(10,214.4)
Total	**544,788.0**	**67,856.5**	**7,224,628.7**	**40,171.4**
Budget Stabilization Fund Deposit	-	-	200,000.0	200,000.0
Grand Total	**544,788.0**	**67,856.5**	**7,424,628.7**	**240,171.4**

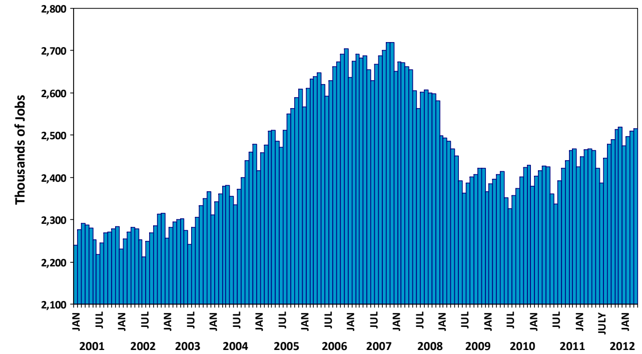
Tracking Arizona's Recovery

May 2013
Appendix A

Slide:

JLBC

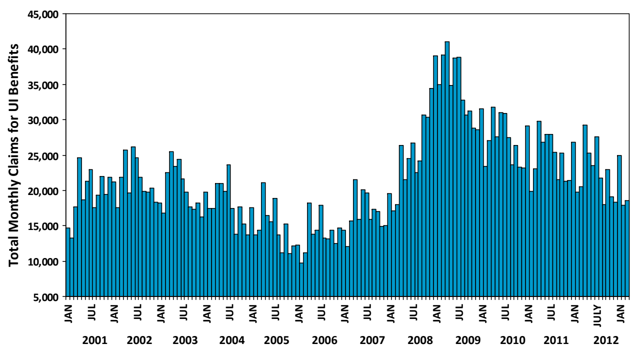
Total Non-Farm Employment



Not seasonally adjusted

JLBC

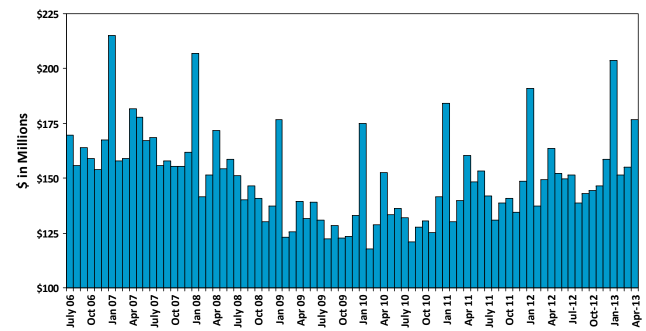
Initial Claims for Unemployment Insurance



Not seasonally adjusted

JLBC

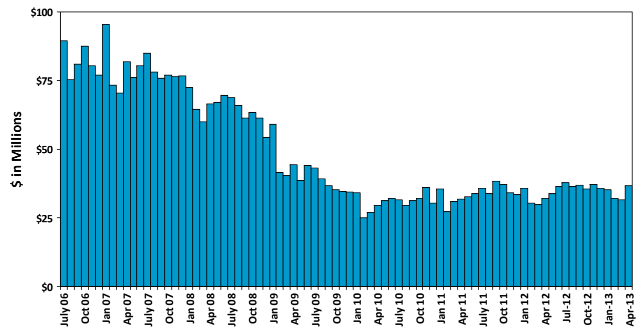
State Sales Tax Collections – Retail Category



Excludes temporary 1 ¢ sales tax

JLBC

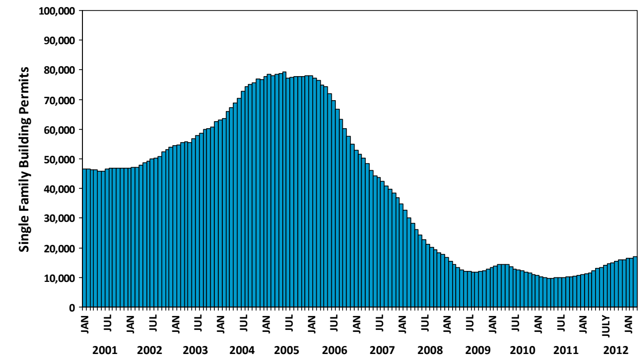
State Sales Tax Collections – Contracting Category



Excludes temporary 1 ¢ sales tax

JLBC

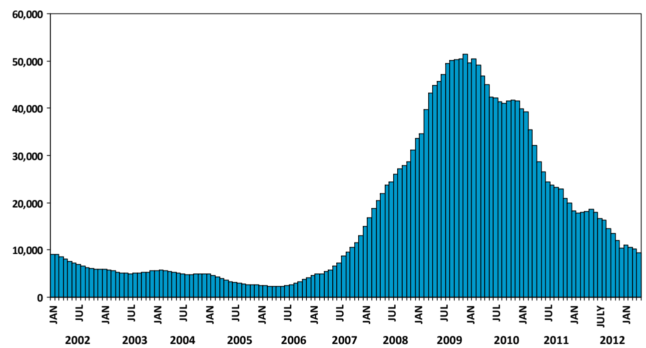
Single Family Building Permits



12-Month Moving Sum

JLBC

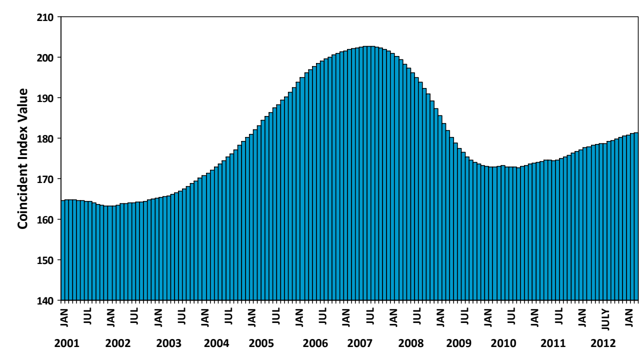
Maricopa County Pending Foreclosures



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

JLBC

Economic Activity Index



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.

JLBC