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*"... full year collections were \$7.69 billion. This amount is down (18.4)% when compared to FY 2008".*

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on July 31, 2009.

## Summary



Preliminary June General Fund revenue collections were \$1.41 billion, including approximately \$672.4 million in budget balancing fund transfers. Excluding these transfers and Urban Revenue Sharing, June collections were (17.7)% below the prior year, and \$(109.4) million below the January revised budget forecast.

The year-to-date revenue shortfall is \$(893.9) million below the January revised budget forecast. (See Table 2 and page 3 for more information).

Preliminary full year General Fund revenues equaled \$8.24 billion, the lowest level since FY 2005. After adjusting for fund transfers and Urban Revenue Sharing, full year collections were \$7.69 billion. This amount is down (18.4)% when compared to FY 2008. This was the largest dollar and percentage decline in revenues in records going back to World War II.

Among the major revenue categories:

- June sales tax collections were down (14.4)% compared to June 2008, and were \$(58.1) million short of the monthly forecast. Sales tax revenues dropped (13.7)% during all of FY 2009. Total collections of \$3.76 billion were the lowest since FY 2005.
- June individual income tax collections were down (7.7)% compared to June 2008, and were \$(24.7) million below forecast. Overall, individual income tax revenues dropped (24.6)% for the full year. Total net collections of \$2.57 billion were the lowest since FY 2004.

- June corporate income tax collections were down (35.8)% below June 2008, which was \$8.3 million above the forecast for the month. For the entire year, corporate income tax collections declined (24.5)%. Total net collections of \$592 million were the lowest since FY 2004.

### FY 2009 Estimated Shortfall

The \$650 million in budget shortfall solutions enacted in Chapters 5 and 6 of the 1<sup>st</sup> Regular Session, along with a \$50 million budget carry-forward balance, allows the state to cover a \$700 million revenue shortfall. (See May Monthly Fiscal Highlights for more information).

We had noted in June that, despite these additional solutions, the state may still have a shortfall of \$(200) million.

Based on preliminary numbers, we now estimate the FY 2009 shortfall at \$(474) million. This shortfall estimate is a combination of both revenue and spending factors:

- The revenue shortfall is greater than JLBC predicted in the last MFH. Based on preliminary collection numbers, June collections are \$(109) million below the forecast for the month. This would bring the revenue shortfall for the year to \$(841) million, rather than the \$(815) million estimated last month.
- The budget included \$1.33 billion in one-time financing sources, including provisions from the January special session for \$591 million in fund transfers. Based on preliminary numbers, approximately \$53

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## Summary (continued)

*“Once the \$250 million in federal stabilization funds are received, the net [FY 2009 shortfall] problem is estimated to be \$229 million”.*

million of the total amount will not be collected due to pending litigation or unavailable balances.

- The budget annually includes an estimate of unspent appropriations, otherwise known as “revertments.” With the level of reduced appropriations in FY 2009, agencies will likely spend a greater proportion of their appropriation, thereby reducing the savings from year-end revertments by an estimated \$35 million.
- The budget included \$250 million in General Fund savings associated with reducing the FY 2009 appropriation made to the Arizona Department of Education, and backfilling this reduction with federal stabilization funds. The federal funds were part of the stimulus package passed by Congress in February. Laws 2009, Chapter 5 made the \$250 million General Fund reduction contingent upon Arizona’s receipt of federal stabilization funds. Due to technical reasons, these funds were not disbursed to Arizona in FY 2009 and the state did not realize the General Fund savings. The \$250 million reduction and backfill is instead expected to occur in FY 2010, and will help offset the carry-forward shortfall.

The revenue and expenditure shortfalls add to \$(1,179) million, and would be offset by the \$650 million in enacted May solutions, plus the \$50 million budgeted carry-forward for a possible total net shortfall of approximately \$(479) million (see Table 1 below). Of this amount, however, \$250 million will be offset by the reversion of state General Fund monies and subsequent receipt of federal stabilization

funds.

Revenue shortfall	\$(841)
Fund transfer reduction	(53)
Net revertment loss	(35)
ADE Stabilization	<u>(250)</u>
<b>Gross Shortfall</b>	<b>(1,179)</b>
Chapter 5/6 adjustments	650
Budgeted carry-forward	<u>50</u>
<b>Net shortfall</b>	<b>\$(479)</b>

There is no final estimate of the ending balance. The state allows FY 2009 claims to be paid through July and still count as an FY 2009 expenditure. The FY 2009 ending balance will not be finalized until December when the Department of Administration publishes the state’s Annual Financial Report.

While the state is generally thought to have a balanced budget requirement, the Arizona Constitution does permit the state to address any year-end shortfall in the next fiscal year. As a result, the FY 2009 shortfall will need to be resolved during FY 2010. Once the \$250 million in federal stabilization funds are received, the net problem is estimated to be \$229 million. This amount is not included in the current \$3.2 billion deficit reduction plan being discussed in the Legislature.

**JLBC/JCCR Meetings** –There were no JLBC or JCCR meetings in July.

**Table 2**

**General Fund Revenues  
Compared to Forecast and FY 2008 Collections  
(\$ in Millions)**

	<u>FY 2009 Collections</u>	<u>Difference From Jan '09 Forecast <sup>1/</sup></u>	<u>Difference From FY 2008</u>
<b>June</b>	\$ 1,406.2	\$ (162.4)	\$ (137.5)
<b>Year-to-Date</b>	\$ 8,244.7	\$ (893.9)	\$ (1,322.1)

<sup>1/</sup> Revised JLBC Baseline

## June Revenues

*“Sales Tax collections were...down (14.4)% compared to last June, and were \$(58.1) million below the budget forecast”.*

**Sales Tax** collections were \$255.7 million in June. These revenues were down (14.4)% compared to last June, and were \$(58.1) million below the budget forecast. The June decline marked the 17<sup>th</sup> consecutive month of year-over-year reductions, and the 8<sup>th</sup> consecutive month of double digit declines compared to the previous year.

For the entire fiscal year, sales tax revenues are down (13.7)% compared to last year. FY 2009 marks the second consecutive year of sales tax declines. Prior to the last 2 years, sales tax collections had not declined on an annual basis since 1981, when the sales tax on food was eliminated.

Table 3 displays the June growth rates for the largest categories.

	June	YTD
Retail	(11.1)%	(12.2)%
Contracting	(36.7)%	(26.0)%
Utilities	(3.8)%	0.4%
Use	(29.8)%	(14.1)%
Restaurant & Bar	(6.7)%	(5.8)%

As noted in previous months, retail and contracting together account for two-thirds of all sales tax revenues. The retail sector decreased by (11.1)% in June, and contracting fell by (36.7)%.

As noted in Table 4, for FY 2009 taxable sales in the retail category are down (12.2)% from the prior fiscal year. The largest subcategory within retail is the General Merchandise and Miscellaneous Retail category, which is down (7.0)% for the year. The largest subcategory decline is in Motor Vehicles, which represents 20.6% of the total, and is down (32.9)% compared to the prior year.

While retail and contracting activity explains a portion of the sales tax drop, estimated payments also played a role. In June, the largest retailers are required to pay a portion of their July sales tax payment a month early. At this time each year, the Department of Revenue (DOR) calculates the impact of this payment shift as part of June revenue collections. This calculation typically helps the bottom line, as sales traditionally grow from

one summer to the next. However, for the second year in a row, steep June declines were further worsened by the estimated payment factor.

**Individual Income Tax** net revenues were \$279.6 million in June. Collections were down (7.7)% compared to the prior year, and were \$(24.7) million below the budget forecast. Table 5 displays June and year-to-date growth rates for individual categories.

	June	YTD
Withholding	(3.4)%	(7.3)%
Estimated + Final Payments	(37.0)%	(34.1)%
Refunds	(43.8)%	7.9%

Withholding collections fell by (7.3)% in FY 2009, the largest decline on record (data going back to FY 1961). The only previous declines occurred in FY 1983 and FY 2002 when withholding collections fell by (4.0)% and (2.3)%, respectively.

The (34.1)% decrease in estimated and final payments in FY 2009 is the largest on record. Double-digit declines have only been recorded twice before: in FY 2002 and FY 2008 when payments fell by (18.7)% and (12.9)%, respectively.

In total, FY 2009 income tax collections were (24.6)% below last year and \$(588.8) million short of the individual income tax forecast. The state has only experienced outright declines in net collections four times over the last 48 years. The largest decrease prior to FY 2009 occurred in FY 2002 when net collections fell by (9.3)%.

**Corporate Income Tax** collections were \$96.5 million in June, or (35.8)% below last year. Collections were \$8.3 million above forecast for the month.

While collections for all of FY 2009 are down (24.5)% from the prior year, we had projected that revenues would actually fall further. Collections for the year exceeded the forecast by \$18.2 million. The majority of this increase was due to collections from the tax amnesty program in the month of June (see below).

**Tax Amnesty** – Laws 2009, Chapter 3

## June Revenues (continued)

	<u>% of Total Sales</u>	<u>% Change Over FY 2008</u>
General/Misc. Merchandise	30.7%	(7.0)%
Motor Vehicles/Misc. Auto.	20.6%	(32.9)%
Bldg Materials and Supplies	7.5%	(14.4)%
Food and Liquor Stores	7.4%	(2.4)%
Furniture, Home Furnishings	6.9%	(13.6)%
Clothing and Accessories	5.8%	(13.1)%
Manufacturing	5.5%	(14.6)%
Other Subcategories	<u>15.6%</u>	<u>0.2%</u>
<b>Total</b>	<b>100.0%</b>	<b>(12.2)%</b>

established a tax amnesty program that ran from May 1, 2009 through June 1, 2009. DOR reports that the total impact of the amnesty program was \$31.8 million, including \$24.8 million in “new” money, and an additional \$7 million in reduced refunds that would have otherwise been due taxpayers. Approximately \$16.7 million of the amnesty impact was in the corporate income tax category, \$13.0 million in sales tax, and \$2.1 million in individual income tax.

The \$31.8 million impact of the tax amnesty program was significantly over the projected impact of \$5 million. Amnesty collections were not anticipated to be high, since the last amnesty program occurred relatively recently in 2004.

The **Lottery Commission** reports that ticket sales for the month of June were \$38.2 million, which was \$3.2 million above sales in June 2008.

Year-to-date, ticket sales have increased by 2.4% compared to last year. For FY 2009, \$31.0 million in revenue has been distributed to the General Fund. This distribution was \$(19.4) million below the budgeted distribution amount for the year.

Local Transportation Assistance Fund II, Local Transportation Assistance Fund, County Assistance Fund, and the Heritage Fund have all reached their respective statutory caps. Healthy Arizona was approximately \$1 million short of its cap, and Homeless Shelters did not receive any distribution.

**Interest** income of \$19.7 million for FY 2009 was only (1.7)% under the forecast for the year. However, this amount was \$(75.4) million below FY 2008 interest income. The operating fund balances decreased throughout the fiscal year, which resulted in the state earning less interest.

## Economic Indicators

### NATIONAL

According to the first (“advance”) release of the **U.S. Real Gross Domestic Product (GDP)** for the 2<sup>nd</sup> quarter of 2009, the nation’s economy contracted at an annual rate of (1.0)% during this period. This was a much smaller contraction than the (6.4)% decline in the previous quarter. Additionally, revised data shows a real GDP decline of (3.9)% over the past four quarters, the steepest peak-to-through decline in postwar history.

The Conference Board’s **U.S. Consumer Confidence Index**, a measure based on a

survey of 5,000 U.S. households, declined from a reading of 49.3 in June to 46.6 in July. After strong advances in April and May, consumer confidence retreated somewhat in both June and July. The decline in the index over the last two months is primarily a reflection of rising unemployment and deteriorating labor market assessments.

The Conference Board’s **U.S. Index of Leading Economic Indicators** increased by 0.7% in June, following advances of 1.3% in May and 1.0% in April. At a reading of 100.9, the index recorded its best performance since July 2008. Seven of the 10 components that make up the

## Economic Indicators (Continued)

index improved in June. The largest positive contributors to the index in June were the interest spread between 10-year Treasury bonds and the federal funds rate, building permits, and stock prices.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, rose by 0.7% in June largely due to a 17.3% surge in gasoline prices. Year over year, the CPI is down by (1.2)%, the largest price decline since February 1950. The core CPI, which excludes food and energy prices, increased by 0.2% in June. The corresponding year-over-year increase was 1.7%.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. increased by 3.9% between April and May, from \$2.62 billion to \$2.72 billion. However, despite the improvement in semiconductor sales over the prior 3 months, May sales remained (19.4)% below the level reported a year ago.

### ARIZONA

The most recent release of economic data for the state points to a further weakening of the labor market. According to the Commerce Department's monthly *Workforce Report*, **nonfarm payroll employment** in June declined by (2.0)% from the prior month. Compared to June 2008, nonfarm payroll employment has fallen by (7.6)%. In the last 70 years, the only larger year-over-year decline was December 1945 when the state's payroll employment decreased by (8.2)%.

Arizona suffered the nation's second largest year-over-year job loss in June after Michigan. Since the onset of the national recession in December of 2007, the state has shed more than (308,000) jobs, or 11.4% of its workforce.

The **construction sector** added 2,400 jobs between May and June, which was the first monthly gain in construction employment since August 2007. Despite this gain, the construction sector currently employs (50,400) fewer workers than a year ago.

The **manufacturing sector** lost another (2,100) jobs between May and June. The industry has shed jobs in 30 of the last 36 months and currently employs the same level of workers (162,800) as in December 1983. This means

that the state has lost almost (51,000) manufacturing jobs since the industry reached its peak employment in June 1998.

The **average weekly hours** of production workers in manufacturing industries is another measure of labor market conditions. Economists consider this measure a leading indicator since "factory hours" tends to lead the business cycle as employers usually adjust work hours before increasing or decreasing the size of their workforce. According to the Department of Commerce, average weekly hours in June reached a level of 39.3, an improvement of 0.3% over the prior month. The average work week in the manufacturing industry was (4.8)% less than in June 2008.

The state's seasonally adjusted **unemployment rate** increased from 8.2% in May to 8.7% in June. This is the highest recorded unemployment rate since August 1983 when 9.8% of the state's labor force was out of work. More than 282,000 individuals were unemployed in June 2009, a 60% increase from the same month in the prior year.

The Department of Commerce reported that 38,758 **initial claims for unemployment insurance** were filed in June, an increase of 58.1% over last year. Monthly claims have varied between 35,000 and 41,000 in the current calendar year. This is more than 60% above the levels seen before the start of the recession. For the week ending on July 11, a new record-high of 112,918 Arizona residents filed continued claims for jobless benefits.

While more and more Arizona residents are joining the ranks of unemployed as the state's labor market continues to deteriorate, there are some tenuous signs that suggest that the real estate market may have reached its low mark. For example, building permits for single family homes have increased for 4 consecutive months after having reached a bottom-low of 556 permits in February. Sales of existing single family homes in the Greater Phoenix area reached a record-high of 30,905 units in the second quarter of the current calendar year. While foreclosures still make up a large percentage of total homes sales, this figure nonetheless fell from a high of 45% in the last quarter of 2008 to 31% in the second quarter of 2009. Additionally, data



## Economic Indicators (Continued)

from the Arizona Regional Multiple Listing Services, Inc. suggests that the housing market no longer suffers from the level of oversupply reported a year ago.

Based on data released by the U.S. Census Bureau, an average of 1,282 building permits were issued each month between April and June 2009. This amount includes an average of 1,271 **single-family residential building permits** authorized and 11 **multi-family permits**. In percentage terms, the 1,271 single-family permits represent an increase of 28.0% above the prior month but a decrease of (37.2)% over the same period a year ago. In the multi-family segment, however, the average of 11 permits authorized each month during the 3-month period represented month-over-month and year-over-year declines of (73.8)% and (98.7)%, respectively.

ASU's real estate report indicates that in the Greater Phoenix area, a total of 11,820 **single-family existing home sales** occurred in June and resulting in an average **single-family median resale home price** of \$140,000. The 11,820 sales is comprised of 7,760 traditional home sales and 4,060 foreclosed transactions. The average resale home price for both traditional and foreclosed transactions was \$134,000 and \$154,000. The average resale price of foreclosed transactions has now exceed that of traditional transactions since February 2009 and continues to be attributed to more expensive homes being foreclosed (22 with values in excess of \$1 million) and previously foreclosed homes being resold at a median price reduction of (24.0)%.

In the multi-family segment, ASU's June report suggests there were 1,390 **townhouse-condominium median** transactions with an average **sales price** of \$110,000. The 1,390 transactions included 880 traditional and 510 foreclosed transactions. Traditional transactions had a median price of \$107,000, while foreclosed transactions had a median price of \$112,100. The total number of units bought and sold represents an increase of 28.1% above levels a year ago, while the year-over-year median resale price decreased (27.5)%.

Based on the most recent MLS data available, it is estimated that the **month's supply of housing** in June was 5.9 months. Stated differently, at the current rate of existing

home sales (on a seasonally adjusted basis), it would take slightly less than 6 months to unload the current inventory of unsold homes. The comparable figure in June 2008 was 10.9 months.

The **S&P/Case-Shiller Home Price Index** measures the change in housing prices based on repeat sales. Between April and May, the 20 metropolitan area index, which includes Phoenix, increased (by 0.5%) for the first time since July 2006. The home price index in Phoenix, however, fell (0.9)% to a reading of 103.56 during the same period. Phoenix was one of five areas included in the 20 metropolitan area index that experienced month-over-month declines. Year-over-year, the 20 metropolitan area index is down (17.1)%, while Phoenix is down (34.2)%.

While an economic downturn tends to adversely affect state revenue collections, it also often accompanied by increased state spending related to health and welfare as evident from the caseload data presented below.

In July, **AHCCCS caseloads** increased to a total of 1,275,134 members, 1.6% above the number of recipients in June 2009. At current levels, AHCCCS caseloads are 14.4% above July 2008 levels. The revised FY 2009 budget funded a projected caseload growth of 7.8%, or a total of 1,234,901 members.

There were a reported 84,411 **TANF recipients** in the state in May, about the same number as in the prior month but a year-over-year caseload increase of 6.5%. The FY 2009 budget assumes the TANF caseload would grow by 2.5%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In May, there were a total 868,502 food stamp recipients in the state, an increase of 3.5% over the prior month. Compared to the same month last year, food stamp participation was up by 31.1%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 – 575,000 range. During FY 2009, the **Department of Correction's (ADC) inmate population** increased by an average of 134 inmates per month. As of June



## Economic Indicators (Continued)

30, 2009, the department's inmate population totaled 40,412 inmates, 1,515 (or 3.9%) more inmates than on the same day last year.  
(Hans Olofsson, Martin Lorenzo)

Table 6

ECONOMIC INDICATORS				
<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
<b>Arizona</b>				
- Unemployment Rate	June	8.7%	0.5%	3.2%
- Initial Unemployment Insurance Claims	June	38,758	11.2%	58.1%
- Non-Farm Employment – Total	June	2.41 million	2.0%	(7.6)%
Manufacturing	June	162,800	(1.3)%	(6.8)%
Construction	June	141,600	1.7%	(26.3)%
- Average Weekly Hours, Manufacturing	June	39.3	0.3%	(4.8)%
- Contracting Tax Receipts (3-month average)	Apr-Jun	\$43.3 million	2.9%	(37.5)%
- Retail Sales Tax Receipts (3-month average)	Apr-Jun	\$138.7 million	3.3%	(14.2)%
- Residential Building Permits (3-month moving average)				
Single-unit	Apr-Jun	1,271	28.0%	(37.2)%
Multi-unit	Apr-Jun	11	(73.8)%	(98.7)%
- Greater Phoenix Existing Home Sales				
Single-Family, Traditional Sales	June	7,760	11.7%	70.0%
Single-Family, Foreclosed Sales	June	4,060	33.8%	24.0%
Townhouse/Condominium, Traditional Sales	June	880	18.1%	40.8%
Townhouse/Condominium, Foreclosed Sales	June	510	50.0%	121.7%
- Greater Phoenix Median Home Sales Price				
Single-Family, Traditional Sales	June	\$134,000	3.1%	(38.5)%
Single-Family, Foreclosed Sales	June	\$154,000	2.6%	(9.4)%
Townhouse/Condominium, Traditional Sales	June	\$107,000	(2.7)%	(35.1)%
Townhouse/Condominium, Foreclosed Sales	June	\$112,100	(9.9)%	(15.9)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	May	103.56	(0.9)%	(34.2)%
- Months Supply of Housing, (ARMLS)	June	5.9 months	(0.3) months	(5.0) months
- Phoenix Sky Harbor Air Passengers	May	3.2 million	(3.7)%	(9.2)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	April	\$5.01	(38.8)%	(41.3)%
- Consumer Confidence Index (1985 = 100)	1st Quarter 2009	44.2	N/A	(58.4)%
- Arizona Personal Income	1 <sup>st</sup> Quarter 2009	\$211.5 billion	(0.7)%	(0.6)%
- Arizona Population	July 1, 2008	6.50 million	146,759	2.3%
- AHCCCS Recipients	July	1,275,134	1.6%	14.4%
- TANF Recipients	May	84,411	0.0%	6.5%
- SNAP (Food Stamps) Recipients	May	868,502	3.5%	31.1%
- DOC Inmate Growth (3-month average)	Apr-Jun	40,314	134 inmates	1,544 inmates
<b>United States</b>				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	2 <sup>nd</sup> Quarter 2009	\$12.9 trillion	(1.0)%	(3.9)%
- Consumer Confidence Index (1985 = 100)	July	46.6	(5.5)%	(10.3)%
- Leading Indicators Index (2004 = 100)	June	100.9	0.7%	(1.2)%
- U.S. Semiconductor Billings (3-month moving average)	Mar-May	\$2.72 billion	3.9%	(19.4)%
- Consumer Price Index, SA (1982-84 = 100)	June	214.459	0.7%	(1.2)%

## Summary of Recent Agency Reports

**AHCCCS – Report on Graduate Medical Education Residency Positions** – Pursuant to A.R.S. § 36-2903.01, the Arizona Health Care Cost Containment System (AHCCCS) has submitted its annual report on the number of new residency positions funded by local, county, or tribal governments. Due to information requests by the Centers for Medicare and Medicaid Services, no local monies have yet been contributed or matched for FY 2009. AHCCCS anticipates that contributions in FY 2009 will provide partial funding for an additional 555 residency positions. These positions will be located at Maricopa Medical Center, University Medical Center, and University Physicians Healthcare Hospital. The positions will be funded by local contributions of \$10,200,400 and a federal match of \$32,177,500, resulting in \$42,377,900 total new funding. (Amy Upston)

**AHCCCS – Semi-Annual Report on Healthcare Group** – Pursuant to A.R.S. § 36-2912, the Arizona Health Care Cost Containment System (AHCCCS) submitted its semi-annual report on the number and types of businesses participating in Healthcare Group (HCG). AHCCCS reports that, as of May 2009, total statewide HCG medical plan enrollment was 14,770, down by (6,028) from 3 years prior and down (652) from March 1, 2009. (Amy Upston)

**Corporation Commission – Report on Corporations Division Filings** – Pursuant to a General Appropriation Act footnote, the Corporation Commission submitted an annual report on the total number of filings received and processed by the Corporations Division and the amount of time, in business days, to process each type of service.

For expedited filings, the amount of time required to process corporate

filings increased from an average of 3.5 business days in FY 2008 to 4.0 business days in FY 2009. The commission's goal for processing expedited filings is 5 business days or less.

For regular filings, the amount of time required to process corporate filings increased from an average of 21.8 business days in FY 2008 to 22.0 business days in FY 2009. The commission's goal for processing regular filings is 30 business days or less.

The commission also reported that in FY 2009 all of the 78,589 corporate filings received were processed and all of the 136,485 annual report filings received were processed. These figures declined from the 102,040 corporate filings and 183,638 annual reports received in FY 2008. (Juan Beltran)

**Department of Economic Security – Report on Arizona Training Program at Coolidge (ATP-C) Campus and Other Placements** – A footnote in the FY 2009 General Appropriation Act requires the Department of Economic Security (DES) to report on placements of developmentally-disabled (DD) clients into state-owned Intermediate Care Facilities for the Mentally Retarded (ICF-MR) or at the ATP-C campus in FY 2009. DES reports that there were no new permanent placements at the ATP-C campus, but that there was 1 new placement into a state-operated ICF-MR in Phoenix in FY 2009. This placement was deemed to be appropriate because the private ICF-MR and community residential settings denied placement due to the significant medical and behavioral needs of the person. (Jay Chilton)

**Department of Education – Budget Status Report** – Pursuant to A.R.S. § 35-131D and a footnote in the FY 2009 General Appropriation Act, the Arizona Department of

Education (ADE) recently provided an update regarding its budget status for FY 2009. In that report, ADE estimates that it will experience a \$55.1 million net funding surplus for FY 2009. This figure is based on data from the June 15, 2009 state aid payment to school districts and charter schools, which is the final scheduled payment for FY 2009 (apart from rollover payments, which are factored into the \$55.1 million estimate). The estimated surplus amount is not final, however, because of corrections and adjustments that typically occur after the close of a fiscal year. The extent to which the surplus estimate will change, however, is not known at this time. (Steve Schimpp)

**Department of Education – Report on Federal Monies for English Learners** – Pursuant to A.R.S. § 15-756.10, paragraph 3, the Arizona Department of Education (ADE) recently submitted a report that includes an itemized list of all federal monies received by the department for English language learners in FY 2009. As required by statute, the report includes a list of how much of these monies were distributed to school districts on a district-by-district basis and the purposes for which these federal monies are designated. The report indicates that ADE received \$22.0 million in federal Title III ("Language Instruction for Limited English Proficient and Immigrant Students") funding for FY 2009. Of that amount, approximately \$20.7 million was distributed directly to school districts and charter schools. The remaining \$1.3 million was used for state administration, technical assistance, and to meet federal set-aside requirements for immigrant education. (Steve Schimpp)

**Public Programs Eligibility Report** – As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, or other persons



## Summary of Recent Agency Reports

lawfully present in the United States, and requires semi-annual reports to the Joint Legislative Budget Committee. Below is a summary of the reports:

Community Colleges – District-wide, the Community Colleges reported a total of 369,213 students classified as in-state. They reported 3,420 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 121,045 students applied for financial aid. Of those who applied, the community colleges reported that 191 were not entitled to any aid because they were not lawfully present in the United States.

Universities – At the 3 universities, 119,179 students registered for the spring 2009 semester. Of the total students registered, the universities were able to verify the legal immigration status of 108,404 students. Additionally, the universities reported that 10,471 of these students did not require verification because they have either not requested, or received in-state tuition or state supported financial aid. The universities reported that a total of 304 students were unverifiable due to their inability to provide the requisite documentation.

Department of Economic Security – The department reported that 10,588 applications were received for child care assistance during the reporting period of December 1, 2008 to May 31, 2009. Of this number, 32 were denied because criteria for citizenship or legal residency were not met.

Arizona Department of Education – The department reported that 19,040 people applied for instruction in Arizona Adult Education during the reporting period of December 1, 2008 to June 1, 2009. Of this amount, 890 were

denied instruction because they failed to provide acceptable evidence of citizenship or legal residence in the United States. The Department of Education will not have information available on FY 2009 Family Literacy Program applicants until August 2009. (Kim Cordes-Sween)

**Arizona Department of Transportation** – STAN Annual Report – Pursuant to A.R.S. § 28-7009M, the State Transportation Board has submitted their third annual report on the Statewide Transportation Acceleration Needs (STAN) Account activities.

The Arizona Department of Transportation (ADOT) reports that all appropriations have been fully deposited to or transferred from the STAN account, and the total amount available for expenditure is \$254.4 million. As of June 30, 2009, the STAN Account had an ending balance of \$101.4 million. This balance reflects \$31.4 million in earned interest and \$153 million in disbursements.

The State Transportation Board had originally approved spending a total of \$339.5 million of STAN monies to accelerate a total of 14 projects. ADOT further reports that as a result of an FY 2009 transfer of \$(104) million from the STAN account to the State General Fund, STAN funding for 3 projects in Maricopa County was eliminated. The remaining 11 projects across the state are currently underway. (Juan Beltran)

# State of Arizona

## General Fund Revenue:

### Change from Previous Year and January Baseline Forecast June 2009

	Current Month					FY 2009 YTD (Twelve Months)				
	Actual June 2009	Change From June 2008		Forecast		Actual June 2009	Change from June 2008		Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use	255,731,805	(\$43,063,023)	(14.4) %	(\$58,093,775)	(18.5) %	\$3,756,407,238	(\$597,157,610)	(13.7) %	(\$240,165,262)	(6.0) %
Income - Individual	279,619,636	(23,445,888)	(7.7)	(24,717,391)	(8.1)	2,567,963,782	(838,519,536)	(24.6)	(588,782,718)	(18.7)
- Corporate	96,537,015	(53,914,184)	(35.8)	8,346,439	9.5	592,157,253	(192,353,528)	(24.5)	18,163,952	3.2
Property	3,430,956	(1,391,923)	(28.9)	(798,557)	(18.9)	18,244,482	(1,796,856)	(9.0)	244,482	1.4
Luxury - Tobacco	2,508,209	(252,184)	(9.1)	0	0.0	29,808,387	(2,666,002)	(8.2)	(730,413)	(2.4)
- Liquor	2,306,190	69,400	3.1	0	0.0	28,856,023	293,212	1.0	(397,377)	(1.4)
Insurance Premium	80,711,051	5,204,656	6.9	6,939,516	9.4	411,370,853	4,327,858	1.1	(5,629,147)	(1.3)
Estate	0	(200)	(100.0)	0	--	210,372	(109,831)	(34.3)	106,059	101.7
Other Taxes	38,066	(157,035)	(80.5)	14,488	61.4	1,165,767	(318,987)	(21.5)	640,080	121.8
<b>Sub-Total Taxes</b>	<b>\$720,882,928</b>	<b>(\$116,950,381)</b>	<b>(14.0) %</b>	<b>(\$68,309,280)</b>	<b>(8.7) %</b>	<b>\$7,406,184,157</b>	<b>(\$1,628,301,280)</b>	<b>(18.0) %</b>	<b>(\$816,550,344)</b>	<b>(9.9) %</b>
<b>Other Revenue</b>										
Lottery	0	(14,644,300)	(100.0)	(19,376,000)	(100.0)	31,000,000	(17,449,619)	(36.0)	(19,376,000)	(38.5)
License, Fees and Permits	3,998,700	3,052	0.1	(1,236,999)	(23.6)	34,531,552	(3,239,536)	(8.6)	(4,526,448)	(11.6)
Interest	148,418	(9,443,064)	(98.5)	(3,139,197)	(95.5)	19,669,449	(75,397,530)	(79.3)	(330,551)	(1.7)
Sales and Services	8,265,552	(4,355,761)	(34.5)	(6,923,674)	(45.6)	48,241,691	(9,009,895)	(15.7)	(6,139,209)	(11.3)
Other Miscellaneous	12,171,020	(1,687,131)	(12.2)	(3,030,218)	(19.9)	53,700,556	7,981,299	17.5	6,700,556	14.3
Disproportionate Share	48,959,603	(23,229,997)	(32.2)	(5,882,755)	(10.7)	67,687,545	(4,502,055)	(6.2)	(5,882,755)	(8.0)
Transfers and Reimbursements	55,111	(81,756)	(59.7)	(1,482,224)	(96.4)	33,770,392	(264,700)	(0.8)	5,190,592	18.2
<b>Sub-Total Other Revenue</b>	<b>73,598,404</b>	<b>(53,438,957)</b>	<b>(42.1) %</b>	<b>(41,071,067)</b>	<b>(35.8) %</b>	<b>288,601,185</b>	<b>(101,882,036)</b>	<b>(26.1) %</b>	<b>(24,363,815)</b>	<b>(7.8) %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$794,481,332</b>	<b>(\$170,389,338)</b>	<b>(17.7) %</b>	<b>(\$109,380,347)</b>	<b>(12.1) %</b>	<b>\$7,694,785,342</b>	<b>(\$1,730,183,316)</b>	<b>(18.4) %</b>	<b>(\$840,914,159)</b>	<b>(9.9) %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(60,639,787)	(3,594,876)	6.3	0	0.0	(727,677,400)	(43,138,471)	6.3	0	0.0
'09 Budget Plan Transfers	407,732,667	407,732,667	--	(24,421,868)	(5.7)	660,010,732	660,010,732	--	(24,421,868)	(3.6)
'09 Budget Revision Transfers	264,638,818	264,638,818	--	(28,562,531)	(9.7)	617,563,272	617,563,272	--	(28,562,528)	(4.4)
<b>Sub-Total Other Adjustments</b>	<b>611,731,698</b>	<b>32,860,657</b>	<b>5.7 %</b>	<b>(52,984,399)</b>	<b>(8.0) %</b>	<b>549,896,604</b>	<b>408,117,030</b>	<b>287.9 %</b>	<b>(52,984,396)</b>	<b>(8.8) %</b>
<b>TOTAL REVENUE</b>	<b>\$1,406,213,030</b>	<b>(\$137,528,681)</b>	<b>(8.9) %</b>	<b>(\$162,364,746)</b>	<b>(10.4) %</b>	<b>\$8,244,681,946</b>	<b>(\$1,322,066,286)</b>	<b>(13.8) %</b>	<b>(\$893,898,555)</b>	<b>(9.8) %</b>