JLBC - Monthly Fiscal Highlights

August 2009

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"July collections were...$(33.0) million below the budget forecast".

Summary

July General Fund revenue collections were $573.3 million. Excluding Urban Revenue Sharing, July collections were (10.5)% below the prior year, and $(33.0) million below the budget forecast. (*See Table 2 and page 4 for more information.*)

In comparison, July 2009 General Fund spending was $1.74 billion. July' s expenditures are significantly higher than normal due to the $600 million in K-12 payments rolled over from FY 2009. July spending exceeded the prior year by $116.6 million. After adjusting for the K-12 rollover, Department of Economic Security (DES) early draw down of funds, and one extra state employee payroll in July, spending actually appears to be somewhat less than in FY 2009. The August 20th budget proposal transmitted to the Governor envisions year-end FY 2010 spending to be virtually flat compared to FY 2009 at $8.4 billion.

The very large General Fund shortfall in July revenues compared to expenditures dramatically reduced the state's overall operating fund balance, which consists of the General Fund and non-interest bearing dedicated funds. Having been boosted by year-end rollovers and fund transfers, the operating fund balance was $1.1 billion at the end of June 2009. By July 31st, the operating fund balance had fallen to a $(65.8) million shortfall. To cover this shortfall, the Treasurer issued Treasurer Warrant Notes (TWNs) as it had done in the spring. These notes represent borrowing from the state's interest-bearing dedicated funds, which are kept in a separate pool of funds from the operating balance. During August, the highest daily borrowing was $397 million.

FY 2010 Revenues

The (10.5)% decline in July revenues was the lowest monthly percentage decrease compared to the prior year since the September 2008 decrease of (10.4)%.

Among the major revenue categories:

- July sales tax collections were down (18.4)% compared to July 2008, and were $(22.9) million short of the monthly forecast.
- July individual income tax collections were down (11.5)% compared to July 2008, and were $(29.1) million below forecast.
- July corporate income tax collections were up 44.4% compared to July 2008, which was $11.1 million above the forecast for the month. July is a relatively small collection month for corporate income tax collections. The increase over last year is due to unusual audit activity during the month.

The FY 2010 budget as transmitted to the Governor on August 20th assumed a base revenue decrease of (1.0)% below the FY 2009 forecast (excluding tax law changes and one-time revenues).

Based on preliminary collections, however, FY 2009 revenue growth was lower than forecast. As a result of this shortfall, FY 2010 base revenues will now have to grow by 0.9% to meet the budgeted revenue level of $8.38 billion.

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

Summary (continued)

"After accounting for the K12, DES and payroll adjustments, July 2009 expenditures go from exceeding July 2008 expenditures by $116.6 million to being $105 million less than July 2008".

FY 2010 Spending

Table 1

General Fund Spending Increase/(Decrease) – FY 10 over FY 09

Agency	($ in millions)
ADE	$221.2
AHCCCS	16.3
DHS	12.4
DPS	10.7
ADC	(4.8)
SFB	(19.5)
DES	(102.7)
All Other	(16.9)
Total	$116.6

Of the $116.6 million increase in July 2009 spending over 2008, the main spending changes were as follows:

- The Arizona Department of Education (ADE) spent $921 million in July 2009, or $221 million more than the $700 million in July 2008. Because July 2009 had an extra rollover payment of $282 million, however, the ADOA figures suggest that ADE's spending on an equivalent basis was $61 million below FY 2009 levels.
- DES spent $103 million less in July 2009 than it did in July 2008. DES' July expenditures are disproportionately high because it transfers its entire match for the federal Long Term Care program for the year to AHCCCS in that month. As a result of the higher federal stimulus match for services, DES' transfer was reduced by $101 million. Setting aside that issue, DES expenditures were virtually flat between July 2008 and July 2009.
- Given the lack of enacted Budget Reconciliation Bills (BRB), the need for cash flow management has increased General Fund spending. For example, the Department of Public Safety typically spends additional funds from the Highway User Revenue Fund and the State Highway Fund above existing statutory caps. Because a provision suspending these caps has not yet been signed into law, the Department has been "front-loading" its General Fund spending. As a result, DPS General Fund spending in July 2009 was $10.7 million higher than it was in July 2008.
- Due to a different number of state agency payrolls, July 2008 and 2009 are not comparable. July 2009 included 3 payrolls, 1 more than in July 2008. Including benefits, each biweekly General Fund payroll is around $40-$45 million.

After accounting for the K12, DES and payroll adjustments, July 2009 expenditures go from exceeding July 2008 expenditures by $116.6 million to being $105 million less than July 2008.

Even with these adjustments, the normal fluctuations in day-to-day spending make fiscal year comparisons difficult. For example, on August 17th, FY 2010 year-to-date state spending was $164 million higher than in FY 2009 after adjusting for the rollover. On August 18th, FY 2010 spending was $(38) million lower than the prior year.

As a result, JLBC Staff will provide spending information in the future based on the end of the month total. While there can still be issues of comparability with month-end estimates, this reporting timeframe does eliminate some of the timing problems that occur with daily figures.

FY 2010 Status

The Legislature transmitted the FY 2010 budget plan to the Governor on July 1st. While the total package of bills was designed to be balanced, the Governor line item vetoed some spending reductions and vetoed entire Budget Reconciliation Bills (BRBs). While every state agency has a budget to operate, the overall budget remains unbalanced.

Based on the agency FY 2010 appropriations enacted in the regular session as part of Chapter 11 and Chapter 12, plus the Arizona Department of Education appropriation in Chapter 1 of the 3rd Special Session, the nominal FY 2010 shortfall is currently $(2.3) billion. This includes the impact of vetoed BRB provisions which directly authorized elements of the $3.2 billion deficit reduction plan, such as the state asset sale and leaseback of $735 million.

In addition, BRBs also authorize certain statutory changes that allow agencies to meet the spending levels in Chapters 11 and 12. Without these "indirect" BRB provisions, the

Summary (continued)

shortfall grows to $(3.3) billion. (This amount is higher than the baseline shortfall of $3.2 billion which had presumed the continuation of some prior year BRBs.)

Even once the FY 2010 budget is finally approved, there will likely be a new shortfall since the baseline estimates do no incorporate the following factors:

- The remaining FY 2009 shortfall of $(479) million (see below). This amount has yet to be finalized. Once it has been determined, the shortfall will need to be addressed during FY 2010.
- Any new FY 2010 revenue shortfall. With only one month of data, it is too early to project the status of FY 2010 baseline revenues. As described above, the FY 2010 baseline revenue estimate assumes growth of 0.9% over FY 2009. To the extent that July revenues were $(33) million less than that forecast, however, it is unlikely that amount will be recovered in the remaining 11 months. FY 2010 revenue will next be re-estimated as part of the 4-sector consensus forecast to be released in conjunction with the Finance Advisory Committee meeting in the fall.
- Lost budget savings due to delayed implementation. Certain budget savings in the July transmittal were premised on an October 1st implementation date. Given that some provisions cannot go into effect until 90 days after sine die, we will not achieve all of the budgeted reductions. The effective date of other provisions, however, is retroactive to October 1st and some of those savings will still occur.
- The workability of other budgeted assumptions. As with revenues, it is still too early to tell whether some of the budget proposals will generate the expected revenues or savings. For example, the FY 2009 budget reduced K-12 payments by $300 million and assumed that local district cash balances would be sufficient to cover all the difference. If local cash balances are insufficient to fully cover the $300 million, the General Fund is to pay the difference. That amount will not be known until October. Based on the level of FY 2008 cash balances ($186 million), the state will likely owe the districts some funding.

FY 2009 Shortfall

The FY 2009 ending balance will not be finalized until December when the Department of Administration publishes the state's Annual Financial Report.

In the June MFH, JLBC Staff reported that the FY 2009 shortfall was $(479) million. Of that amount, $(250) million was due to the late arrival of federal stabilization funds from the American Recovery and Reinvestment Act (ARRA).

In the July MFH, we noted that shifting the $250 million in unpaid FY 2009 K-12 federal stabilization funds to FY 2010 would help offset the FY 2009 carryover shortfall. Due to federal maintenance of effort requirements, however, this entire offset may not occur.

Table 2

General Fund Revenues
Compared to Forecast and FY 2009 Collections
($ in Millions)

	FY 2010 Collections	Difference From June '09 Forecast	Difference From FY 2009
July	$ 573.3	$ (33.0)	$ (65.5)
Year-to-Date	$ 573.3	$ (33.0)	$ (65.5)

July Revenues

"The July decline [in sales taxes] marked the 18th consecutive month of year-over-year reductions, and the 9th consecutive month of double digit declines compared to the previous year."

Sales Tax collections were $290.6 million in July. These revenues were down (18.4)% compared to last July, and were $(22.9) million below the budget forecast. The July decline marked the 18th consecutive month of year-over-year reductions, and the 9th consecutive month of double digit declines compared to the previous year.

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

Table 3
Sales Tax Growth Rates Compared to Prior Year

	July	YTD
Retail	(12.2)%	(12.2)%
Contracting	(37.2)%	(37.2)%
Utilities	5.0%	5.0%
Use	(42.0)%	(42.0)%
Restaurant & Bar	(3.2)%	(3.2)%

As noted in previous months, retail and contracting together account for two-thirds of all sales tax revenues. The retail sector decreased by (12.2)% in July, and contracting fell by (37.2)%.

As noted in Table 4, July taxable sales in the retail category are down (12.2)% from July of the prior year. The largest subcategory within retail is the General Merchandise and Miscellaneous Retail category, which is down (6.6)%. Motor Vehicles, which represents 20.6% of the total, is down (14.6)% compared to July of the prior year. This decrease in Motor Vehicles is an improvement from the (32.9)% decrease in this category for all of FY 2009.

We have yet to see results from the "cash for clunkers" vehicle program, which began in late July. Sales tax from this program will be collected in August and September.

Individual Income Tax net revenues were $234.8 million in July. Collections were down (11.5)% compared to the prior year, and were $(29.1) million below the budget forecast. *Table 5* displays July growth rates for individual categories.

Table 5
Individual Income Tax Growth Rates Compared to Prior Year

	July	YTD
Withholding	(6.7)%	(6.7)%
Estimated + Final Payments	(29.2)%	(29.2)%
Refunds	26.0%	26.0%

Corporate Income Tax collections were $33.6 million in July, or 44.4% above last year. Collections were $11.1 million above forecast for the month. While collections are significantly over the forecast, July is a relatively small collection month. The increase over the budget forecast was due almost entirely to unusual audit collections.

The **Lottery Commission** reports that ticket sales for the month of July were $38.1 million, which was $4.1 million above sales in July 2008, an increase of 12.1%. No transfers of lottery proceeds were made in the month of July.

July Revenues (continued)

Table 4

July Taxable Retail Sales by Subcategory

	% of Total Sales	% Change Over FY 2008
General/Misc. Merchandise	30.7%	(6.6)%
Motor Vehicles/Misc. Auto.	20.6%	(14.6)%
Bldg Materials and Supplies	7.5%	(23.0)%
Food and Liquor Stores	7.4%	(14.5)%
Furniture, Home Furnishings	6.9%	(28.6)%
Clothing and Accessories	5.8%	(10.4)%
Manufacturing	5.5%	(6.8)%
Other Subcategories	15.6%	(9.4)%
Total	**100.0%**	**(12.2)%**

Economic Indicators

"Year over year, the CPI is down by (1.9)%, the largest price decline since January 1950".

NATIONAL

According to the second ("preliminary") estimate of the **U.S. Real Gross Domestic Product** (GDP) for the 2nd quarter of 2009, the nation's economy contracted at an annual rate of (1.0)% during this period. This was the same as the initial estimate that was released in the previous month. This month's GDP release, which is based on more complete source data, showed that inventories fell by more than previously estimated. The improvement of final sales and leaner inventories bode well for a return to positive GDP growth in the third quarter.

The Conference Board's **U.S. Consumer Confidence Index**, a measure based on a survey of 5,000 U.S. households, increased by 6.7 points in August to a reading of 54.1. This followed two consecutive months of declines in the index. The consumer confidence index has more than doubled since it fell to a record-low reading of 25.3 in February. The August improvement in consumer confidence points to a gradual recovery in consumer spending.

The Conference Board's **U.S. Index of Leading Economic Indicators** rose for the fourth consecutive month in July, with a month-over-month increase of 0.6%. The index, which is designed to anticipate economic activity 3 to 6 months in advance, appears to signal that the national economy is bottoming out and about to enter its recovery phase. The July reading of 101.6 was the highest since June 2008. Year over year, the index grew by 0.2%, the first such increase in almost two years. Six of the 10 components that make up the index improved in July. The largest positive contributors in July were the steepening yield curve, increase of the average work week, and a reduction of initial jobless benefits.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI),** were unchanged in July. Year over year, the CPI is down by (1.9)%, the largest price decline since January 1950. The core CPI, which excludes food and energy prices, increased by 0.1% in July. The corresponding year-over-year increase was 1.6%, the lowest rate of core inflation in more than 5 years.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month moving average) in the U.S. increased by 4.8% between May and June, from $2.77 billion to $2.91 billion. June marked the fourth consecutive month with month-over-month increases in semiconductor sales. Despite this improvement, sales in June were still close to 25% below pre-recession levels.

ARIZONA

While there are signs that the national economy may be starting to emerge from the longest and deepest recession in postwar history, Arizona's economy may have not yet reached bottom.

This is suggested by a relatively new set of indexes developed by the Federal Reserve Bank of Philadelphia, known as "state coincident indexes." The index combines four state-level indicators to summarize current economic conditions into a single statistic for each of the 50 states in the nation. The measures included in the coincident index are:

Economic Indicators (Continued)

"Since the onset of the national recession in December of 2007, the state has shed (335,000) jobs, or (12.3)% of its workforce".

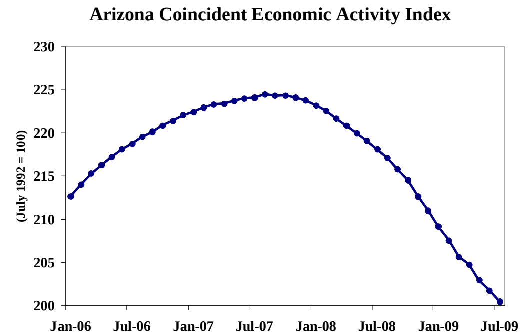
nonfarm payroll employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wage and salary disbursements. For comparison purposes, the fed has also developed a national coincident index, which closely tracks the peaks and troughs of the national business cycle, as determined by the National Bureau of Economic Research (NBER).

The state coincident index is designed to track the business cycles of individual states, and as such it allows for a comparison among states with respect to both the timing and severity of state recessions. The Fed uses the following criteria to define recessions at the state level: (1) the cumulative decline of the index must be at least 0.5% and (2) the period from the state index's peak to its trough must be at least 3 months.

Under the fed's definition of a state recession, Arizona has only experienced one recession in the last 30 years that was more severe than the national recession, namely the 1981/82 recession. The other 3 recessions over the last 3 decades (1980, 1990/91, and 2001 recessions) were either milder or comparable in terms of depth and duration.

The coincident index also suggests that Arizona entered its current recession in August 2007, or about 4 months ahead of the national recession, as defined by NBER. Since this time, the Arizona state coincident index has fallen by (10.7)% compared to (3.5)% for the nation as a whole. The steepest decline prior to the current recession occurred during the 1981/82 recession when the Arizona coincident index decreased by (2.4)%. According to the index, only 9 other states have experienced a steeper decline in the current business cycle. Oregon and Michigan are on the top of this list with declines in the index of (23.3)% and (22.6)%, respectively. North Dakota appears to be the only state in the nation that has escaped the recession thus far.

The graph of the Arizona coincident index below shows that this measure reached its peak half way through CY 2007, or for budgetary purposes, around the end of FY 2007. This also coincides with the time when General Fund revenues peaked. The decline in revenues since this time has also matched the decline in the coincident index. Thus, this index can serve as proxy for gauging not only the state of the economy but also the collection of state tax revenues.



The July reading of the Arizona **coincident index** shows a month-over-month decline of (0.6)% and year-over-year decrease of (8.1)%. By way of comparison, 15 other states recorded either no change in the index or a slight increase in July. This suggests that Arizona is still mired in a recession when many other states appear to be entering the recovery phase of the next business cycle.

The most recent employment data released by the Arizona Department of Commerce shows that **nonfarm payroll employment** in July declined by (1.1)% from the prior month. Compared to July 2008, nonfarm payroll employment has fallen by (7.7)%. The only larger year-over-year decline was recorded in December 1945 when the state's payroll employment decreased by (8.2)%.

According to the federal Bureau of Labor Statistics (BLS), Arizona suffered the nation's largest year-over-year job loss (in percentage terms) in July. Since the onset of the national recession in December of 2007, the state has shed (335,000) jobs, or (12.3)% of its workforce. The corresponding decline at the national level is less than half of Arizona's, or (5.6)%.

In June the **construction sector** broke a string of 21 months of consecutive job losses and thus offered hope that the bottom of this industry had been reached. The release of July employment data dashed such hope as the industry saw the return of further job losses. Specifically, the construction sector shrank by (1.9)%, or 2,700 jobs, compared to the prior month. The industry now employs fewer workers than at any time since May 1997.

The July report shows that job losses in the **manufacturing sector** have been accelerating over the last 3 months. Instead of monthly declines of (0.5)% or less, as previously observed, the pace of job losses since May has

Economic Indicators (Continued)

increased to more than (1.0)%. The July month-over-month decline of (1.4)% was the fourth largest on record (data is available from January 1960). Manufacturing employment in the state was 160,800 in July, the same level as in October 1983. At that time, the manufacturing sector employed 14.4% of the Arizona workforce compared to 6.8% today.

The Department of Commerce reported that 38,827 **initial claims for unemployment insurance** were filed in July, an increase of 45.2% over last year. Year-over-year increases in new claims have tapered off somewhat over the last few months. However, some or all of that improvement may be due to a reported back-log of claims. For the week ending on August 8, more than 114,000 Arizona residents filed continued claims for jobless benefits.

Based on data released by the U.S. Census Bureau, an average of 1,604 building permits were issued each month between May and July 2009. This amount includes an average of 1,485 **single-family residential building permits** authorized and 119 **multi-family permits**. In percentage terms, the 1,271 single-family permits represent an increase of 16.9% above the prior month but a decrease of (23.7)% over the same period a year ago. In the multi-family segment, however, the average of 119 permits authorized, was nearly all driven by permitting activity in July, where the number of permits issued totaled 335, significantly higher than the number issued in May (8) and June (14). Despite this jump, year-over-year , multi-family permitting activity is down (83.5).

Utilizing the most recent MLS data available, it is estimated that the **month's supply of housing** in July was 5.5 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 July 2008 was 10.3 months. The measure reached a high of 16.7 months in September 2007.

The **S&P/Case-Shiller Home Price Index** measures the change in housing prices based on repeat sales. For the first time since the index for the Phoenix metropolitan area peaked in June 2006 (227.42), the month-over-month change in the index in Phoenix increased. Specifically, the index increased 1.1% between May (103.56) and June(104.73). The index, however, has fallen (53.9)% from its all time high and is currently at levels last seen in July and August 2000. The 20 metropolitan area index, which includes Phoenix, increased for the second straight month to 206.52. The 20 metropolitan area index is down (31.3)% from its peak in July 2006.

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

In August, **AHCCCS caseloads** increased to a total of 1,301,848 members, 2.1% above the number of recipients in July 2009. At current levels, AHCCCS caseloads are 16.4% above August 2008 levels. The FY 2010 budget funded a projected caseload growth of 10.7%, or a total of 1,388,147 members.

There were a reported 83,298 **TANF recipients** in the state in June, which represented a month-over-month caseload decline of (1.3)% but a year-over-year increase of 8.9%. The FY 2010 budget assumed that the TANF caseload would be flat.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In June, there were a total 894,600 food stamp recipients in the state, an increase of 3.0% over the prior month. Compared to the same month last year, food stamp participation was up by 33.3%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 – 575,000 range.

Between May and July, the **Department of Correction's (ADC) inmate population** increased by an average of 126 inmates per month. In FY 2010, the department received funding for inmate growth of 4.5%, equivalent to a net increase of 1,812 inmates, or 151 inmates per month. In FY 2009, the ADC inmate population grew by 3.9%, or 1,515 inmates. (Hans Olofsson, Martin Lorenzo)

Economic Indicators (Continued)

Table 6

ECONOMIC INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate	July	9.2%	0.5%	3.5%
- Initial Unemployment Insurance Claims	July	38,827	0.2%	45.2%
- Non-Farm Employment – Total	July	2.38 million	(1.1)%	(7.7)%
Manufacturing	July	160,800	(1.4)%	(7.9)%
Construction	July	138,700	(1.9)%	(27.7)%
- Average Weekly Hours, Manufacturing	July	39.3	(0.3)%	(2.7)%
- Contracting Tax Receipts (3-month average)	May-July	$41.9 million	(0.9)%	(38.8)%
- Retail Sales Tax Receipts (3-month average)	May-July	$135.8 million	(2.1)%	(12.2)%
- Residential Building Permits (3-month moving average)				
Single-unit	May-July	1,485	16.9%	(23.7)%
Multi-unit	May-July	119	981.8%	(83.5)%
- Greater Phoenix Existing Home Sales				
Single-Family	June	11,820	18.4%	50.8%
Townhouse/Condominium	June	1,390	28.1%	62.6%
- Greater Phoenix Median Home Sales Price				
Single-Family	June	$140,000	3.7%	(28.1)%
Townhouse/Condominium	June	$110,000	(4.3)%	(27.5)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	June	104.73	1.1%	(31.6)%
- Months Supply of Housing, (ARMLS)	July	5.5 months	(0.4) months	(4.8) months
- Phoenix Sky Harbor Air Passengers	June	3.2 million	(0.1)%	(7.1)%
- Arizona Average Natural Gas Price ($ per thousand cubic feet)	May	$6.16	23.0%	(37.9)%
- Arizona Consumer Confidence Index (1985 = 100)	1ST Quarter 2009	44.2	N/A	(58.4)%
- Arizona Coincident Index (July 1992 = 100)	July	200.46	(0.6)%	(8.1)%
- Arizona Personal Income	1ST Quarter 2009	$211.5 billion	(0.7)%	(0.6)%
- Arizona Population	July 1, 2008	6.50 million	146,759	2.3%
- AHCCCS Recipients	August	1,301,848	2.1%	16.4%
- TANF Recipients	June	83,298	(1.3)%	8.9%
- SNAP (Food Stamps) Recipients	June	894,600	3.0%	33.3%
- DOC Inmate Growth (3-month average)	May-Jul	40,440	126 inmates	1,574 inmates
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	2nd Quarter 2009	$12.9 trillion	(1.0)%	(3.9)%
- Consumer Confidence Index (1985 = 100)	August	54.1	14.1%	(7.5)%
- Leading Indicators Index (2004 = 100)	July	101.6	0.6%	0.2%
- U.S. Semiconductor Billings (3-month moving average)	Apr-Jun	$2.91 billion	4.8%	(14.5)%
- Consumer Price Index, SA (1982-84 = 100)	July	214.47	0.0%	(1.9)%

Summary of Recent Agency Reports

State Department of Corrections – Report on Bed Plan – The State Department of Corrections (ADC) has provided a report to JLBC Staff with updated information related to their bed plan. Highlights of the report, as of July 31, 2009, are as follows:

- ADC has 4,521 inmates assigned to 5 in-state facilities that have a combined capacity of 4,544 permanent (3,850) and temporary (694) beds. This total includes a temporary increase of 80 beds at the Central Arizona Correction Facility.
- ADC initiated a cost savings effort and returned 363 inmates back to Arizona from out-of-state facilities. In total, 4,529 beds of 4,892 funded beds were being utilized. The 4,529 beds include:
  - 2,054 beds of 2,160 funded beds were filled at the Diamondback Facility in Oklahoma;
  - 1,799 beds of 1,980 funded beds were utilized at the Great Plains Facility in Oklahoma;
  - 676 beds of 752 funded beds were occupied at the Huerfano County Facility in Colorado.

Arizona Historical Society – Report on Non-Appropriated Expenditures – Pursuant to A.R.S. § 41-821E, the Arizona Historical Society is required to report on non-appropriated fund expenditures for the society. Non-appropriated expenditures for FY 2009 were $1,002,300, an increase of $145,800 above the FY 2008 total of $856,500. (Caitlin Acker)

Arizona State Lottery Commission – Report on Performance Incentive Plan – Pursuant to A.R.S. § 5-507B, the Arizona State Lottery Commission submitted an annual report on their performance incentive plan. Laws 2008, Chapter 287, Section 38 appropriated $750,000 from the State Lottery Fund in FY 2009 for an agencywide performance based compensation plan.

The Arizona State Lottery Commission reports that due to the uncertainty and potential reduction to their budget appropriation, the performance incentive plan was not implemented in FY 2009. However, of the $750,000 appropriation, the Arizona State Lottery Commission expended $21,250 to outsource the development of a strategy to implement, administer and measure the impact of a performance incentive plan. The remaining balance of $728,750 was returned as operational savings and became part of Lottery's profit distribution to fund beneficiaries.

Arizona Department of Public Safety – Quarterly Report on GIITEM – Pursuant to Laws 2008, Chapter 285 (General Appropriation Act), the Arizona Department of Public Safety (DPS) is required to report quarterly on the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM). As of the fourth quarter of FY 2009, DPS had spent or encumbered $8.8 million of the $9.4 million appropriation for the direct DPS immigration staff. In terms of local law enforcement grants, DPS spent $58,700 of the FY 2009 $4.1 million appropriation and the remaining $9.7 million in non-lapsing FY 2008 monies. The $4.0 million in unspent FY 2009 local grants remains available through FY 2010. (Kim Cordes-Sween)

Department of Water Resources – Report on Fees Collections in the Assured and Adequate Water Supply Fund – Pursuant to a FY 2008 General Appropriation Act footnote, the Department of Water Resources (DWR) has submitted the amount of fees collected by the Assured and Adequate Water Supply (AAWS) program. The AAWS Administration Fund consists of monies that are paid to DWR for applications related to assured and adequate water supplies. DWR reports the total revenue for FY 2009 amounted to approximately $285,200. This amount is $(293,900), or (51)% below total collections in FY 2008. (Leah Kritzer)

State of Arizona

General Fund Revenue:

Change from Previous Year and Budget Forecast
July 2009

	Current Month					FY 2010 YTD (One Month)				
		Change From					Change from			
	Actual	July 2008		Forecast		Actual	July 2008		Forecast	
	July 2009	Amount	Percent	Amount	Percent	July 2009	Amount	Percent	Amount	Percent
Taxes										
Sales and Use	290,628,634	($65,625,084)	(18.4) %	($22,915,329)	(7.3) %	$290,628,634	($65,625,084)	(18.4) %	($22,915,329)	(7.3) %
Income - Individual	234,779,284	(30,581,606)	(11.5)	(29,143,304)	(11.0)	234,779,284	(30,581,606)	(11.5)	(29,143,304)	(11.0)
- Corporate	33,640,711	10,345,933	44.4	11,082,711	49.1	33,640,711	10,345,933	44.4	11,082,711	49.1
Property	169,202	1,335	0.8	(51,798)	(23.4)	169,202	1,335	0.8	(51,798)	(23.4)
Luxury - Tobacco	2,692,000	77,975	3.0	0	0.0	2,692,000	77,975	3.0	0	0.0
- Liquor	2,600,000	(28,644)	(1.1)	0	0.0	2,600,000	(28,644)	(1.1)	0	0.0
Insurance Premium	41,880,188	(220,126)	(0.5)	(2,704,812)	(6.1)	41,880,188	(220,126)	(0.5)	(2,704,812)	(6.1)
Estate	0	(3,048)	(100.0)	0	--	0	(3,048)	(100.0)	0	--
Other Taxes	59,881	3,039	5.3	7,381	14.1	59,881	3,039	5.3	7,381	14.1
Sub-Total Taxes	$606,449,900	($86,030,226)	(12.4) %	($43,725,151)	(6.7) %	$606,449,900	($86,030,226)	(12.4) %	($43,725,151)	(6.7) %
Other Revenue										
Lottery	0	0	--	0	--	0	0	--	0	--
License, Fees and Permits	2,508,604	608,226	32.0	373,604	17.5	2,508,604	608,226	32.0	373,604	17.5
Interest	(455)	114,429	--	(455)	--	(455)	114,429	--	(455)	--
Sales and Services	1,746,223	(179,684)	(9.3)	(243,777)	(12.3)	1,746,223	(179,684)	(9.3)	(243,777)	(12.3)
Other Miscellaneous	3,666,711	1,280,930	53.7	1,666,711	83.3	3,666,711	1,280,930	53.7	1,666,711	83.3
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	11,315,439	10,423,321	--	8,915,439	371.5	11,315,439	10,423,321	--	8,915,439	371.5
Sub-Total Other Revenue	19,236,522	12,247,222	175.2 %	10,711,522	125.6 %	19,236,522	12,247,222	175.2 %	10,711,522	125.6 %
TOTAL BASE REVENUE	**$625,686,422**	**($73,783,004)**	**(10.5) %**	**($33,013,629)**	**(5.0) %**	**$625,686,422**	**($73,783,004)**	**(10.5) %**	**($33,013,629)**	**(5.0) %**
Other Adjustments										
Urban Revenue Sharing	(52,387,052)	8,252,731	--	0	0.0	(52,387,052)	8,252,731	--	0	0.0
Sub-Total Other Adjustments	(52,387,052)	8,252,731	-- %	0	0.0 %	(52,387,052)	8,252,731	-- %	0	0.0 %
TOTAL REVENUE	**$573,299,370**	**($65,530,273)**	**(10.3) %**	**($33,013,629)**	**(5.4) %**	**$573,299,370**	**($65,530,273)**	**(10.3) %**	**($33,013,629)**	**(5.4) %**