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" Year-to-date... General Fund revenues are 3.4% above the prior year and are \$5.7 million above forecast."

Summary

February 2017 revenues totaled \$406.6 million, which represents an increase of 2.2% above the prior year. Collections for the month were \$7.8 million above the Baseline forecast.

February marks the beginning of substantial processing during the state's tax filing season. February results typically show significant volatility from year-to-year, as the timing of processing tax returns and refunds can have a significant impact on the level of collections for the month. This February, however, showed only a modest change from the prior year.

February's modest revenue growth was due to mixed results across categories. Of the state's larger revenue categories, Individual and Corporate Income Taxes declined by \$(11.1) million and \$(14.6) million, respectively compared to the prior year.

These declines were offset by growth in the Sales Tax category, along with gains from Lottery revenues and other miscellaneous state revenues.

Year-to-date, excluding Urban Revenue Sharing and one-time fund transfers, General Fund revenues are 3.4% above the prior year and are \$5.7 million above forecast.

In comparison to February revenue collections of \$406.6 million, February 2017 spending was \$603.6 million, which is an increase of \$77.5 million from the prior year.

Fiscal year-to-date, General Fund revenues of \$5.88 billion have been offset by \$6.91 billion of expenditures.

The operating fund balance consists of the General Fund and certain dedicated funds. The operating balance as of mid-February 2017 is \$1.82 billion, while the state's Budget Stabilization Fund has a current balance \$458.0 million.

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February Revenues

	<u>FY 2017 Collections</u>	<u>Difference From Baseline Forecast</u>	<u>Difference From FY 2016</u>
February	\$ 406.6	\$ 7.8	\$ 8.6
Year-to-Date	\$ 5,885.0	\$ 5.7	\$ 93.6

Sales Tax (preliminary) collections of \$351.2 million were 3.9% above February of last year and \$(1.0) million below the forecast for the month. February tax collections reflect sales activities that occurred in January. Year-to-date, collections are up by 3.5%.

Sales tax collections by category for February were not available as of the *Monthly Fiscal Highlights* publication date. The most recent data available, which is for January collections, is shown in *Table 2* below. The 5 major categories of the state's sales tax shown in the table account for approximately 90% of total collections.

	<u>January</u>	<u>YTD</u>
Retail	5.3%	3.8%
Contracting	11.6%	5.3%
Use	25.8%	3.8%
Restaurant & Bar	8.6%	7.5%
Utilities	(7.1)%	(0.6)%

Individual Income Tax net revenues of \$66.4 million in February were \$(11.1) million less than the prior year and were \$10.2 million above forecast. Year-to-date, revenue has grown 6.5% over the prior year and is \$30.2 million above forecast.

As indicated in *Table 3* February withholding decreased by (4.1)% from last year, but was \$2.5 million above the forecast. The large monthly decrease was primarily driven by differences in the number of processing days in February 2017 compared to February 2016.

Year-to-date withholding collections are 6.5% above FY 2016. Due to technical reasons, DOR underreported withholding receipts during July – March in FY 2016. If revenues had not been underreported in the beginning of FY 2016, growth in withholding would instead equal 5.3% year-to-date in FY 2017.

February estimated and final payments of \$21.2 million were (16.5)% below last year. Year to date, payments have decreased (0.5)% compared to FY 2016 and are \$1.8 million above the forecast.

February Individual Income Tax refunds totaled \$(277.3) million – this compares to \$(284.4) million in February 2016 and a forecasted amount of \$(290.5) million. Year-to-date refunds have led to a \$15.6 million increase compared to the enacted forecast.

	<u>February</u>	<u>YTD</u>
Withholding	(4.1)%	6.5%
Estimated/Final Payments	(16.5)%	(0.5)%
Refunds	(2.5)%	(2.3)%

Corporate Income Tax net collections were \$(2.3) million in February. Collections are negative when refunds exceed payments. The February results were \$(14.6) million less than in the prior year. Year to date, collections are \$(116.6) million below prior year collections. This decrease is probably the result of the multi-year statutory decline in the Corporate Income Tax rate and a decline in corporate profits during the last year.

Insurance Premium Tax collections of \$10.0 million in February were \$7.9 million above the prior year. Year-to-date, collections are 13.3% above last year and \$1.8 million above the forecast.

The **Lottery Commission** reports that January ticket sales were \$72.9 million, which is \$(65.5) million, or (47.3)%, below sales in January 2016. The decrease reflects the one-time nature of January 2016 ticket sales associated with a record-breaking \$1.4 billion Powerball jackpot. Year-to-date ticket sales are \$458.2 million, which is (11.6)% below last year's sales. In terms of General Fund collections, year-to-date lottery revenues through February are \$3.2 million above the forecast.

Highway User Revenue Fund (HURF) collections of \$115.7 million in February were up 1.7% compared to February of last year and were \$(3.2) million below forecast. Year-to-date collections are 3.8% above last year.

Due to delays in reporting final January revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For February, DOR has increased the amount of prior General Fund revenue collections by \$1.5 million, and the adjustment has been included in the reported year-to-date results.

Table 4

General Fund Revenue: Change from Previous Year and Budget Forecast February 2017

	Current Month					FY 2017 YTD (Eight Months)				
	Actual February 2017	Change From February 2016		Baseline Forecast		Actual February 2017	Change from February 2016		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$351,241,547	\$13,315,433	3.9 %	(\$1,028,804)	(0.3) %	\$2,957,975,411	\$101,385,084	3.5 %	\$9,882,732	0.3 %
Income - Individual	66,442,626	(11,079,350)	(14.3)	10,170,201	18.1	2,783,694,248	171,081,768	6.5	30,235,261	1.1
- Corporate	(2,349,691)	(14,610,094)	--	(4,812,255)	--	174,160,977	(116,578,461)	(40.1)	(33,345,666)	(16.1)
Property	1,214,024	913,080	303.4	301,852	33.1	20,825,769	(2,760,728)	(11.7)	(225,991)	(1.1)
Luxury - Tobacco	1,965,000	141,725	7.8	0	0.0	15,189,604	(760,622)	(4.8)	(249,149)	(1.6)
- Liquor	2,947,698	(329,234)	(10.0)	0	0.0	23,113,790	1,253,199	5.7	729,249	3.3
Insurance Premium	9,962,221	7,894,960	381.9	5,332,075	115.2	218,691,021	25,604,236	13.3	1,758,924	0.8
Other Taxes	25,526	(1,368,437)	(98.2)	(1,849,927)	(98.6)	1,383,841	(2,730,437)	(66.4)	(2,045,569)	(59.6)
Sub-Total Taxes	\$431,448,951	(\$5,121,917)	(1.2) %	\$8,113,142	1.9 %	\$6,195,034,663	\$176,494,039	2.9 %	\$6,739,792	0.1 %
Other Revenue										
Lottery	17,992,300	17,992,300	--	3,236,977	21.9	44,736,343	17,191,893	62.4	3,236,977	7.8
License, Fees and Permits	2,503,164	177,642	7.6	635,142	34.0	24,980,712	5,245,632	26.6	2,208,585	9.7
Interest	2,582	(177)	(6.4)	(1,093)	(29.7)	96,640	83,247	621.6	(81,436)	(45.7)
Sales and Services	10,992,636	10,056,531	--	458,011	4.3	21,875,027	11,357,120	108.0	(431,111)	(1.9)
Other Miscellaneous	(1,483,370)	(3,844,026)	--	(2,705,358)	--	19,329,677	(909,382)	(4.5)	(3,569,449)	(15.6)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	431,163	(625,872)	(59.2)	(1,924,109)	(81.7)	20,123,346	(2,475,488)	(11.0)	(2,434,582)	(10.8)
Sub-Total Other Revenue	\$30,438,474	\$23,756,399	355.5 %	(\$300,429)	(1.0) %	\$131,141,745	\$30,493,022	30.3 %	(\$1,071,015)	(0.8) %
TOTAL BASE REVENUE	\$461,887,425	\$18,634,481	4.2 %	\$7,812,713	1.7 %	\$6,326,176,407	\$206,987,061	3.4 %	\$5,668,776	0.1 %
Other Adjustments										
Urban Revenue Sharing	(55,298,514)	(4,828,986)	9.6	0	(0.0)	(442,388,112)	(38,631,890)	9.6	(0)	0.0
One-Time Transfers	0	(5,168,200)	(100.0)	0	--	1,191,548	(74,752,352)	(98.4)	0	0.0
Sub-Total Other Adjustments	(55,298,514)	(9,997,186)	22.1 %	0	(0.0) %	(441,196,564)	(113,384,242)	34.6 %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$406,588,911	\$8,637,295	2.2 %	\$7,812,713	2.0 %	\$5,884,979,843	\$93,602,819	1.6 %	\$5,668,777	0.1 %
Non-General Funds										
Highway User Revenue Fund	\$115,726,647	\$1,940,223	1.7 %	(\$3,184,068)	(2.7) %	\$923,538,644	\$33,612,818	3.8 %	(\$4,142,655)	(0.4) %

Monthly Indicators

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 1.9% in the fourth quarter of 2016. This estimate reflects a slowdown from the strong growth of 3.5% experienced in the prior quarter. The slowdown relative to the prior quarter was primarily due to declines in exports and federal spending and a deceleration in consumer spending. Declining performance in these categories was partly offset by growth in residential and business investment.

The Conference Board's **U.S. Consumer Confidence Index** increased by 2.9% in February and was 22.1% above the reading in February 2016. The latest reading was the index's highest since July 2001. The monthly increase reflected improvement to consumers' assessment of current economic conditions and expectations of future economic and job circumstances.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** increased 0.4% in January. The overall monthly increase was primarily driven by a 4.2% increase in energy prices. The index's year-over-year growth increased to 1.9%, the highest annual rate of growth seen since October 2012. Growth in the index has been steadily moving closer to the Federal Reserve Bank's (Fed) 2.0% annual inflation target. The Fed cited the recent price increases and improved labor market as justification for its March increase to short term interest rates.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased 0.6% in January and 2.5% above January 2016 prices. Continuing a 5-month trend, the monthly increase was primarily driven by a 7.8% increase in the gasoline index. Indexes for shelter, apparel and new vehicles also contributed to the monthly increase. Energy prices increased 4.0% and core inflation (all items less food and energy) increased 0.3% for the month. There were very few monthly decreases in January, the most significant among them being a small decrease in the used cars and trucks index.

The Conference Board's **U.S. Leading Economic Index** increased 0.6% in January and stands 1.6% above its January 2016 reading. Of the index's 10 components, 8 made positive contributions in January. Particularly strong contributors include interest-rate spread, building permits, average initial claims, and the ISM index for new orders. Stock prices also supported the monthly increase in the index.

ARIZONA

Housing

Single-family housing construction is increasing. Arizona's 12-month total of **single-family building permits** is 24,366, or 6.1% more than a year ago. The comparable single-family permit growth rate for the entire U.S. is 9.8%.

The 12-month total of multi-family building permits has started to increase again. Arizona's total of 10,965 **multi-family building permits** is 11.8% more than 2016. Nationwide multi-family permits are (11.7%) lower than 2016.

Employment

As a result of the annual benchmarking revision of establishment survey data, the Office of Economic Opportunity (OEO) reported in March that Arizona added added on average 3,100 more jobs in 2016 than previous estimates had indicated. On an average annual basis, the job growth in 2016 was 0.1% higher than previously estimated. Overall, the state had a net increase of 68,100 (+2.6%) nonfarm jobs in 2016.

The latest estimate of **nonfarm employment** showed that the state shed (56,700) jobs in January over December in the prior year. Job losses typically occur in January when the holiday season comes to an end. The average job reduction for the month of January in the prior 10 years was (58,200). Compared to January 2016, nonfarm employment was up by 2.0%, or 53,700 jobs.

The household survey data used to estimate the state's **unemployment rate** was also recently revised. The historical revision was relatively small on an annualized basis. January's seasonally adjusted jobless rate of 5.0% remained unchanged from the prior month. The U.S. unemployment rate in January was 4.8%.

In January, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.8 hours. This workload was 1.2% above the level during the prior month and 1.8% above the level in January 2016. The year-over-year growth rate is the highest since August 2015.

The **Average Hourly Earnings** received by private sector workers was \$24.53, which is 2.0% above the average in the prior month. January earnings were 4.2% above the average in January 2016. Year-over-year growth has been at or above 3.0% in each month since February 2016.

Monthly Indicators (Continued)

Revenue per available room was \$77.17 in January, which was 2.6% above the amount in January 2016.

January's Phoenix Sky Harbor Airport **passenger count** during the month was up 0.1% compared to January 2016.

State Agency Data

At the beginning of March 2017, the total **AHCCCS** caseload was 1.87 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 611,400 members.

Total monthly enrollment decreased by (1,000) members, or (0.1)%, during February. The Traditional population of low income parents and children increased 8,800, or 0.8%, in February to a level of 1.10 million members. This increase was offset by an enrollment decrease of (9,400), or (5.1)%, in the Proposition 204 parent population. The nearly offsetting changes in the 2 populations appear to be the result of a shift of enrollees from Proposition 204 to Traditional. The JLBC Staff is working with AHCCCS to understand the reasons for this shift.

Laws 2016, Chapter 112 reopened enrollment in the KidsCare program for children with family incomes above those in the Traditional population, beginning September 1, 2016. Following the enrollment freeze in January 2010, the KidsCare caseload had dropped to 500 members by August 2016. Through March 1, enrollment in the program reached 15,200, or 1,500 more than the prior month's enrollment.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In February 2016, the childless adult population decreased by (1,900), or (0.6)%. At 316,400, this population is 2.6% higher than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment decreased by (400) in February and now totals 81,500 individuals. Enrollment is (2.7)% lower than a year ago. The share of this population's cost that is funded by the federal government decreased from 100% to 95% in January.

There were 18,325 **TANF recipients** in the state in February, representing a (1.4)% monthly decrease from January. The year-over-year number of TANF recipients has declined by (14.9)%. The statutory lifetime limit on cash assistance is 12 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In February, 926,557 people received food stamp assistance in the state, representing a (1.6)% decrease over January caseloads. Compared to February 2016, the level of food stamp participation has declined by (3.7)%.

The **inmate population** was 42,223 as of February 28, 2017. This is a (1.1)% decrease since last February. The population decreased by (0.2)% since January 2017.

Based on information the Department of Child Safety provided for January 2017, **reports of child maltreatment** totaled 47,949 over the last 12 months, a decrease of (5.8)% over the prior year. There were 17,149 **children in out-of-home care** as of December 2016, or (8.5)% less than in December 2015. Compared to the prior month, the number of out-of-home children decreased by (1.5)%.

Table 5

MONTHLY INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
<u>Employment</u>				
- Regular Unemployment Rate	January	5.0%	0.0%	(0.5)%
- Total Unemployment Rate (discouraged/underemployed)	4 th Q 2016	10.8%	(0.1)%	(2.0)%
- Initial Unemployment Insurance Claims	January	19,648	25.2%	1.7%
- Unemployment Insurance Recipients	January	19,620	(17.2)%	(23.9)%
- Non-Farm Employment - Total	January	2,716,300	(2.0)%	2.0%
Manufacturing	January	161,700	(0.2)%	1.4%
Construction	January	132,600	(1.0)%	3.1%
- Average Weekly Hours, Private Sector	January	34.8	1.2%	1.8%
- Average Hourly Earnings, Private Sector	January	\$24.53	2.0%	4.2%
<u>Sales</u>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	January	\$1.09 billion	13.6%	10.5%
Furniture/Home Furnishings	January	\$458.9 million	25.1%	7.8%
Building Material/Lawn & Garden	January	\$387.2 million	(2.0)%	8.8%
<u>Building</u>				
- Residential Building Permits (12-month avg)				
Single-family	January	24,366	0.5%	6.1%
Multi-family	January	10,965	(3.6)%	11.8%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	January	5,317	40.6%	17.8%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	January	\$240,000	0.0%	4.8%
- Phoenix S&P/C Home Price Index (2000 = 100)	December	164.73	0.2%	4.9%
- Maricopa Pending Foreclosures	January	3,205	(3.2)%	(22.9)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	January	24,338	8.0%	(6.0)%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	January	3,492,291	(4.5)%	0.1%
- National Park Visitors	December	646,020	(17.0)%	7.5%
- State Park Visitors	December	158,644	(19.0)%	30.2%
- Revenue Per Available Hotel Room	January	\$77.17	39.2%	2.6%
<u>General Measures</u>				
- Arizona Consumer Confidence Index (1985 = 100)	4 th Q 2016	91.7	3.7%	12.9%
- Arizona Coincident Index (July 1992 = 100)	December	224.64	0.2%	3.0%
- Arizona Leading Index -- 6 month projected growth	December	3.6%	(0.1)%	0.0%
- Arizona Personal Income	3 rd Q 2016	\$279.1 billion	1.0%	3.8%
- Arizona Population	July 2016	6,931,071	N/A	1.7%
- State Debt Rating				
Standards & Poor's/Moody's	May	AA / Aa2	N/A	N/A
Outlook	May	Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	March 1 st	1,869,505	(0.1)%	3.6%
Acute Care Traditional		1,103,802	0.8%	5.1%
Prop 204 Childless Adults		316,436	(0.6)%	2.6%
Other Prop 204		172,735	(5.1)%	(8.4)%
Adult Expansion		81,462	(0.5)%	(2.7)%
Kids Care I		15,233	10.6%	2042.5%
Long-Term Care – Elderly & DD		58,981	0.1%	2.2%
Emergency Services		120,856	0.3%	4.9%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	January	47,949	(0.6)%	(5.8)%
DCS Out-of-Home Children	December	17,149	(1.5)%	(8.5)%
Filled Caseworkers (1406 Budgeted)	February	1,344	3	67
- ADC Inmate Growth	February	42,223	(0.2)%	(1.1)%
- Department of Economic Security				
- TANF Recipients	February	18,325	(1.4)%	(14.9)%
- SNAP (Food Stamps) Recipients	February	926,557	(1.6)%	(3.7)%
- Judiciary Probation Caseload				
Non-Maricopa	December	18,935	(3)	337
Maricopa County	December	27,799	(15)	240
United States				
- Gross Domestic Product	4 th Q, 2016	\$16.8 trillion	1.9%	1.9%
(Chained 2009 dollars, SAAR)	(2 nd Estimate)			
- Consumer Confidence Index (1985 = 100)	February	114.8	2.9%	22.1%
- Leading Indicators Index (2010 = 100)	January	125.5	0.6%	1.6%
- Consumer Price Index, SA (1982-84 = 100)	January	244.2	0.6%	2.5%
- Personal Consumption Price Index (2009 = 100)	January	112.1	0.4%	1.9%

Summary of Recent Agency Reports

Arizona Health Care Cost Containment System – Report on Availability of Inpatient Psychiatric Treatment – Pursuant to Laws 2016, Chapter 122, the Arizona Health Care Cost Containment System (AHCCCS) reported on the availability of inpatient psychiatric treatment for enrollees in Arizona's behavioral health system. AHCCCS' report included the following findings:

1. There were 1,590 licensed psychiatric beds in Arizona hospitals as of 2015. An average of 76% of those beds were occupied in 2015.
2. AHCCCS expended \$238.4 million in Total Funds for inpatient psychiatric stays in FY 2016, including \$74.9 million for 16,653 members under 22 years of age and \$163.5 million for 50,811 members 22 years of age or older.
3. There were 1,538 AHCCCS enrollees that were sent out of state for inpatient psychiatric care, including 348 members under the age of 22 and 1,190 members age 22 and older. AHCCCS notes that out-of-state placements are sometimes necessary due to the need for specialized programming not currently available in Arizona, a lack of in-state capacity, and ensuring proximity to family members for the patient. The percent of inpatient psychiatric expenditures for out-of-state care was 4% for members under age 22 and 1.8% for members age 22 and older.
4. There were 465 AHCCCS members that experienced "psychiatric boarding" in the first half of FY 2016, including 102 members under age 22 and 363 members age 22 or older. Psychiatric boarding refers to the holding of psychiatric patients in an emergency room for at least 24 hours before transferring to a psychiatric treatment setting. For the 465 enrollees that experienced psychiatric boarding, AHCCCS reports that the

average time spent in the emergency room while awaiting placement was 3-4 days. (Patrick Moran)

AHCCCS – Report on Health Insurer Fee Reimbursement – Pursuant to a FY 2017 General Appropriation Act (Laws 2016, Chapter 117) footnote, the Arizona Health Care Cost Containment System (AHCCCS) submitted a report on retroactive capitation rate increases for reimbursement of a health insurer fee. The Affordable Care Act (ACA) placed an \$8 billion nationwide annual fee on the health insurance industry in 2014 that grows to \$14.3 billion in 2018 and is indexed to inflation thereafter. AHCCCS and the Department of Economic Security (DES) revised previously reviewed contract year (CYE) 2016 capitation rates to reimburse Medicaid health insurers for costs of paying the fee in 2016.

Table 6 below compares the General Fund amounts included in the FY 2017 budget for the health insurer fee to actual costs reported by AHCCCS. The General Fund impact of the capitation rate revision to fund the health insurer fee is \$(7.0) million less than the \$25.1 million included in the FY 2017 budget. Of that difference, \$(5.0) million is due to lower-than-budgeted reimbursement for insurers of behavioral health services. The JLBC Staff is working with the agency to understand the reason for the large savings in behavioral health services. (Jon Stall)

Department of Child Safety – Quarterly Report on Foster Care and Medicaid – Pursuant to Laws 2013, Chapter 220 as amended by Laws 2016, Chapter 273, the Department of Child Safety (DCS) is required to report on foster care and Medicaid eligibility. During the second quarter of FY 2017, DCS reports the following trends in foster care and Medicaid eligibility:

1. There were 16,820 children eligible for Medicaid in foster care at the end of the second quarter,

Table 6

**Health Insurer Fee Capitation Rate Revisions
General Fund Impact**
(\$ in millions)

Populations	FY 2017 Budget	FY 2017 Actual	Difference from Budget
Acute Care	\$ 16.4	\$ 14.7	\$ (1.7)
ALTCS Elderly & Physically Disabled	0.2	0.3	0.1
Behavioral Health Services	7.5	2.5	(5.0)
DES Developmentally Disabled	<u>1.0</u>	<u>0.6</u>	<u>(0.4)</u>
Total	\$ 25.1	\$ 18.1	\$ (7.0)

Summary of Recent Agency Reports (Continued)

- down (1.5)% from 17,075 at the end of the first quarter of FY 2017.
2. The percentage of foster care children eligible for Medicaid decreased from 94% at the end of the first quarter of FY 2017 to 93% at the end of the second quarter of FY 2017.
 3. The amount of non-Medicaid expenditures for behavioral health group homes, residential treatment centers, and therapeutic group homes used by DCS to supplement Medicaid behavioral health placement services was \$492,500 in the second quarter of FY 2017.
 4. The amount of non-Medicaid behavioral health counseling/psychiatric services expenditures used by DCS to supplement Medicaid behavioral health services was \$79,500 in the second quarter of FY 2017. (Patrick Moran)

Department of Child Safety – Monthly Report on Hiring
 – Pursuant to a FY 2017 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on its progress in hiring and retaining child safety staff through February 2017. (See Table 7 below.)

The number of direct line child safety staff (caseworkers, caseworkers in training, caseworkers awaiting training and hotline staff) was 1,344 in February, or (62) fewer staff than the number of funded positions. Most of the difference between funded positions and filled positions was driven by lower-than-budgeted staffing of caseworkers, which was partly offset by higher-than-budgeted staff in training. Total direct line staff increased by 3 since January.

There were also 1,392 non-direct line child safety staff in February 2017, or (119) fewer staff than the funded staffing level. The budgeted staffing level is 1,511 excluding Attorney General positions. Total non-direct line positions increased by 10 since January. (Patrick Moran)

Department of Education – Budget Status Report – Pursuant to a General Appropriation Act footnote and A.R.S. § 35-131D, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2017. In that report, ADE estimates that it will experience a \$(20.7) million net funding shortfall for formula programs for FY 2017. This consists of an estimated \$(15.8) million shortfall for Basic State Aid and estimated \$(4.9) million shortfall for Additional State Aid (the Homeowner’s Rebate and 1% Cap programs). ADE’s current \$(20.7) million shortfall estimate is subject to revision as additional data become available. The JLBC Baseline includes a \$17.1 million supplemental to address ADE’s FY 2017 shortfall. (Steve Schimpp)

Department of Environmental Quality – Third-Party Report on E-Licensing Project – Pursuant to a FY 2015 General Appropriation Act footnote, the Department of Environmental Quality (DEQ) provided a quarterly update of the E-Licensing project. The vendor gave an overall favorable evaluation of DEQ’s progress in incorporating recommendations from the previous third-party report and provided 6 recommendations.

DEQ has now automated many of its services and is expected to automate more of its services at an accelerated pace. Customer adoption rates for myDEQ are also steadily increasing. The vendor commended DEQ’s progress in developing a data management framework but emphasized the need to create a DEQ Data Governance Board, which would make decisions relating to data management, data quality assurance, data analysis and business intelligence, and data security. No foreseeable project end date or total estimated project costs were provided. (Josh Hope)

Table 7

DCS Filled FTE Positions as of February 2017

	<u>Funded</u>	<u>February</u>	<u>Difference</u>
Caseworkers	1,190	1,065	(125)
Hotline Staff	76	69	(7)
Staff in Training	<u>140</u>	<u>210</u>	<u>70</u>
<i>Subtotal - Direct Line</i>	1,406	1,344	(62)
<i>Subtotal - Non-Direct Line Staff</i>	<u>1,511</u>	<u>1,392</u>	<u>(119)</u>
Grand Total ^{1/}	2,917	2,736	(181)

^{1/} Excludes 276.2 Attorney General Staff.

Summary of Recent Agency Reports (Continued)

Supreme Court – Report on Criminal Case Proceedings, Enforcement of Court Orders, and State Aid to Courts Fund Expenditures – Pursuant to A.R.S. § 12-102.01D, the Supreme Court is required to report annually to the JLBC on the progress of criminal case processing projects and the enforcement of court orders including the collection of court ordered fees, fines, penalties, sanctions and forfeitures. Additionally, pursuant to A.R.S. § 12-102.02D, the Supreme Court is required to report annually to the JLBC on the expenditure of monies from the State Aid to the Courts Fund for the prior fiscal year and the progress made in improving criminal case processing.

Since 2003, the Supreme Court has contracted with an outside vendor to increase compliance with court orders, resulting in total collections of \$46.6 million from backlogged cases in FY 2016, or 3.3% above FY 2015. Additionally, the Supreme Court utilizes a debt setoff program to match outstanding criminal fines or fees to outstanding tax and governmental liabilities. Tax and lottery interceptions in the debt setoff program were \$15.0 million in FY 2016, or flat relative to FY 2015.

Expenditures from the State Aid to the Courts Fund were \$2.4 million in FY 2016. These monies were disbursed to Superior and Justice Courts for the processing of criminal cases.

The Supreme Court reported that criminal case processing was enhanced by using State Aid to the Courts Fund monies for computers, video conferencing equipment, a case management system, early resolution and deferred incarceration programs, staff training, pre-sentence investigators, judges, pre-trial services, probation and domestic violence staff, clerks, court commissioners, administrative positions, support staff, interpreters, security staff, computer programmers, supplemental funding to Driving Under the Influence (DUI) and drug courts, and the enhancement of electronic data sharing. (Eric Billings)

February Spending

February 2017 General Fund spending was \$603.6 million, which represents an increase of \$77.5 million above February 2016. (See Tables 8 & 9). Year-to-date, General Fund spending is \$6.91 billion, or \$(3.8) million below the prior year.

	General Fund Spending (\$ in Millions)			YTD Change from FY 16
	Feb 17	Change From Feb 16	Year-to-Date	
Agency				
AHCCCS	102.8	21.4	1,167.1	310.5
Corrections	86.8	8.9	691.0	0.3
Child Safety	21.4	(2.7)	254.0	(17.0)
Economic Security	13.5	3.7	482.1	58.3
Education	225.8	4.3	3,030.8	113.3
Health Services	4.1	(11.4)	58.1	(486.4)
Public Safety	3.6	1.8	64.9	8.1
School Facilities Board	41.7	17.8	212.9	27.0
Universities	49.6	13.2	449.8	(61.5)
Leaseback Debt Service	0.0	0.0	84.1	0.0
Other	<u>54.3</u>	<u>20.5</u>	<u>411.2</u>	<u>43.6</u>
Total	603.6	77.5	6,906.0	(3.8)

General Fund Spending				
(\$ in Thousands)				
Agency	Feb 17	Change from Feb 16	Year-to-Date	YTD Change from FY 16
Dept. of Admin./Automation Projects Fund	1,377.5	(3,437.5)	27,345.2	9,666.3
ADOA – Sale/Leaseback Debt Service	-	-	84,117.4	2.8
Office of Administrative Hearings	65.5	3.8	588.6	12.3
Commission of African-American Affairs	19.8	9.2	85.9	4.7
Department of Agriculture	569.2	286.8	6,084.6	831.3
AHCCCS	102,765.3	21,388.9	1,167,080.4	310,530.2
Attorney General	1,644.0	(1,057.5)	15,014.7	356.3
State Board of Charter Schools	67.5	(8.0)	656.9	(60.0)
Department of Child Safety	21,379.7	(2,727.3)	254,039.8	(16,964.6)
AZ Commerce Authority	1,747.6	(535.7)	14,439.5	(3,451.9)
Community Colleges	263.5	48.3	40,403.7	1,725.6
Corporation Commission	36.0	34.5	611.3	323.1
Department of Corrections	86,780.4	8,899.8	690,993.6	280.5
County Funding	-	-	14,000.5	8,000.0
AZ State Schools for the Deaf & Blind	2,465.9	554.2	16,350.4	(1,827.9)
Office of Economic Opportunity	38.0	38.0	38.0	38.0
Department of Economic Security	13,475.4	3,664.0	482,133.2	58,298.5
State Board of Education	56.8	(29.6)	610.3	(132.7)
Department of Education	225,818.0	4,279.7	3,030,827.0	113,281.0
DEMA	(38.7)	(766.4)	5,607.1	(114.1)
DEQ – WQARF	-	-	2,823.6	(4,176.4)
Office of Equal Opportunity	9.4	(12.1)	133.9	8.1
State Board of Equalization	26.6	4.3	408.4	27.9
Board of Executive Clemency	41.0	(38.3)	503.2	(122.1)
Department of Financial Institutions	197.2	(9.8)	1,859.7	(130.8)
Department of Fire, Bldg and Life Safety	-	(212.0)	(2.4)	(1,467.8)
Department of Forestry and Fire Management	399.6	107.9	4,385.1	845.2
Department of Gaming	-	-	1,854.5	60.1
Arizona Geological Survey	-	(79.6)	-	(685.2)
Governor/OSPB	386.5	(306.1)	6,182.9	(143.1)
Department of Health Services	4,131.8	(11,383.4)	58,095.5	(486,426.4)
Arizona Historical Society	209.3	14.0	2,197.0	(68.4)
Prescott Historical Society of AZ	59.4	(29.0)	526.2	(61.6)
Department of Housing	60.3	60.3	580.9	580.9
Independent Redistricting Comm.	40.6	(197.8)	758.5	(396.4)
Department of Insurance	430.7	94.3	3,232.1	(86.7)
Judiciary				
Supreme/Superior Court	2,277.9	230.9	59,094.8	2,542.3
Court of Appeals	1,023.7	(1.3)	8,988.6	(209.2)
Department of Juvenile Corrections	855.3	(678.9)	14,488.8	(2,471.8)

Table 9 (Continued)

Agency	Feb 17	Change from Feb 16	Year-to-Date	YTD Change from FY 16
State Land Department	604.6	(29.7)	6,765.5	(307.7)
Legislature				
Auditor General	1,569.6	77.7	12,821.9	(254.3)
House of Representatives	1,255.6	7.8	8,594.2	(536.2)
Joint Legislative Budget Comm.	160.3	(4.9)	1,508.8	(7.8)
Legislative Council	547.1	51.7	4,585.0	335.7
Senate	742.7	129.2	5,717.9	740.6
Mine Inspector	74.5	(11.3)	734.8	(8.2)
Nav. Streams & Adjudication	11.9	4.2	86.6	6.8
Occupational Safety and Health Review	-	-	-	(2.5)
Arizona State Parks Board	-	(2.5)	-	(277.8)
Phoenix Convention Center	-	-	20,449.0	-
Comm. for Postsecondary Ed.	-	-	1,392.0	(4.8)
Department of Public Safety	3,577.5	1,814.0	64,949.4	8,144.0
Public Safety Personnel Retirement System	-	-	6,000.0	-
Radiation Regulatory Agency	-	(6.5)	1,228.0	37.7
Real Estate Department	146.1	(23.7)	1,700.5	37.1
Department of Revenue	2,633.9	(1,424.5)	19,722.3	(7,761.8)
School Facilities Board	41,729.1	17,799.7	212,928.2	27,035.9
Secretary of State	821.5	(2,172.9)	19,719.0	10,683.0
Tax Appeals Board	34.0	16.8	186.7	6.4
Office of Tourism	-	-	6,187.2	(212.1)
Department of Transportation	37.1	37.1	37.7	37.7
Governor's Office on Tribal Relations	(1.4)	(2.5)	34.1	12.1
Universities				
Board of Regents	(4,789.9)	(4,812.1)	14,485.6	(4,592.8)
Arizona State University	24,684.4	8,129.8	197,409.6	(26,113.3)
Northern Arizona University	8,436.3	2,609.4	67,441.4	(9,668.6)
University of Arizona	21,311.5	7,231.3	170,492.3	(21,079.5)
Department of Veteran Services	390.4	(47.6)	3,688.9	284.9
Department of Water Resources	715.7	(150.7)	6,784.2	(149.0)
Water Infrastructure Finance Authority	-	-	500.0	500.0
Department of Weights & Measures	-	(4.2)	0.8	(820.1)
Other - State Treasurer/JP Salaries	65.6	(23.5)	757.5	(60.1)
Other - ADOT Capital (Navajo Nation Projects)	-	-	1,500.0	1,500.0
Other - ADOT Capital (Local HURF Distribution)	30,000.0	30,000.0	30,000.0	30,000.0
Other	181.8	86.7	419.9	283.1
Total	603,620.4	77,487.1	6,905,969.0	(3,793.3)

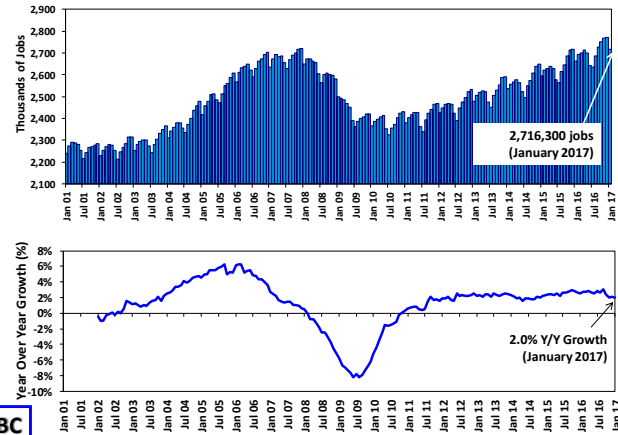
Arizona Economic Trends

March 2017
Appendix A

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- 2.....Total Non-Farm Employment
- 3.....Average Hourly Earnings – Private Sector
- 4.....Initial Claims for Unemployment Insurance
- 5.....State Sales Tax Collections – Retail Category
- 6.....State Sales Tax Collections – Contracting Category
- 7.....Residential Building Permits
- 8.....Economic Activity Index

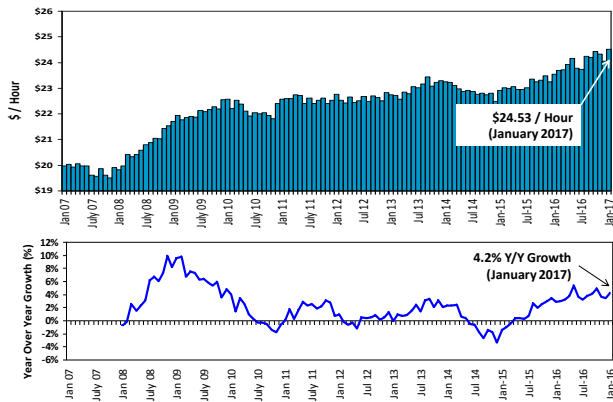
Total Non-Farm Employment



JLBC

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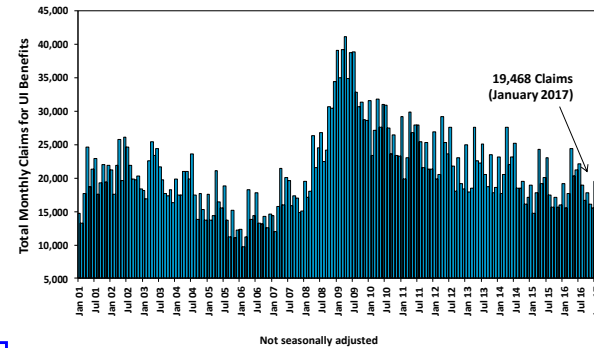
Average Hourly Earnings – Private Sector



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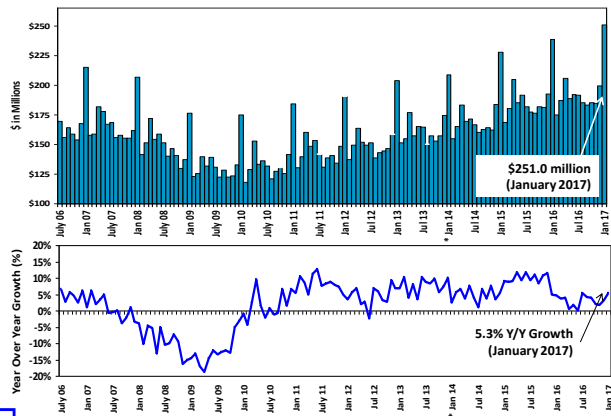
Initial Claims for Unemployment Insurance



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State Sales Tax Collections – Retail Category



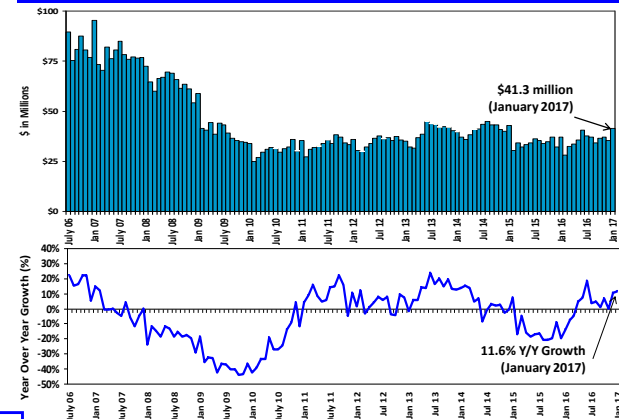
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Excludes temporary 1 c sales tax

* January 2014 estimate adjusted downward by \$30 million to reflect one-time category shift.

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State Sales Tax Collections – Contracting Category

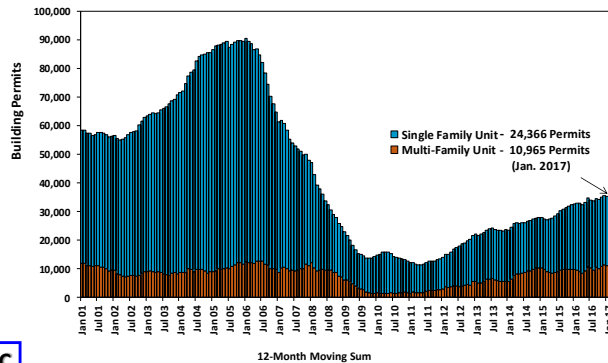


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Excludes temporary 1 c sales tax

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Residential Building Permits

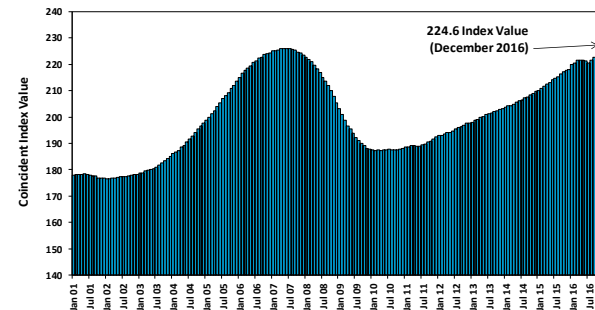


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12-Month Moving Sum

7

Economic Activity Index



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

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