Orientation

Joint Legislative Budget Committee
Staff Role

December 2020

JLBC

What is the Joint Legislative Budget Committee?

- 8 members from each house
- Chairmanship rotates between 2 Appropriations Committee Chairmen
- Committee has 193 statutory responsibilities
- During the interim between sessions, the JLBC provides legislative oversight of state fiscal issues
- The Joint Committee on Capital Review is comparable committee for capital issues

What is the JLBC Staff Role?

- 24-person non-partisan staff that provides assistance on fiscal issues
  - Includes analysts assigned to review the budgets of over 100 state agencies
  - Includes economists responsible for revenue forecasts
- Develops Baseline estimates released at beginning of session
- Provides briefing materials and analysis for JLBC and JCCR committees
- Responds to information requests from all legislators

JLBC Staff Develops Cost Estimates of Bills

- Cost estimates are known as "Fiscal Notes"
- Members can request a note on their own bills or other members' bills
- Goal is a 14-day turnaround

Fiscal Note

BILL # HB 2153 **TITLE:** VLT exemption; military members; spouses

SPONSOR: Borrelli **STATUS:** House Engrossed

PREPARED BY: Ben Beutler

Description

The bill establishes a Vehicle License Tax (VLT) and registration exemption for a spouse or dependent of a U.S. military member who died as the result of injuries suffered in the line of duty. The exemption would apply to military members who were killed before and after the bill's effective date.

Estimated Impact

Based on the Arizona Department of Transportation's (ADOT) estimate, the bill is projected to reduce highway-related revenues by at least $(98,000). Of that $(98,000), $(74,200) is lost revenue to local governments and $(23,800) is lost revenue to the state from the State Highway Fund.

Analysis

The bill allows a VLT and registration exemption for an Arizona resident who is a spouse or dependent of a military member who dies as the result of injuries suffered in the line of duty. The exemption ends when the spouse remarries or dies, or when the dependent turns 18 (or 23 if a full-time student), and is limited to 1 vehicle per claimant.

ADOT assumes the bill will generate 700 exemptions and reduce revenues by $(98,000) annually. This estimate is based on an average VLT of $132 and a registration fee of $8.

The JLBC Staff believes ADOT's estimate is reasonable. From 2003 to 2014, 142 military members from Arizona were killed in action or died of wounds, according to the Arizona Department of Veterans' Services. Of those killed during that time period, 52 had a spouse or dependent child when killed. In addition, 627 members were killed in action in Vietnam and Desert Storm. While the exact number of eligible people is unknown, adjusting these casualty figures for remarriage, population growth (i.e., eligible spouses and dependents moving to Arizona), and death in later years from war wounds would likely produce a result similar to ADOT's estimate.

Local Government Impact

Of the total impact, about 75% would affect local governments. About 55% of VLT is distributed to cities and counties, and approximately 45% of VLT is distributed to the Highway User Revenue Fund, which is distributed to both state and local governments. Under the bill, local governments will incur a loss of about $(74,200) annually, of which $(37,100) will affect counties and $(37,100) will affect cities and towns.

JLBC Staff Updates Members Monthly on Fiscal Issues

JLBC - Monthly Fiscal Highlights

November 2020

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"Compared to the October FAC revenue forecast, October revenues were $104.8 million above forecast."

Summary

October General Fund revenues were $982.7 million, which is an increase of 5.8% above the prior year.

Beginning with this *Monthly Fiscal Highlights* our office will begin to benchmark the state's revenue collections against the October FAC forecast until the JLBC Baseline is released in January.

Compared to the October FAC revenue forecast, October revenues were $104.8 million above forecast. This forecast gain was concentrated in the Sales Tax category, which continued its recent pattern of extremely strong growth.

Total October Sales Tax collections (which represent September sales activity) grew by 16.0% above October 2019 and were $67.5 million above forecast.

The trend of robust Sales Tax collections is being partly driven by a short-term shift in consumer behavior from spending on services (which are largely exempt from Sales Tax) to the purchase of consumer goods (which are generally subject to Sales Tax).

In particular, spending appears to be shifting to the purchase of "durable goods", which are classified as items expected to last at least 3 years (such as cars, home appliances, and electronics). Recent data indicates that durable goods expenditures are approximately 16% above the pre-pandemic level of February 2020.

This surge in durable goods spending, along with growth in remote online sales, helped generate 26.1% growth in the combined Retail/Remote Seller classifications.

(See the Sales Tax section below for more information on the revenue category)

The state's other major revenue categories all posted moderate forecast gains during the month of October. Overall Individual Income Tax (IIT) collections declined by (1.4)%, although this performance ultimately generated a forecast gain of $14.2 million due to higher-than-expected payments and a lower amount of refunds issued.

October tends to be a smaller month for the Corporate Income Tax and Insurance Premium Tax. These categories posted forecast gains of $10.6 million and $6.8 million, respectively during the month.

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