

# **Finance Advisory Committee**

## **Briefing Materials**

**March 8, 2007**

**JLBC**

# Finance Advisory Committee

## Briefing Materials

March 8, 2007

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**JLBC**

**Joint Legislative Budget Committee  
Staff Memorandum**

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DATE: March 8, 2007

TO: Members of Finance Advisory Committee

FROM: Richard Stavneak, Director

SUBJECT: 4-SECTOR CONSENSUS FORECAST RESULTS

This memo compares the results of the March 4-sector consensus forecast for the "Big 3" revenue categories with the December results. The Big 3 of sales, individual income and corporate income tax collections contribute 95% of all General Fund revenue.

The components of the 4-sector consensus forecast include the low and base forecast results from an econometric model maintained by the University of Arizona (UA), results from a survey of the Finance Advisory Committee (FAC), and the JLBC Staff forecast. Each sector has just updated their forecast. The table below presents the results of this update since our last meeting in December. The growth rates in the table reflect growth rates prior to enacted tax law changes for ease of comparison.

<b>Consensus Forecast Comparison Big 3 Weighted Average Growth Rates</b>				
	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>
<b><u>MARCH RESULTS</u></b>				
UA Base:	8.4%	4.4%	5.2%	7.3%
UA Low:	7.1%	0.4%	1.4%	5.3%
FAC:	8.4%	4.8%	6.0%	6.5%
JLBC Staff:	9.2%	7.5%	5.5%	5.9%
<b>Consensus Weighted Average:</b>	<b>8.3%</b>	<b>4.3%</b>	<b>4.5%</b>	<b>6.2%</b>
<b><u>DECEMBER RESULTS</u></b>				
UA Base:	8.8%	5.1%	5.0%	6.5%
UA Low:	6.4%	0.4%	1.1%	4.7%
FAC:	7.9%	5.0%	5.4%	6.6%
JLBC Staff:	9.5%	8.6%	7.9%	6.5%
<b>Consensus Weighted Average:</b>	<b>8.2%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>6.1%</b>

FY 2007 – As noted in the table, the FY 2007 consensus forecast remained essentially unchanged between December and March. While there has been some shift between components, the overall weighted average for FY 2007 from the March consensus of 8.3% is only up a tenth of a percentage point from December's 8.2% consensus.

FY 2008 – The FY 2008 consensus forecast declined by 0.5 percentage points, from 4.8% to 4.3%, between December and March. All of the components of the forecast (except for the UA Low, which was already reflecting a recession scenario) were more cautious for FY 2008 in March than they were in December. The FY 2008 General Fund revenue forecast in the JLBC January Baseline was based on the December consensus with minor adjustments for the small revenue categories.

The 4-sector consensus forecast incorporates a variety of opinions. There are two inputs based on econometric models – the UA Low and Base forecasts. Also, there are two inputs based on economists' analysis of current data – the FAC panel survey and the JLBC Staff forecast.

In the March forecast, the UA model results generally represent cautious forecasts, particularly for FY 2008. The UA Low weighted average of 0.4% represents a recession, and the UA Base average of 4.4% is well below historical trend growth of about 7%.

The FAC panel average of 4.8% is a bit more optimistic than the UA averages, but still below the long-term trend growth rate.

While the UA/FAC sectors forecast below average growth, the Arizona Blue Chip Economic Forecast (February 2007) is projecting near-historical growth rates for 2007 and 2008 in Arizona personal income, retail sales, and job growth. The 18 economists on the panel are surveyed monthly by ASU's Carey School of Business. As you know, the Blue Chip panel is a well-established measuring stick of current economic thinking. Since this Blue Chip's moderate growth path is not reflected in the 3 other inputs, the JLBC Staff component has been set at a growth rate of 7.5% to reflect that possible scenario.

FY 2009 and FY 2010 – The FY 2009 consensus continues the cautionary tone of FY 2008, dropping from 4.8% to 4.5% between December and March, while FY 2010 is up slightly, increasing from 6.1% to 6.2%.

RS:ym

# **Finance Advisory Committee**

**March 8, 2007**

**JLBC**

# **Finance Advisory Committee**

- The FAC has been advising the Legislature on the Arizona economy for more than 30 years.
- 15 members from both the public and private sectors.
- Committee meets 3 times a year.
- Panelists are polled on revenue forecasts – one of 4 inputs into the consensus forecasting process.

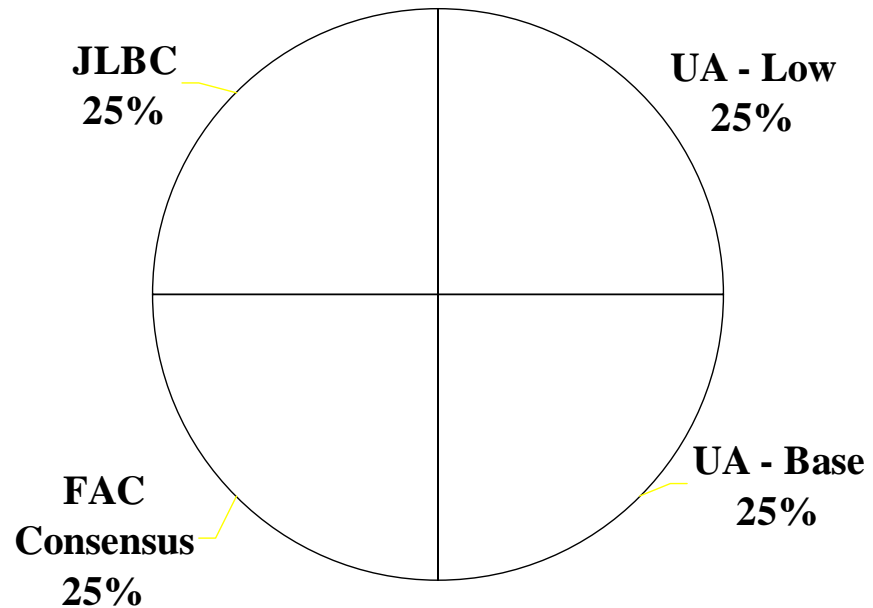
## Questions for the Committee

- There are a wide range of forecasts for the next 15 months – ranging from recession to moderate growth – what is your forecast?
- How far will the decline in housing permits ripple through the economy?
- How much has the stock market drop of the last week affected your thinking?

# **FAC Forecast is a Component of “Big 3” General Fund Revenue Consensus Estimate**

**Big 3 forecast equally  
weights:**

- **FAC average**
- **UofA model - base**
- **UofA model - low**
- **JLBC Staff forecast**
- **Remaining revenues (5% of total) are staff forecast**





# **Four-Sector Consensus Process Designed to Incorporate Variety of Opinion and Methodology**

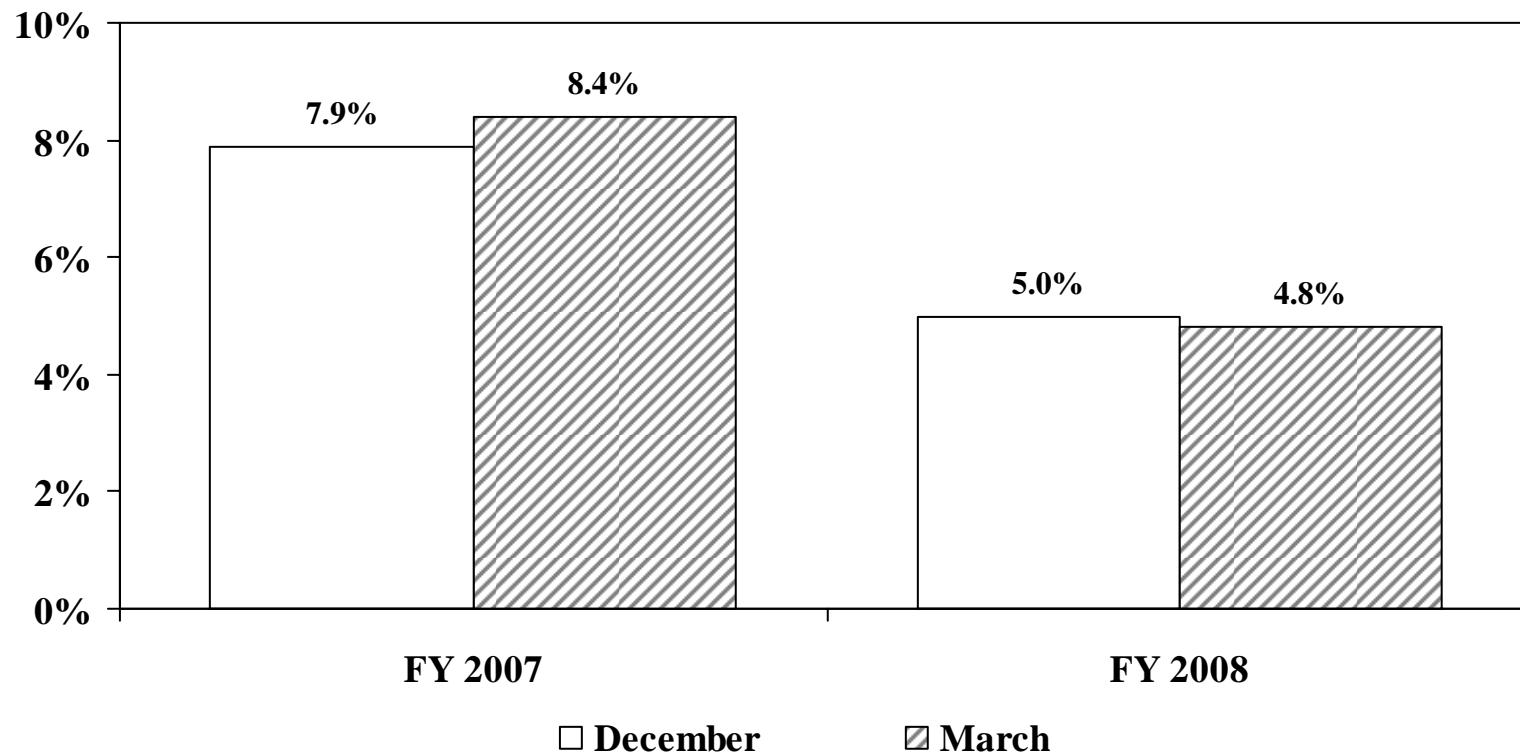
- Level of Modeling
  - 2 inputs based on formal econometric models:
    - UA model consisting of over 200 variables and 100 equations.
    - UA Base and Low forecasts incorporated into 4-sector forecast.
  - 2 inputs based primarily on economists' analysis of current data:
    - Survey of FAC panel members.
    - JLBC Staff forecast.
- Level of Risk
  - Inputs designed to span varying levels of risk – from a 50% probability of meeting or exceeding forecast to 75%-80%.
- Forecast based on pre-tax law basis for comparability – then tax law changes applied to reach final forecast.

# **What Has Happened Since our December Meeting?**

- While November year-to-date revenue collections were 9.3%, February year-to-date collections are 8.3%.
- Revenue growth will continue to decline in FY '07 as effects of enacted tax law changes take effect:
  - 5% individual income tax reduction and corporate sales factor.
- January retail sales tax collections (reflecting the December holiday period) grew by only 1%.
- Estimated individual income tax payments for the December-January period were up by 8.1% over the prior year.

# **FAC More Optimistic About FY 2007, but More Cautious About FY 2008**

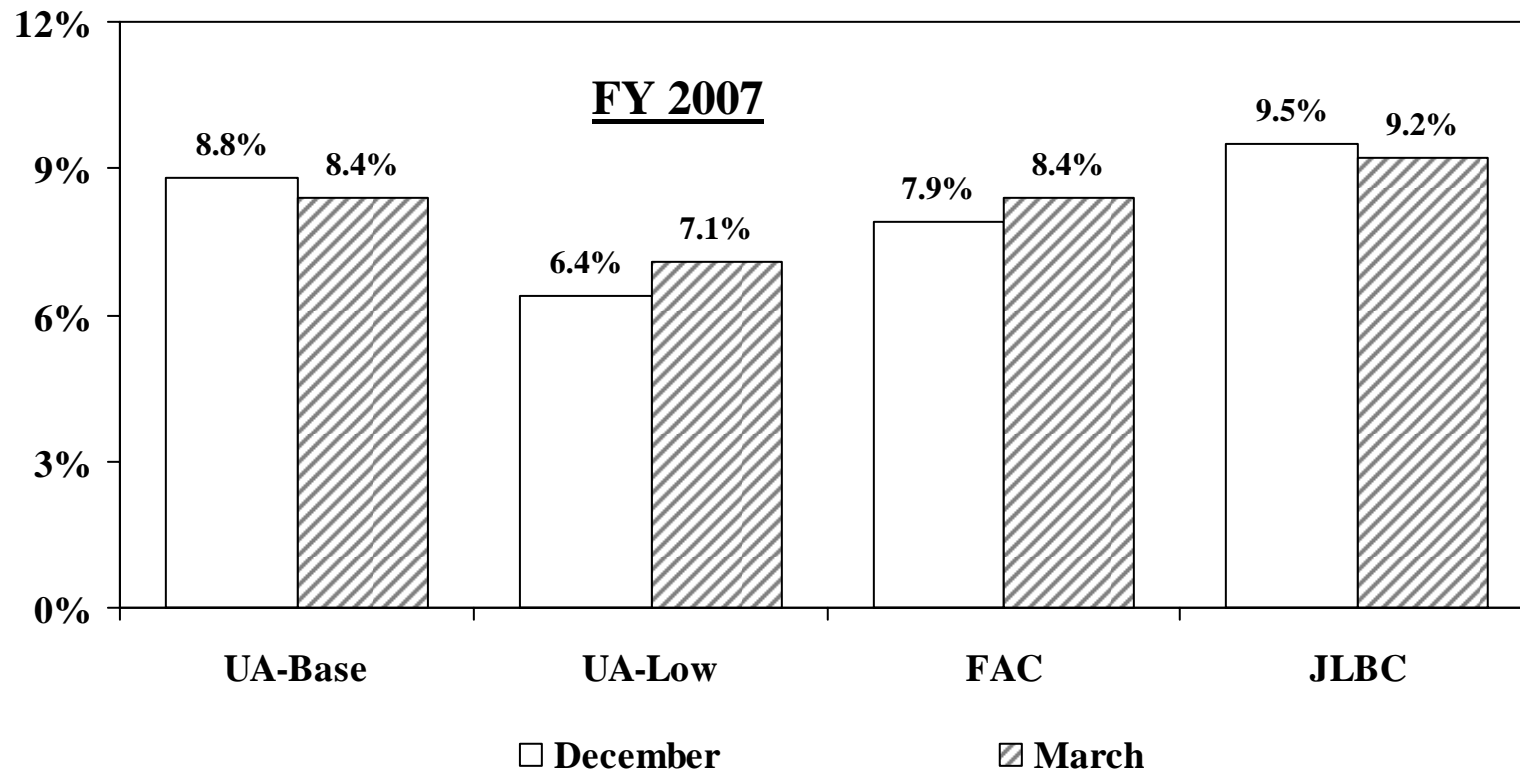
**- March Panel Forecast Compared to December**



**Weighted Big 3 Average  
Prior to Tax Law Changes**

# March 4-Sector Consensus Forecast for FY 2007 Compared to December

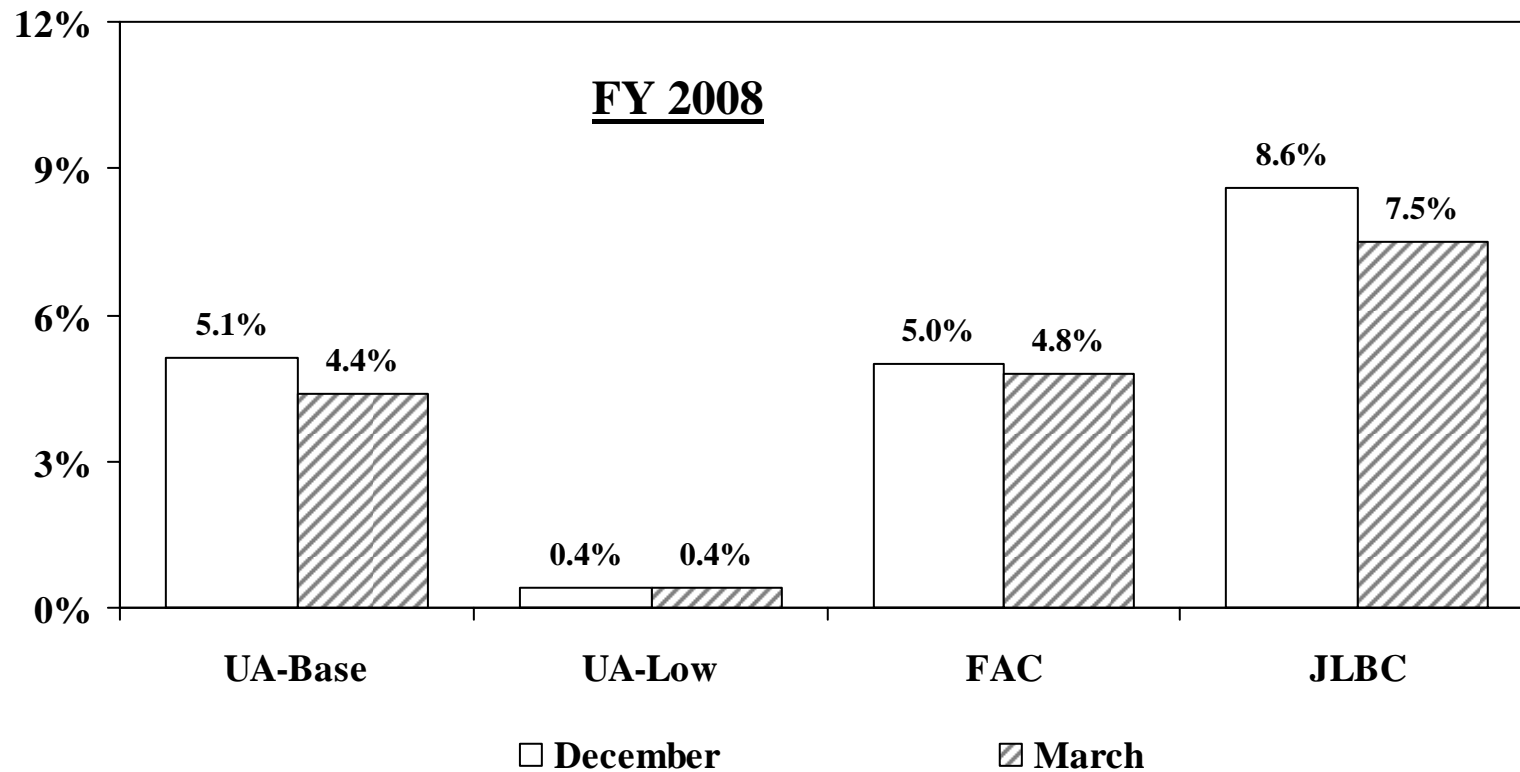
- Weighted Average Increased Slightly from 8.2% to 8.3%



**Weighted Big 3 Average  
Prior to Tax Law Changes**

# March 4-Sector Turned More Cautious for FY 2008

- Weighted Average Decreased from 4.8% to 4.3%
- Executive Has Decreased from 6.4% to 6.0%



**Weighted Big 3 Average  
Prior to Tax Law Changes**

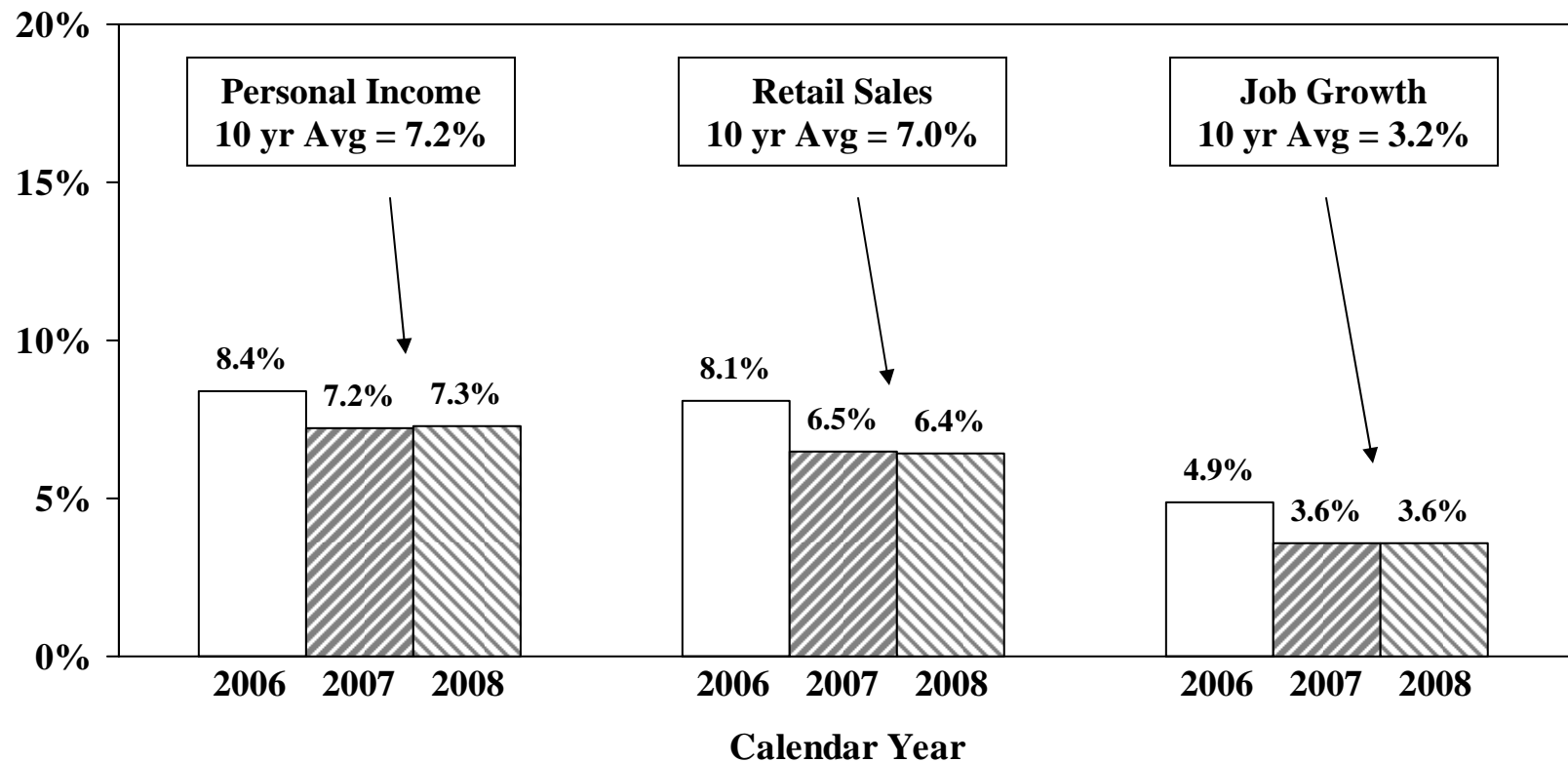
**JLBC**

# **Is 25% Recession Scenario Appropriate?**

## **- UA Low Input at 0.4% Growth is Equivalent to A Recession**

- National Blue Chip (January 2007) places the odds of a recession at 25% in the next 12 months
  - Based on responses from 55 panelists
  - 10 most optimistic place odds at average of 15%
  - 10 most pessimistic place odds at average of 38%
- Arizona Blue Chip (January 2007) is more optimistic – 16% see next recession by 2008.
  - 8% said prior to 2008
  - 8% said 2008
  - 84% said 2009 or beyond

## While UA/FAC Are More Cautious, Blue Chip Continues to Forecast Growth Near Historical Averages



Source: February 2007 Arizona Blue Chip –  
monthly survey of 18 economists

## **The Blue Chip “Moderate Growth” Scenario is Not Reflected in UA/FAC Inputs**

- Historical revenue growth is 7% annually.
- UA/FAC inputs are at least 2% below historical average growth.
- To reflect the Blue Chip scenario near the historical average, JLBC Staff input is set at 7.5% growth.

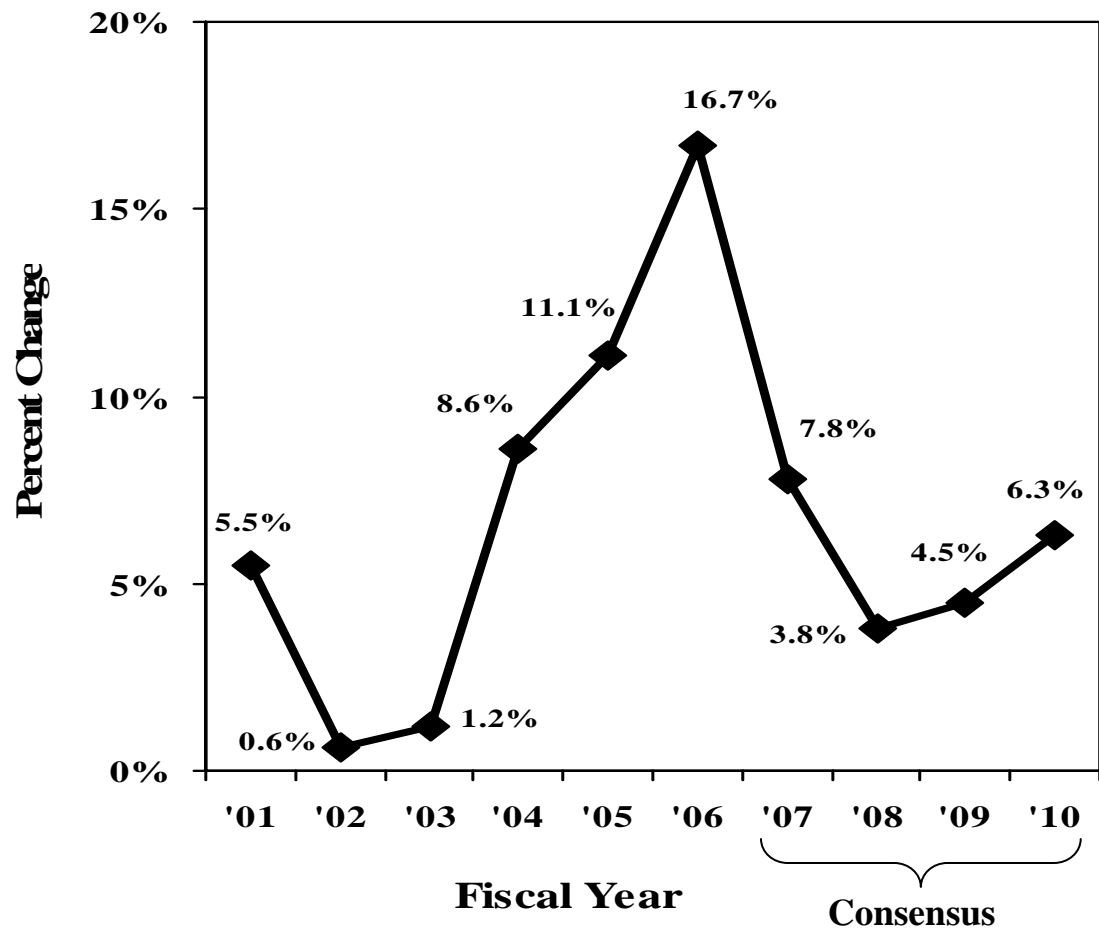


# Sales Tax Growth Rate

## Consensus Projects 3.8% for FY 2008

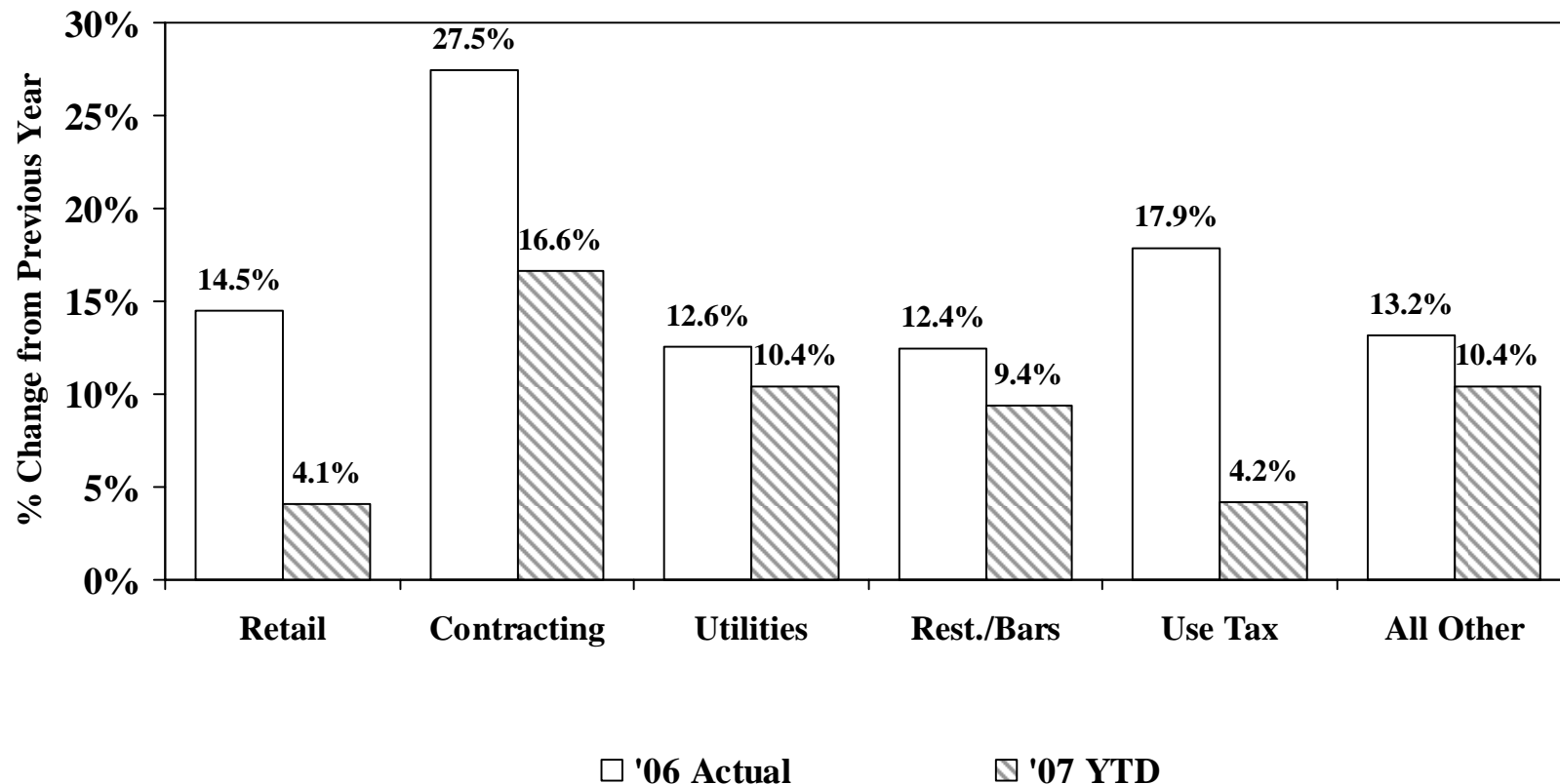
- Executive Projects 7.8%

- '07 YTD rate = 8.2%
- '07 JLBC revised = 8.1%



# **FY 2007 Sales Tax Collections Have Slowed in All Key Categories**

- 1% Growth in Holiday Sales Was Disappointing**
- When Will Housing Slowdown Affect Contracting?**

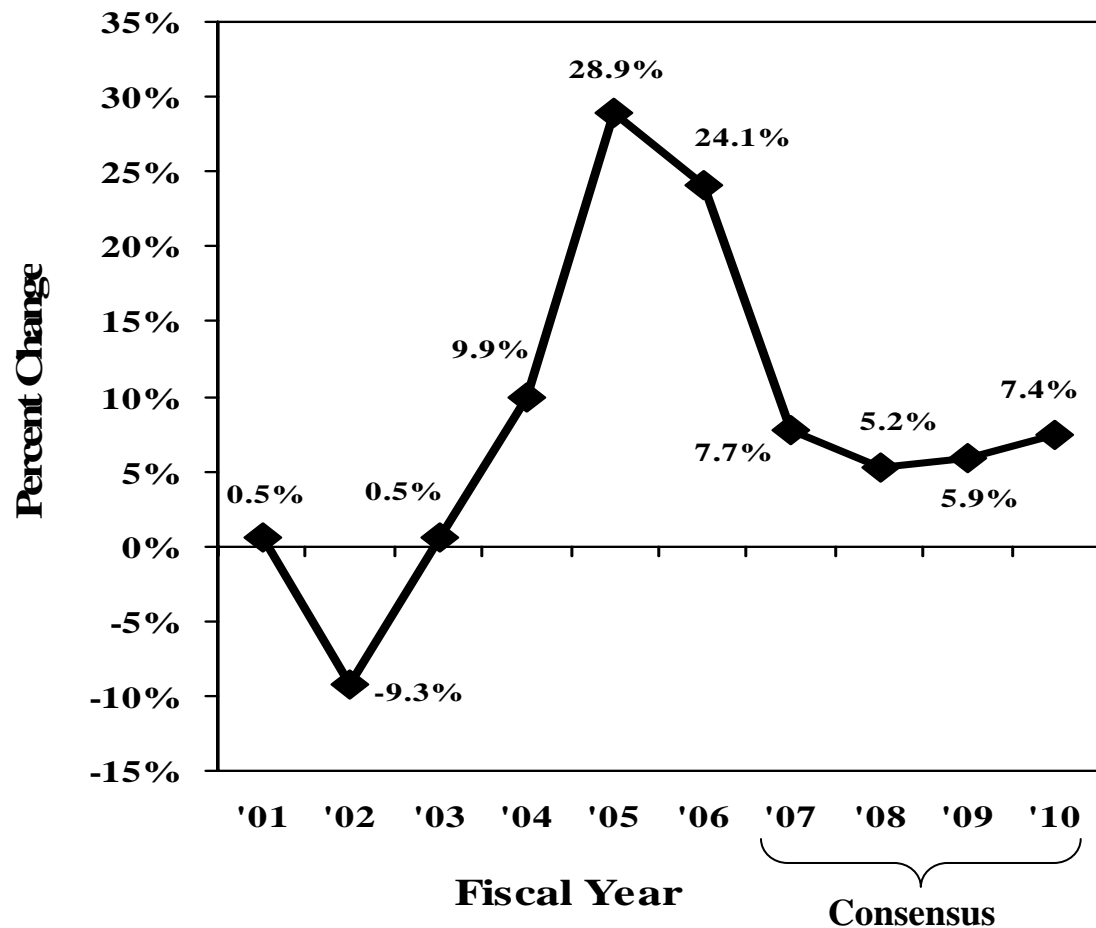


# Individual Income Tax Growth Rate

**Consensus Projects 5.2% for FY 2008**

**- Executive Projects 6.7%**

- '07 YTD rate = 9.5%
- '07 JLBC revised = 9.3%
  - Adjusting for enacted tax law changes in 2<sup>nd</sup> half of fiscal year, actual collections are estimated to grow by 4.3% over prior year.



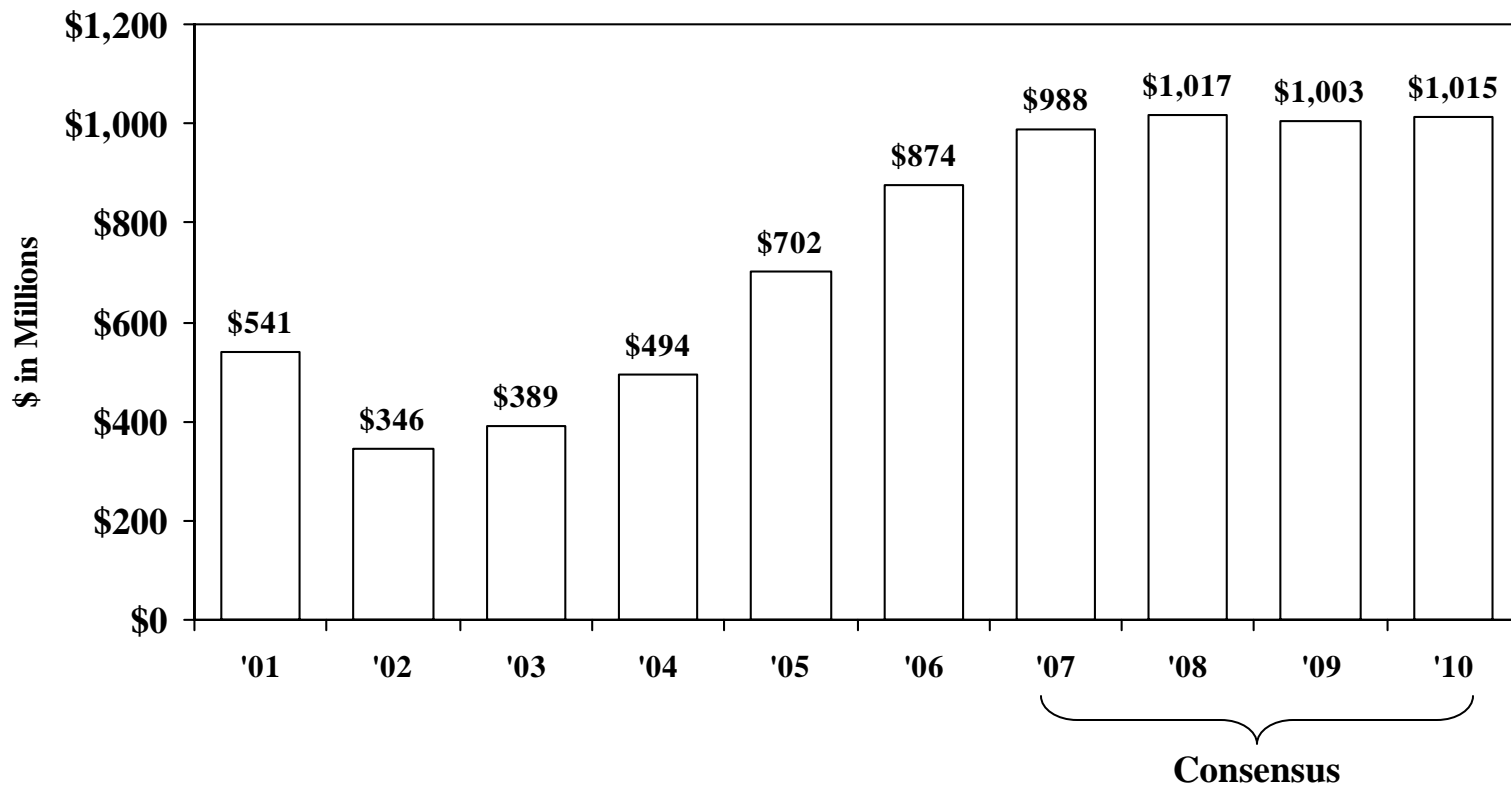
## **Capital Gains Is An Important But Volatile Tax Revenue Source**

- In FY05, capital gains made up 7.5% of Arizona Gross Income compared to 71% for wages.
- However, capital gains contributed more than twice as much -- 16% -- to total net income tax collections.
- Unlike federal rates, there is no lower tax rate for capital gains at the state level.
- Based on CBO projections, it is estimated that the growth rate in capital gains realization will decrease from 38% in FY '05 to (4)% in FY '08, which will decrease capital gains' contribution to net income tax collections.

# Corporate Income Tax Collections

**Consensus Projects 2.9% for FY 2008**

**- Executive Projects (0.8)%**

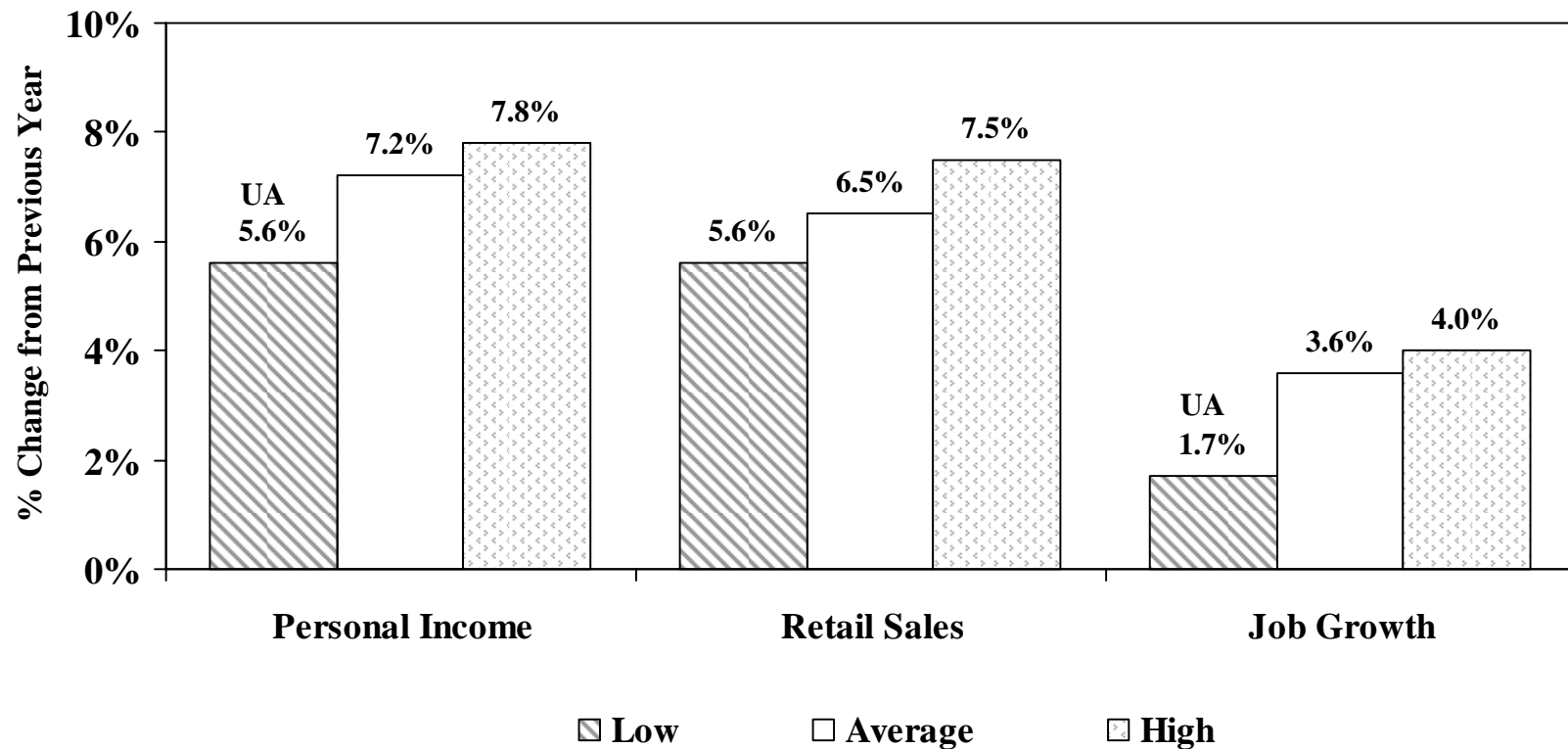


# **Exceptional Growth in Corporate Profits is Not Expected to Continue**

- After growing by 19.1% in 2004 and 12.5% in 2005, U.S. corporate profits increased by an estimated 20.8% in 2006.
- The Global Insight forecasting firm projects corporate profits will grow by 4.6% in 2007 and 6.3% in 2008.
- U.S. Blue Chip Economic Indicators predicts corporate profits will grow by 5.0% in 2007 and by 5.3% in 2008.

# Views Vary Widely on Future Economic Growth

- UA Input is Lowest of 18 Blue Chip Panel Members for 2 of 3 Key Categories
- UA Models Represent 50% of 4-Sector Consensus Forecast



**2007 Arizona Blue Chip Forecast**

## FY2007-FY 2010 Quartile Forecast Worksheet

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
<b><u>Sales Tax</u></b>				
JLBC Forecast (3/1/07)	8.1%	7.1%	5.5%	6.2%
UA - Low (2/07 revision)	7.6%	0.2%	1.9%	5.3%
UA - Base (2/07 revision)	7.8%	2.5%	4.9%	7.2%
FAC (3/8/07 Survey)	7.6%	5.2%	5.6%	6.3%
<b>Average:</b>	<b>7.8%</b>	<b>3.8%</b>	<b>4.5%</b>	<b>6.3%</b>
<b><u>Individual Income Tax</u></b>				
JLBC Forecast (3/1/07)	9.3%	7.9%	6.5%	7.0%
UA - Low (2/07 revision) withholding	6.1%	2.6%	4.1%	7.2%
UA - Base (2/07 revision) withholding	7.0%	4.8%	6.7%	8.6%
FAC (3/8/07 Survey)	8.3%	5.5%	6.3%	6.7%
<b>Average:</b>	<b>7.7%</b>	<b>5.2%</b>	<b>5.9%</b>	<b>7.4%</b>
<b><u>Corporate Income Tax</u></b>				
JLBC Forecast (3/1/07)	14.5%	7.5%	1.3%	0.2%
UA - Low (2/07 revision)	8.8%	-8.0%	-13.8%	-4.9%
UA - Base (2/07 revision)	16.9%	11.6%	0.6%	2.9%
FAC (3/8/07 Survey)	12.3%	0.5%	6.2%	6.5%
<b>Average:</b>	<b>13.1%</b>	<b>2.9%</b>	<b>-1.4%</b>	<b>1.2%</b>
<b>Consensus Weighted Average:</b>	<b>8.3%</b>	<b>4.3%</b>	<b>4.5%</b>	<b>6.2%</b>
<b>JLBC Weighted Average:</b>	<b>9.2%</b>	<b>7.5%</b>	<b>5.5%</b>	<b>5.9%</b>
<b>UA Low Weighted Average:</b>	<b>7.1%</b>	<b>0.4%</b>	<b>1.4%</b>	<b>5.3%</b>
<b>UA Base Weighted Average:</b>	<b>8.4%</b>	<b>4.4%</b>	<b>5.2%</b>	<b>7.3%</b>
<b>FAC Consensus Weighted Average:</b>	<b>8.4%</b>	<b>4.8%</b>	<b>6.0%</b>	<b>6.5%</b>



# **“Slower Growth Ahead”**

**Prepared for:  
Finance Advisory Committee**

**Elliott D. Pollack & Company**

**March 8<sup>th</sup>, 2007**

## **National Perspective**



## Negatives

- Slowing housing market.
- Consumer spending slowing.
- Inflation an issue?

## Positives

- Employment still positive.
- Businesses lean and mean.
- Increase in exports.

## **Weakening economies are more sensitive to shocks.**



## **Examples of Direct Shocks:**

- **Unexpected oil price escalation.**
- **Terrorist event (especially to financial or commerce infrastructure).**

## **Examples of Indirect Shocks:**

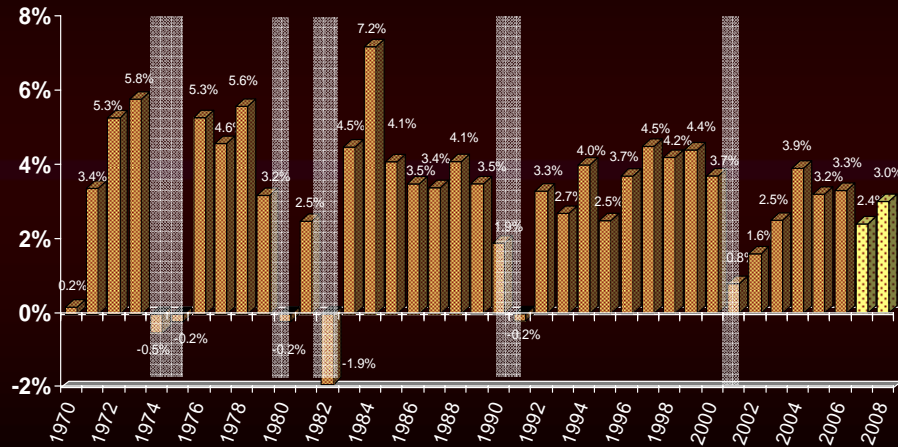
**Collapse of housing prices**

**What is the  
national Blue Chip  
panel telling us?**



## United States Real Gross Domestic Product\* Annual Growth 1970 - 2008\*\*

Source: U.S. Bureau of Economic Analysis & *Blue Chip Economic Indicators*



\* Based on chained 2000 dollars.

\*\* 2007 - 2008 are forecasts from the Blue Chip Economic Indicators, February 2007

Recession Periods

## ODDS OF A RECESSION

Source: National Blue Chip Panel

January consensus: 25.4%

December consensus: 27.4%

November consensus: 24.8%

October consensus: N/A

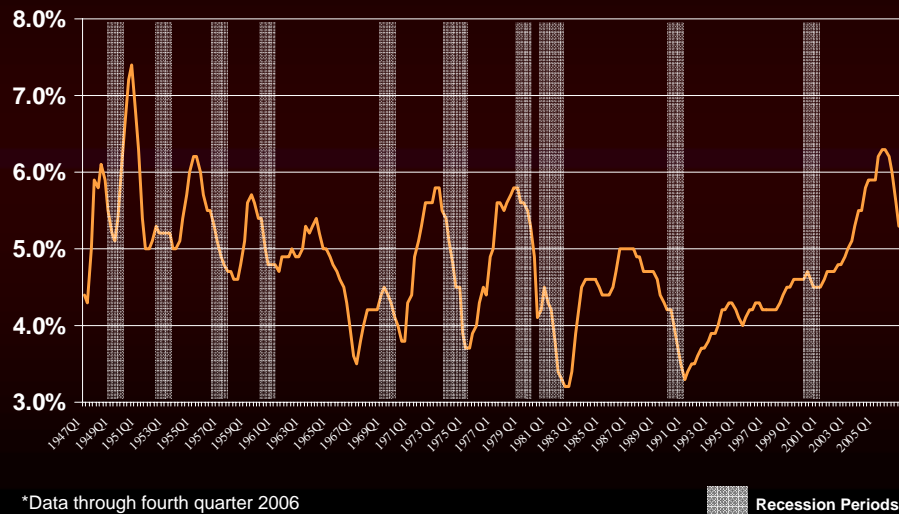
## Consumer Energy Goods & Services Spending as a Percent of Personal Income 1971 – 2006\*

Source: Bureau of Economic Analysis



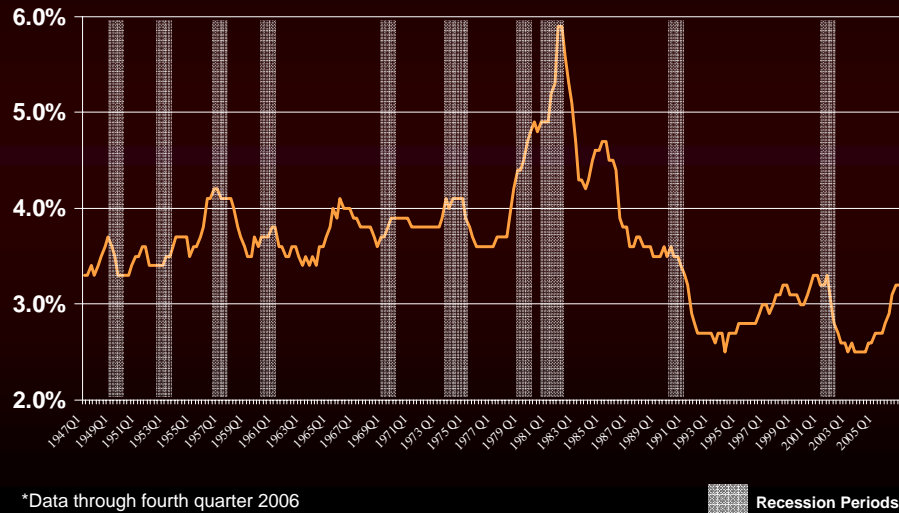
## Residential Investment as a Percent of GDP 1947 – 2006\*

Source: Bureau of Economic Analysis



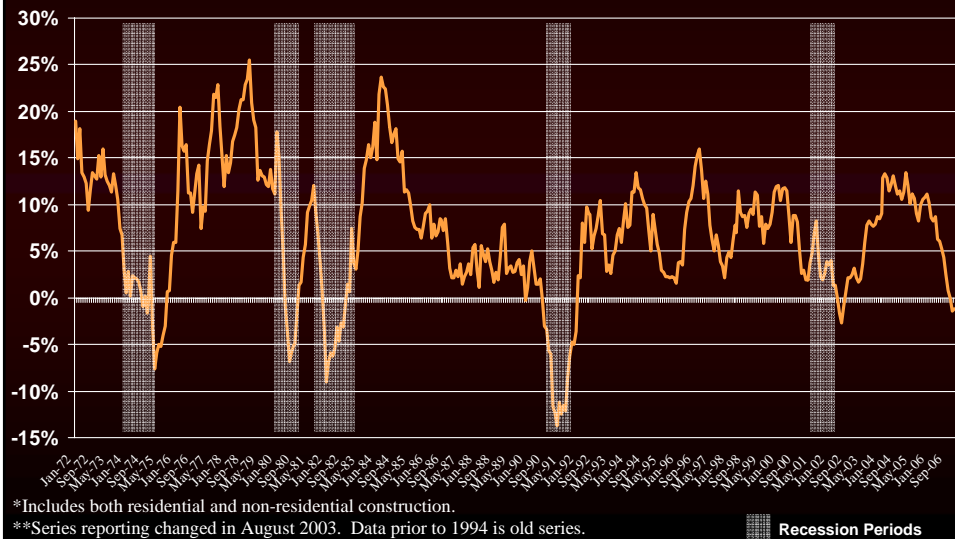
## Non-Residential Structures Investment as a Percent of GDP 1947 – 2006\*

Source: Bureau of Economic Analysis



## Value of Total Construction Put-In-Place\* Percent Change Year Ago January 1972 – January 2007

Source: U.S. Census Bureau

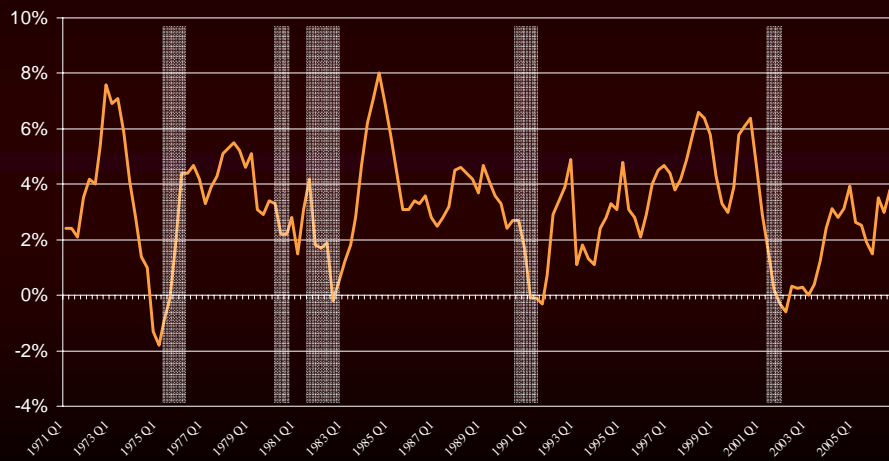


# Are people making ends meet?

## U.S. Real Personal Income Percent Change Year Ago

1971 – 2006\*

Source: Bureau of Economic Analysis



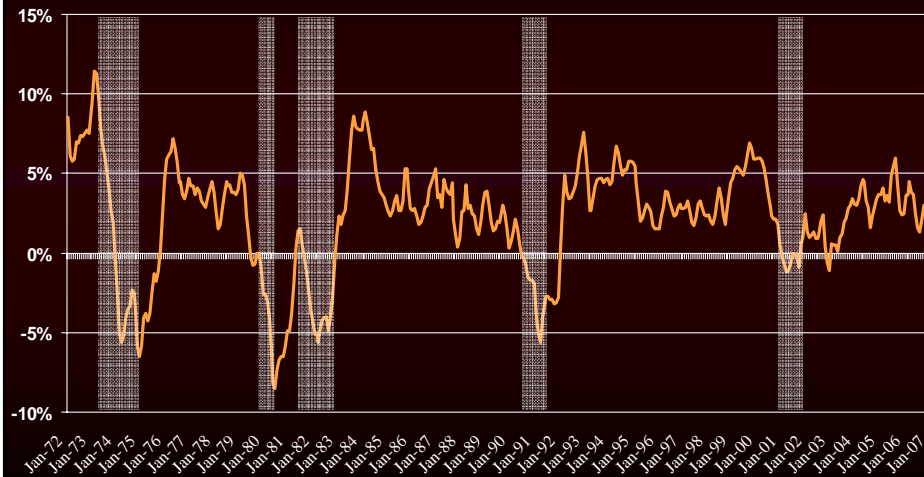
\*Data through fourth quarter 2006

Recession Periods



## U.S. Real Retail Sales Percent Change Year Ago, 3-Month Moving Average 1972 – 2007\*

Source: Federal Reserve Board of St. Louis

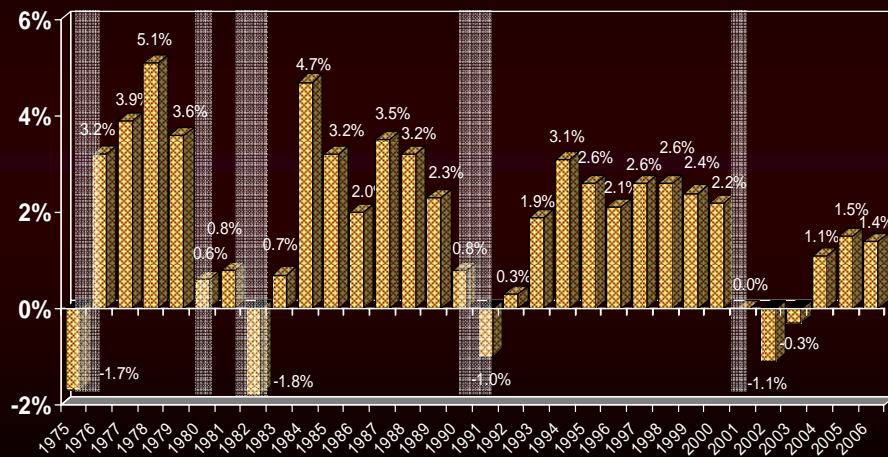


\* Data through January 2007

Recession Periods

## National Employment\* Annual Percent Change 1975–2006\*

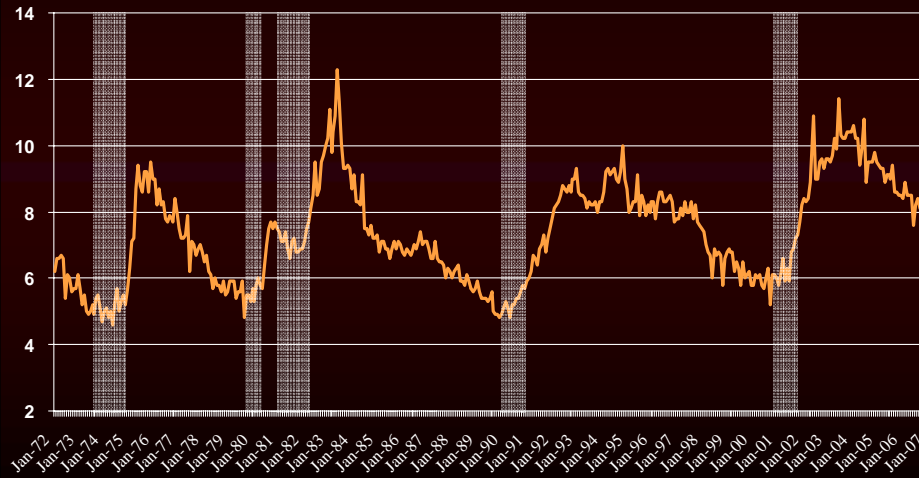
Source: Bureau of Labor Statistics



\*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990. Recession Periods

## Median Weeks Unemployed (S/A) 1972 – 2007\*

Source: Bureau of Labor Statistics



\*Data through January 2007.

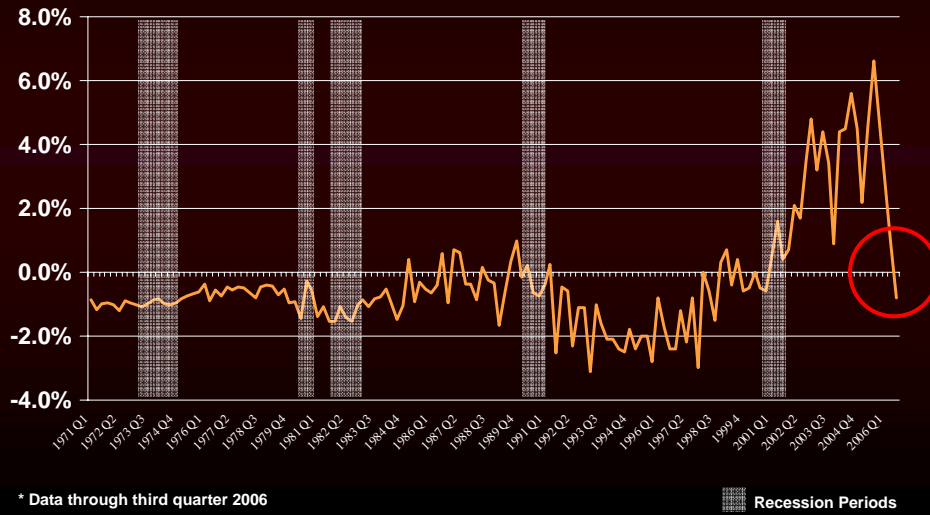
Recession Periods

## CONSUMER SPENDING Causes of Consumer Caution

- Reduced home-related spending on home improvement items such as furnishings, appliances, and building materials .  
(Look at completions not starts)
- Housing-related industries are now cutting jobs.
- Slowing growth in household wealth
- Mortgage equity withdrawal slowing.

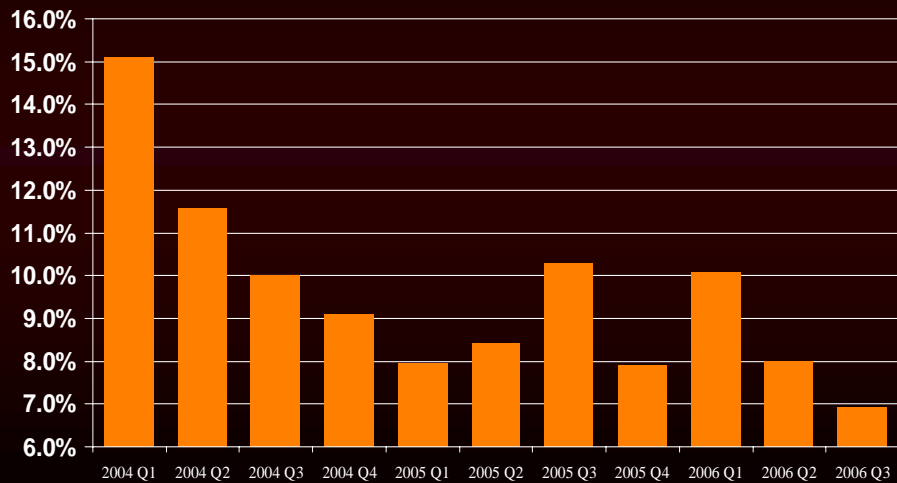
## Mortgage Equity Withdrawal as a share of Disposable Income U.S.: 1971 – 2006\*

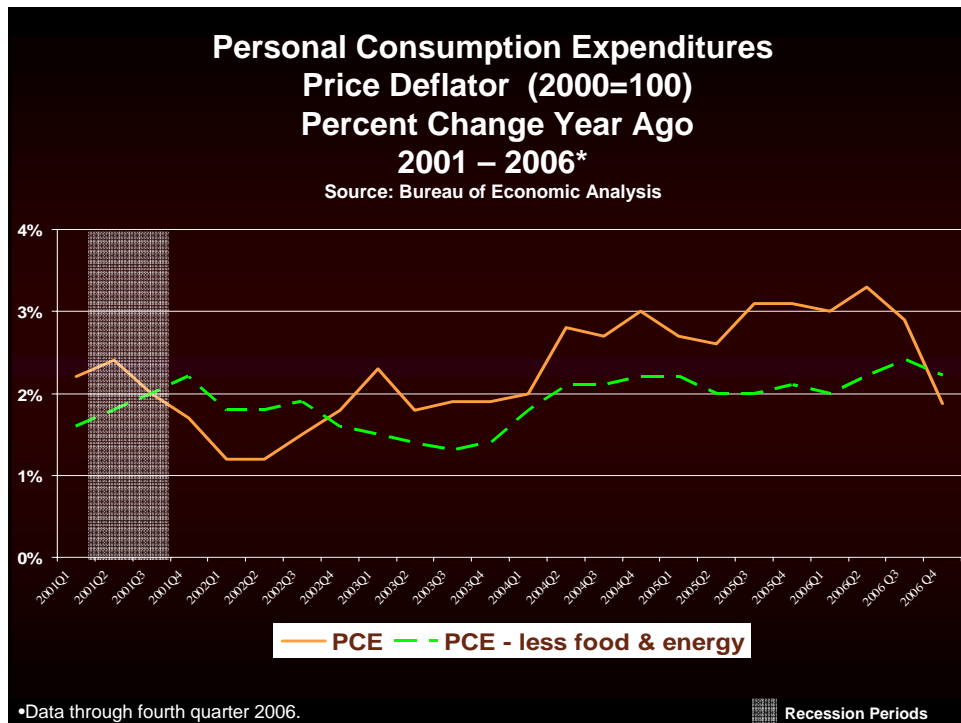
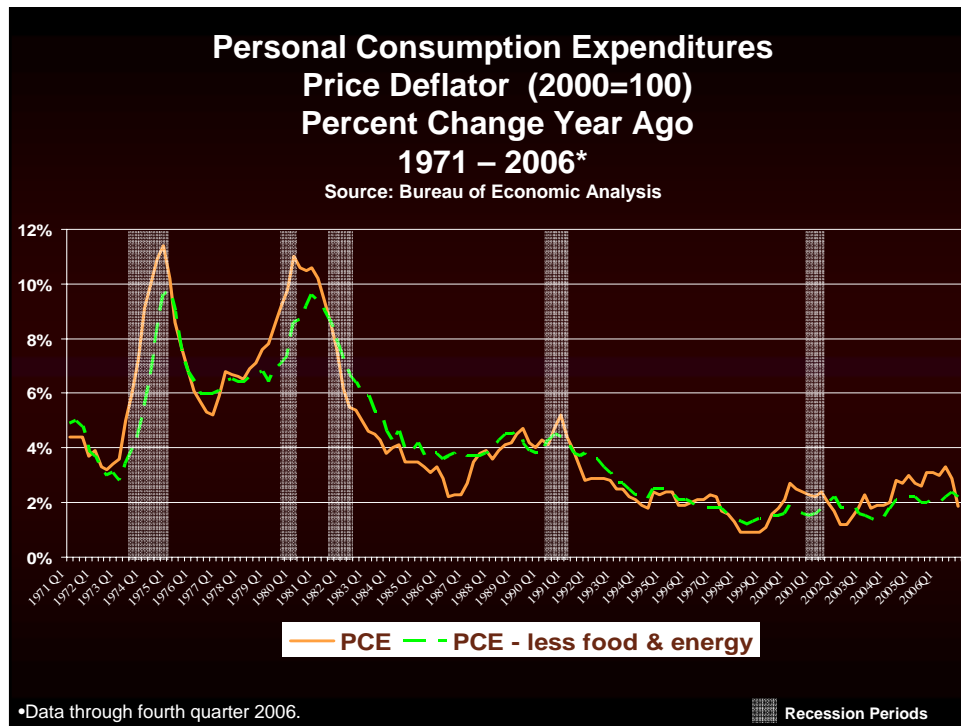
Source: Bureau of Economic Analysis



## Household Wealth Percent Change Year Ago U.S.: 1971 – 2006\*

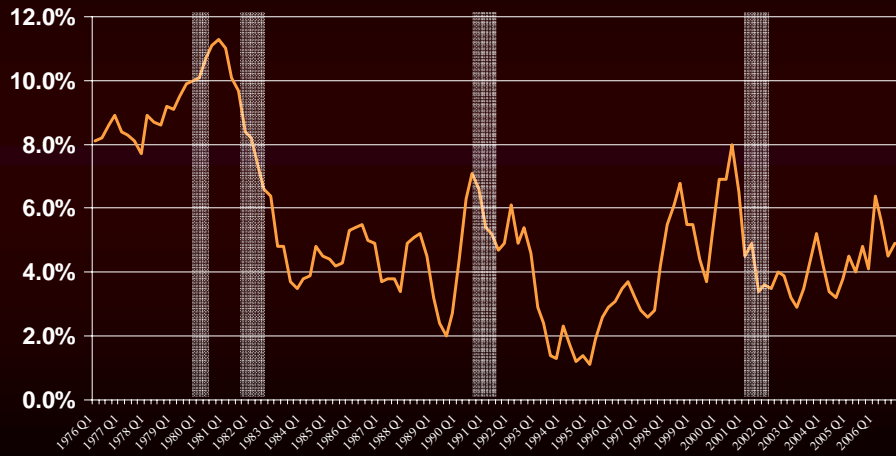
Source: Federal Reserve Board, Flow of Funds





## Compensation per Hour\* Percent Change Year Ago 1976 – 2006\*\*

Source: Bureau of Economic Analysis



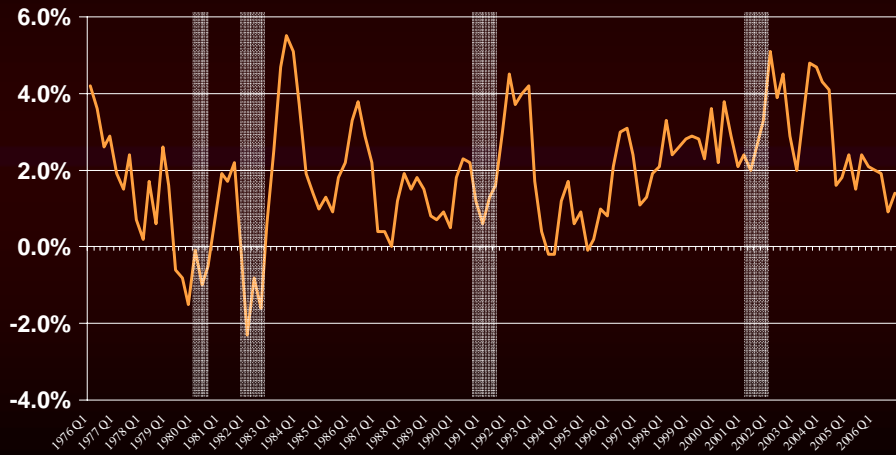
\*Non-farm Business

\*\*Data through fourth quarter 2006

Recession Periods

## Output per Hour\* Percent Change Year Ago 1976 – 2006\*\*

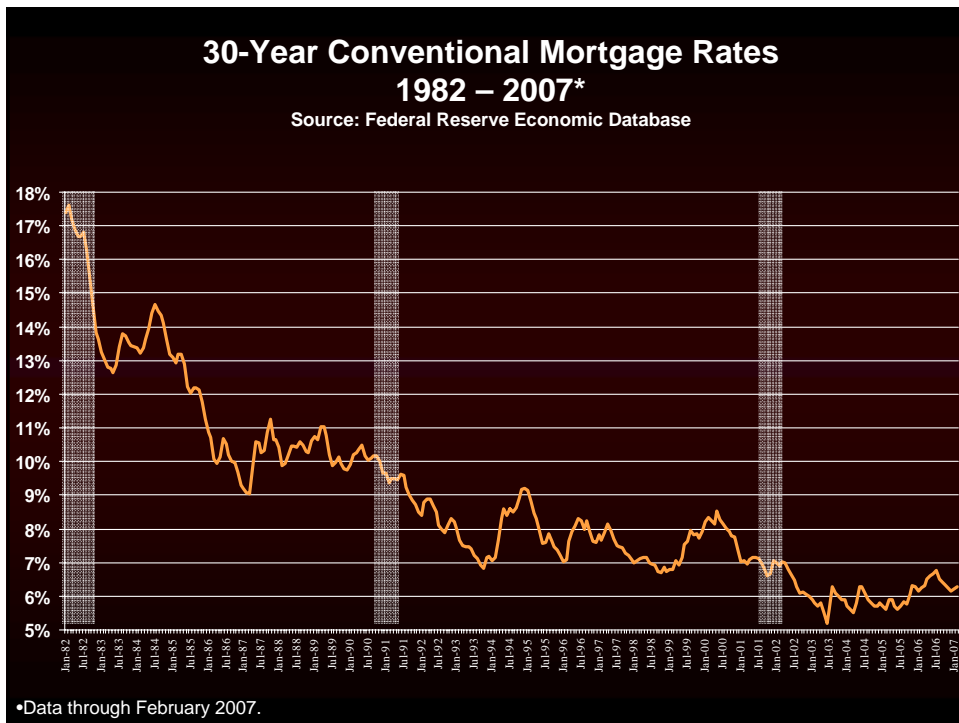
Source: Bureau of Economic Analysis

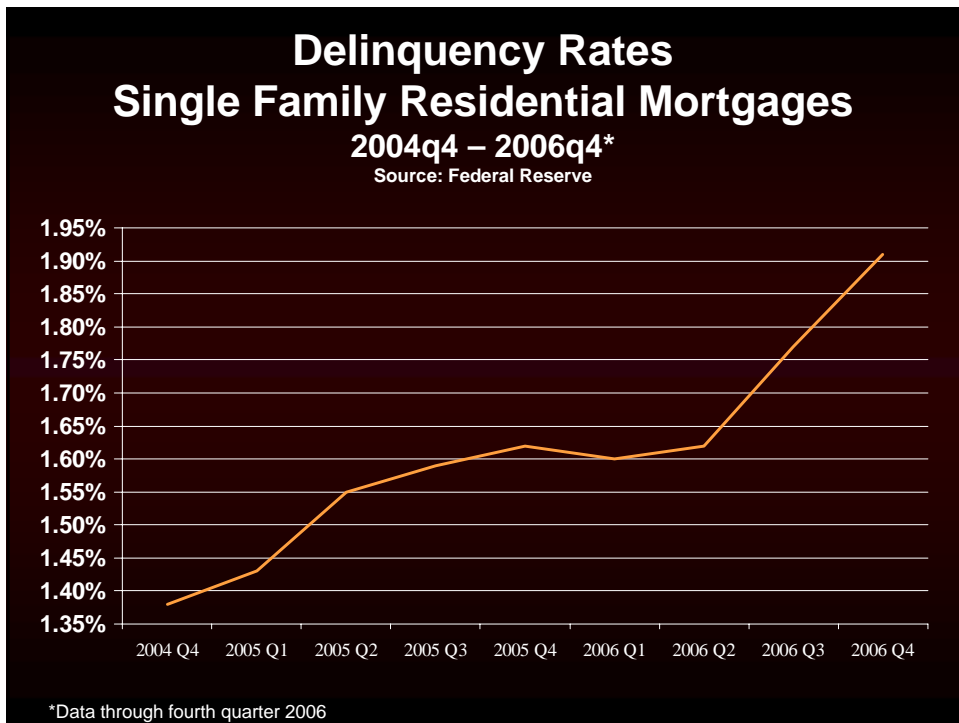


\*Non-farm Business

\*\*Data through first quarter 2006

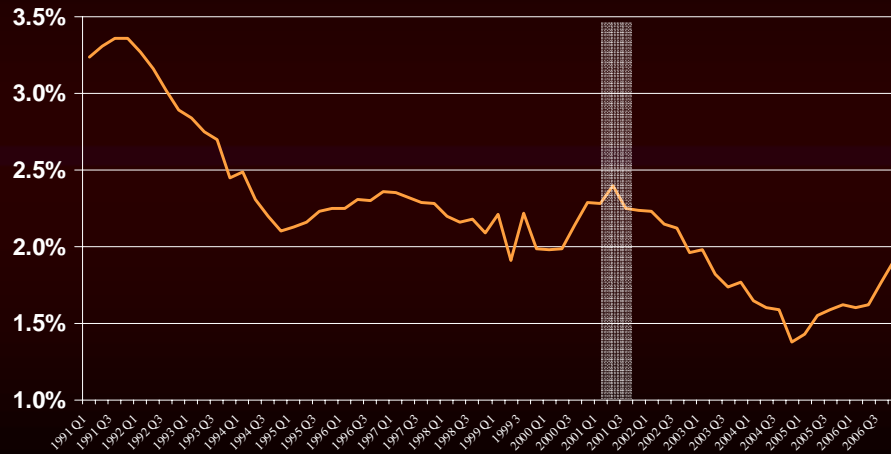
Recession Periods





## Delinquency Rates Single Family Residential Mortgages 1991 - 2006\*

Source: Federal Reserve

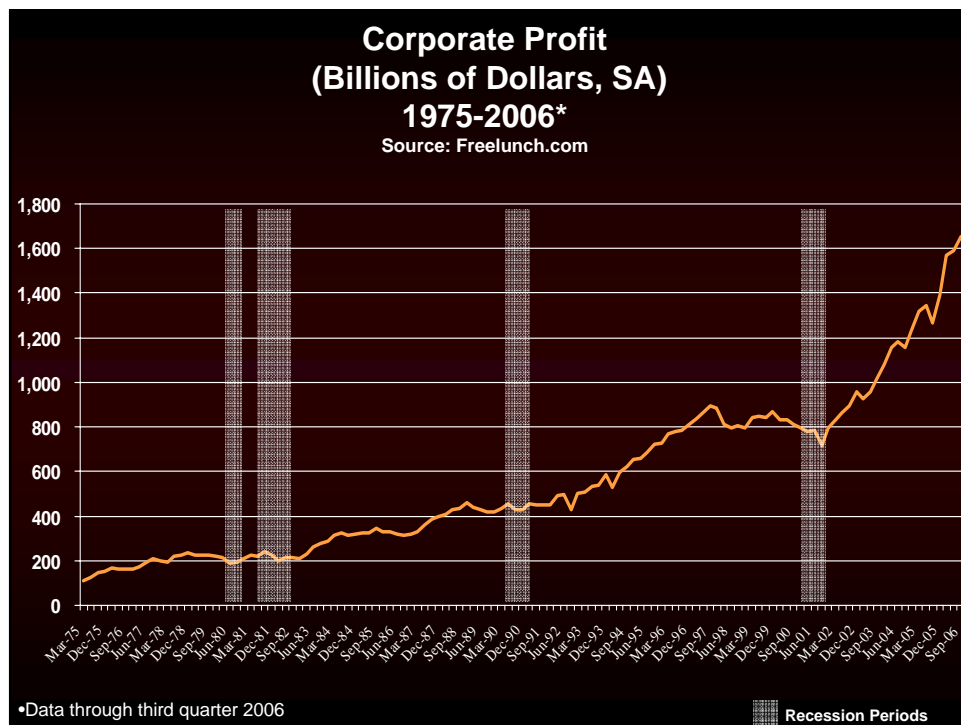
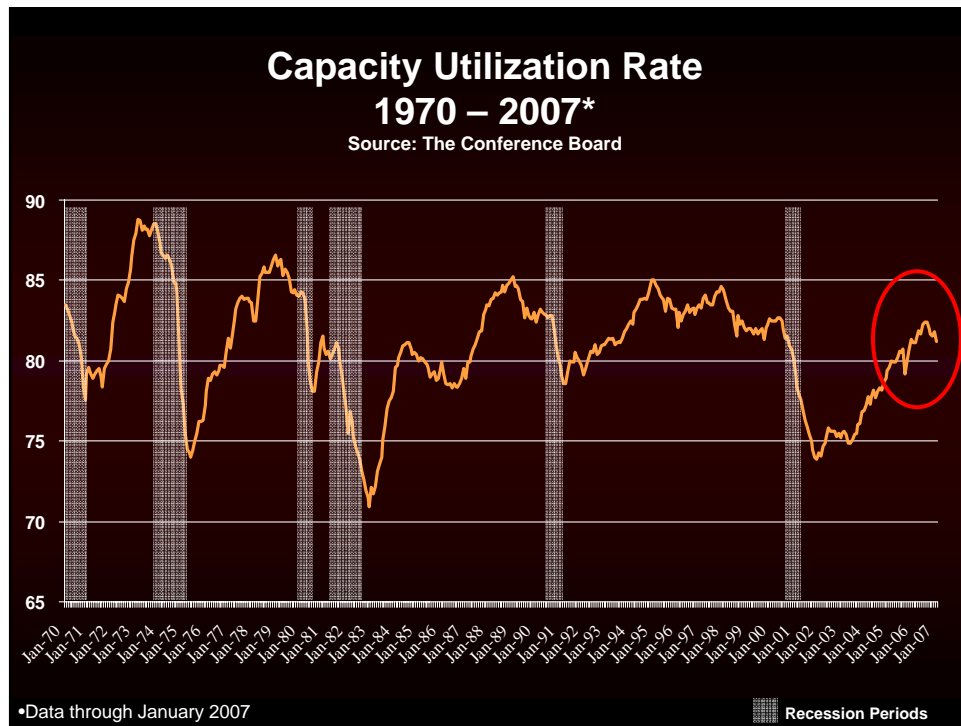


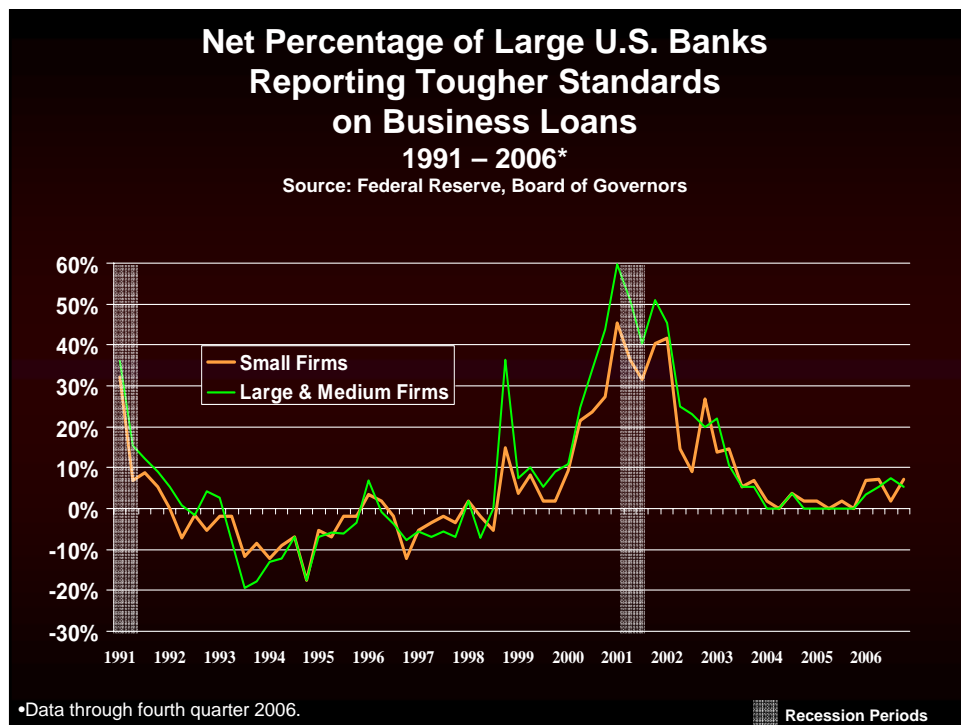
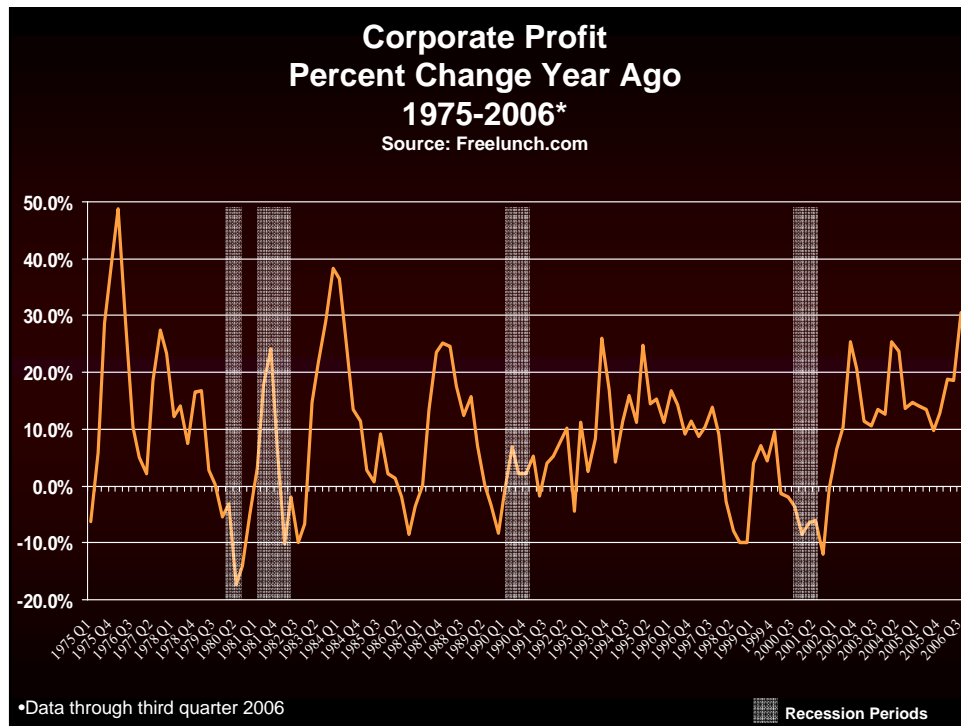
\*Data through fourth quarter 2006

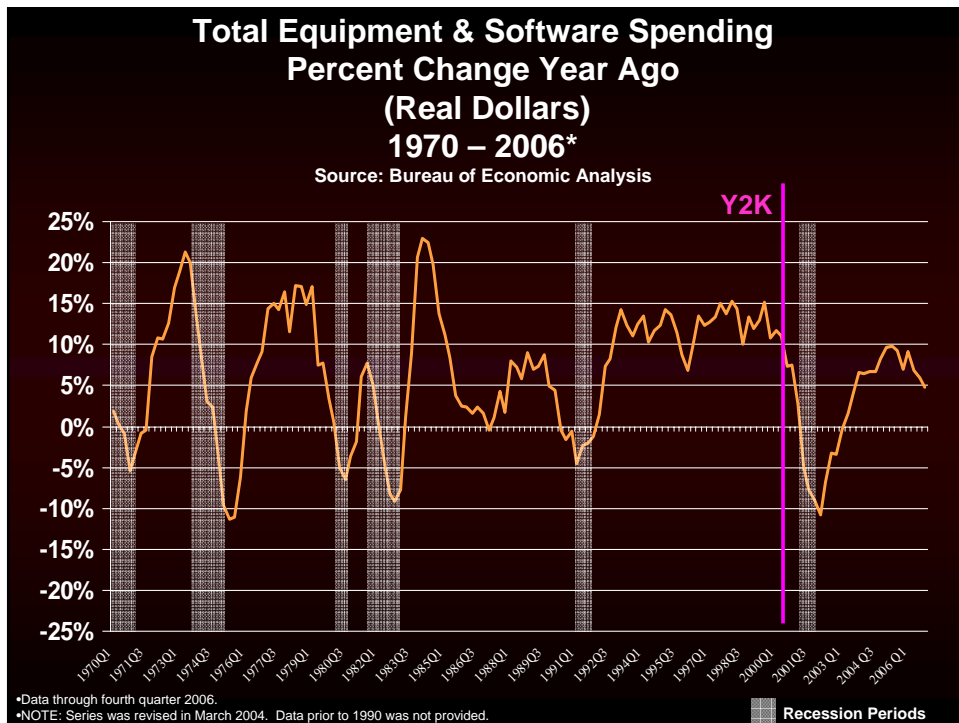
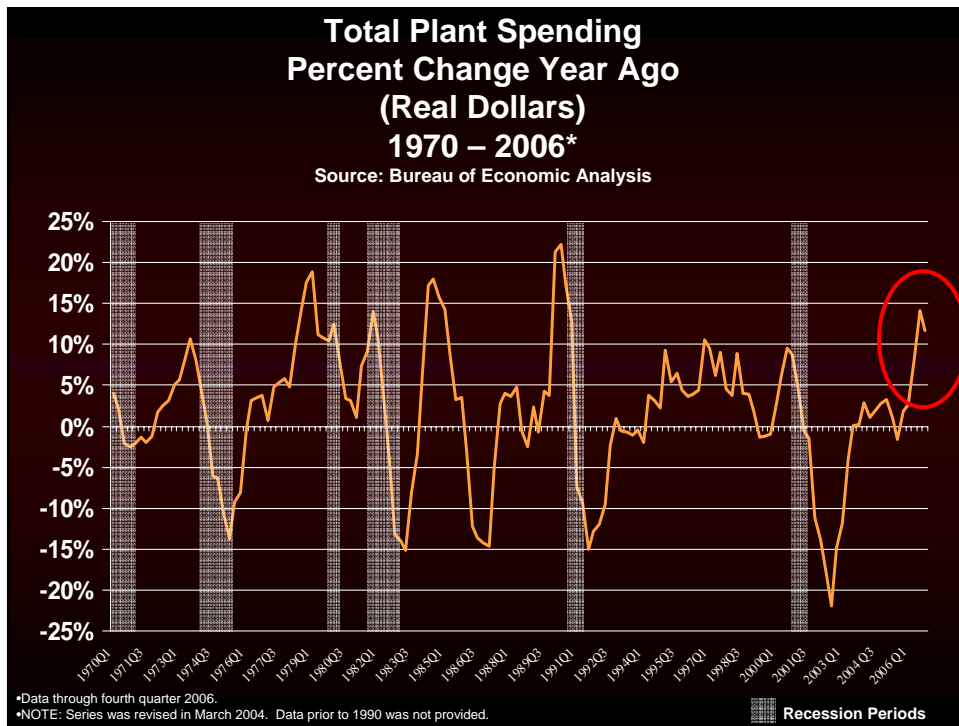
Recession Periods

# Can business pull us forward?



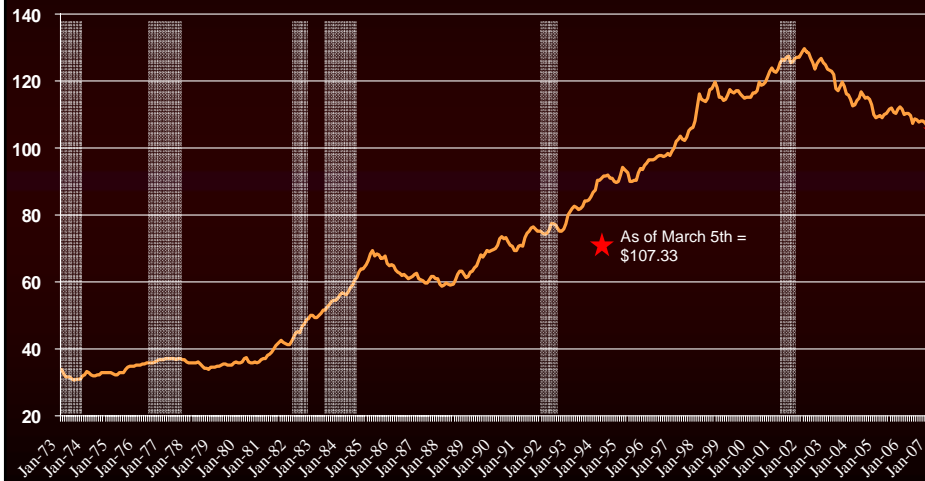






## Trade Weighted U.S. Dollar Broad Index 1973 – 2007\*

Source: Bureau of Economic Analysis



\*Data through February 2007

\*\*Value vs. a broad group of major U.S. trading partners

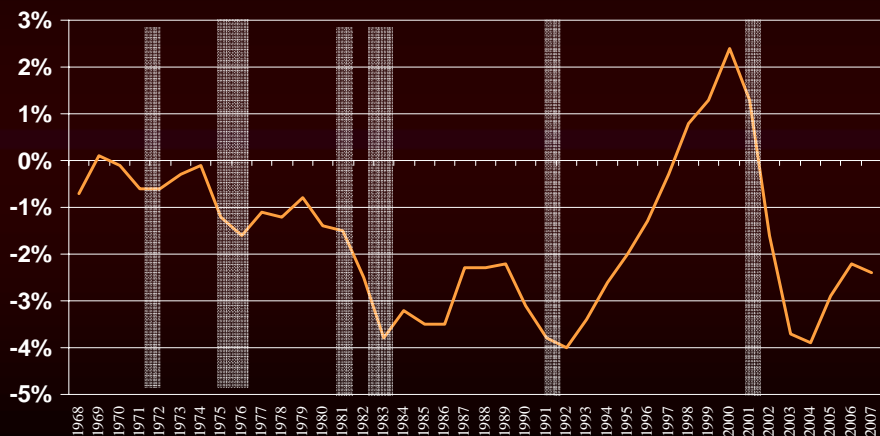
## Government



# Is the federal deficit a problem?

## U.S. Federal Surplus / Deficit as a Percent of GDP 1968 – 2007

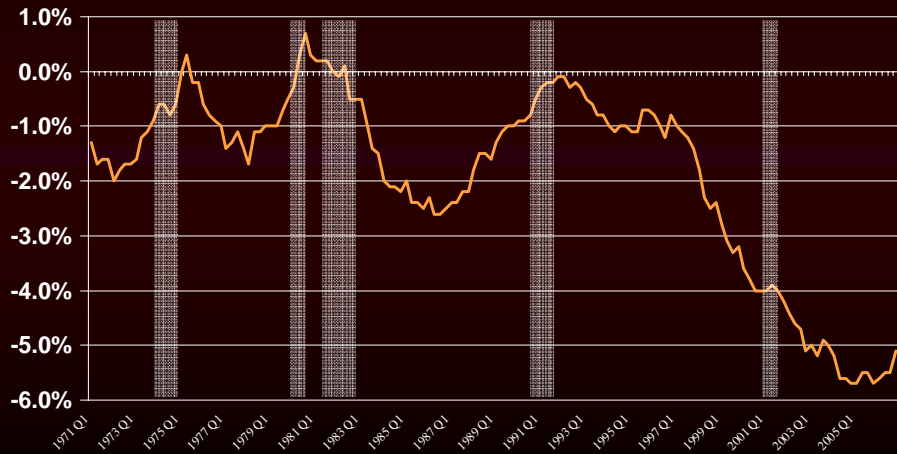
Source: White House OMB & Bureau of Economic Analysis



Note: 2007 are forecasts from the 2007 Mid-Session Review

## U.S. Real Net Exports as a Percent of Real GDP 1971 – 2006\*

Source: Bureau of Economic Analysis

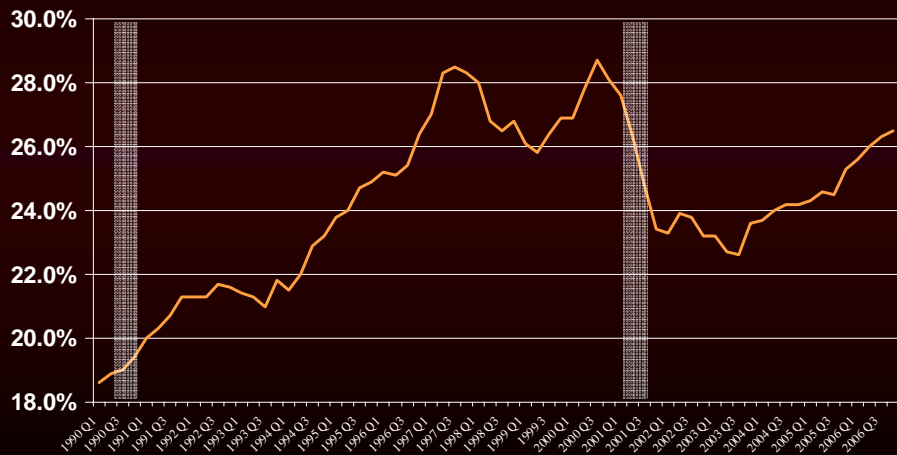


\*Data through fourth quarter 2006

Recession Periods

## Goods Exports as a Percent of Total Goods Produced 1990 - 2006\*

Source: Bureau of Economic Analysis



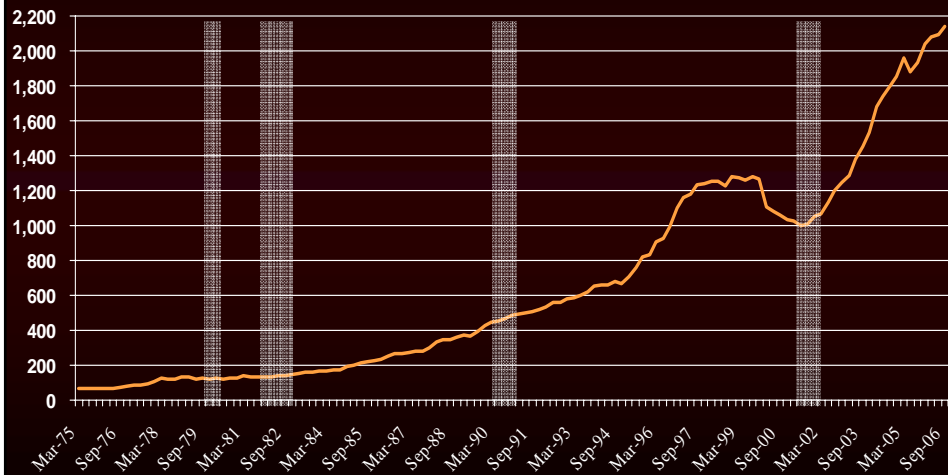
\*Data through fourth quarter 2006

Recession Periods

## U.S. Debt Held by Foreign & International Investors 1975-2006\*

(Billions of Dollars, SA)

Source: Federal Reserve Economic Database



\*Data through third quarter 2006.

## Summary:

## U.S. Economy...

## U.S. OUTLOOK - 2007

- Consumer spending (-)
- Housing (-)
- Business spending (+)
- Fiscal stimulus (+/-)
- Monetary stimulus (+ / -)
- Real incomes (+)
- Businesses mean and lean (+)
- Productivity growth slowing (-)
- Job growth (+)
- Inflation (-)
- Low interest rates (-)
- Exports (+)



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**& Company**

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# Arizona Economic Update

Marshall J. Vest  
Eller College of Management  
The University of Arizona

JLBC Finance Advisory Committee  
March 8, 2007

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THE UNIVERSITY OF ARIZONA

## Overview

- Housing is in recession
  - Sales & permits are plunging
  - Construction jobs will soon follow
- Retail sales flat since May
  - Not just autos and construction-related
  - General merchandise and apparel
- Job market still strong, but starting to slow
  - Construction still expanding but more slowly
  - Manufacturing is flat

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## Housing Recession *Déjà Vu?*

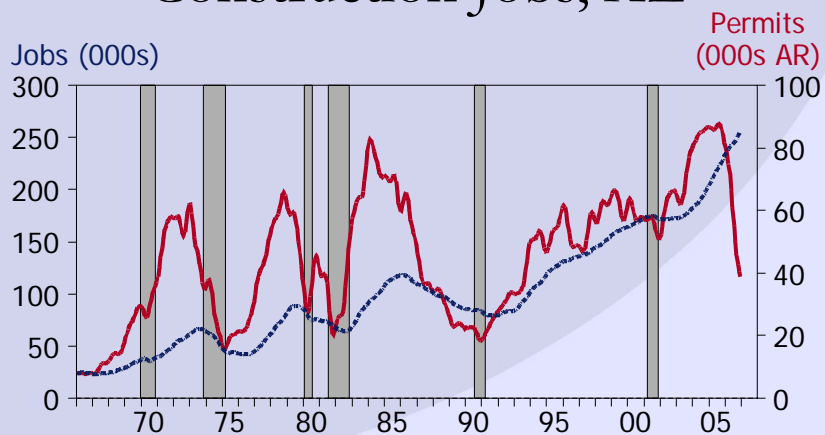
- Plunge in building permits compares to 70's and 80's downturns

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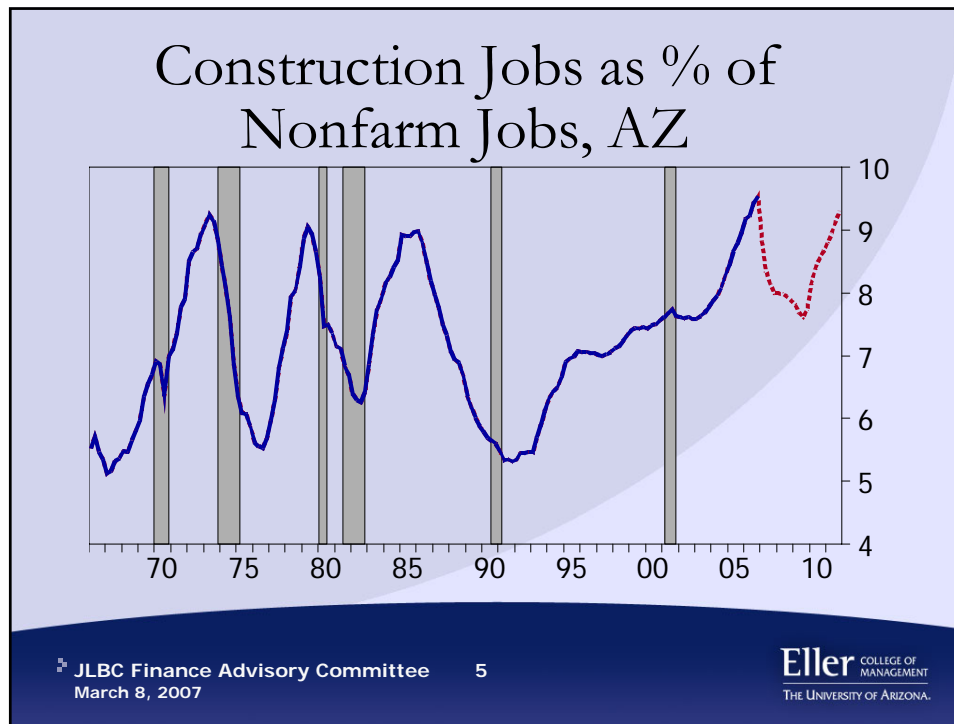
## Residential Permits Lead Construction Jobs, AZ



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### AZ's Growth Industry

- 20% of nonfarm jobs are related to the "growth industry"
  - Construction (9%)
  - Manufacturing - wood products, cement, cut stone, HVAC, furniture (1.8%)
  - Trade – furniture, building materials, lumber, hardware, plumbing, heating (3.1%)
  - Finance – RE credit, Mortgage brokers (0.7%)
  - Insurance – property & casualty, title (0.7%)

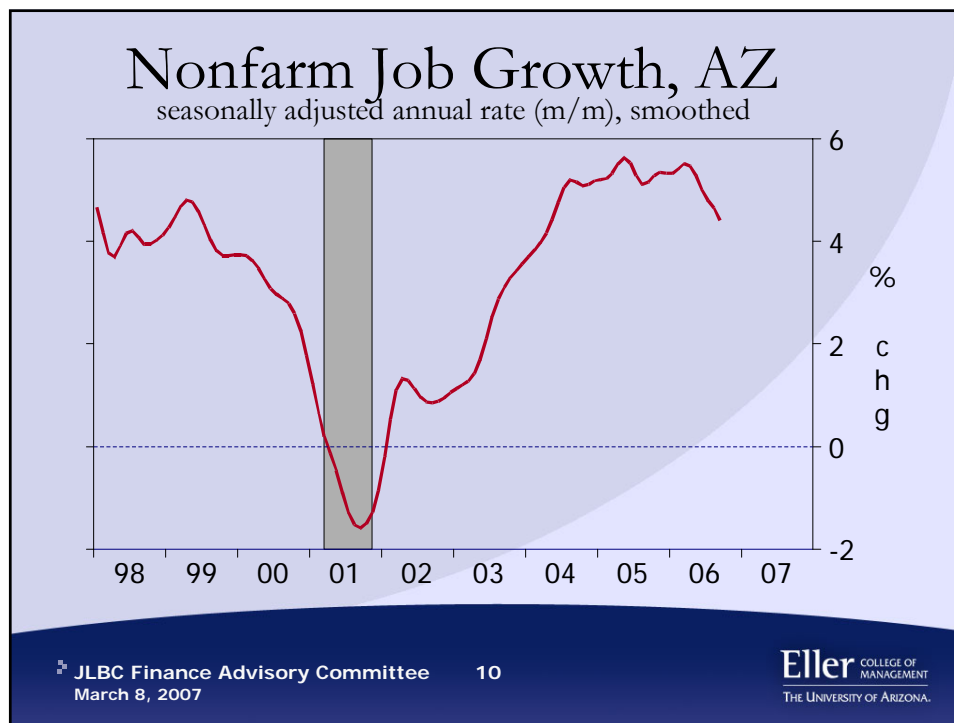
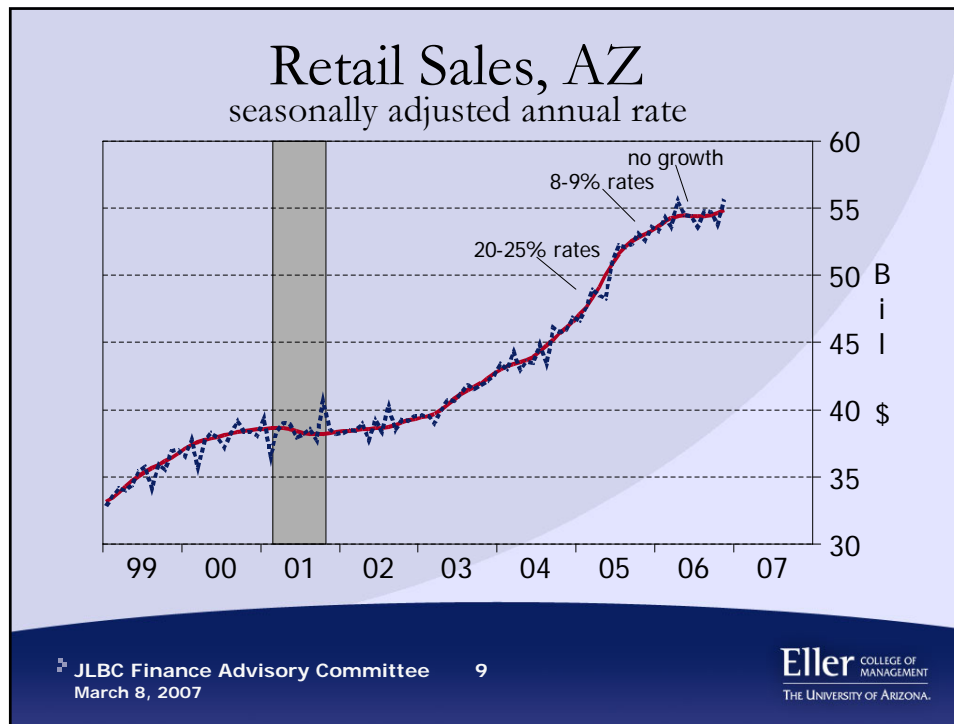
JLBC Finance Advisory Committee March 8, 2007 **6** Eller COLLEGE OF MANAGEMENT THE UNIVERSITY OF ARIZONA.

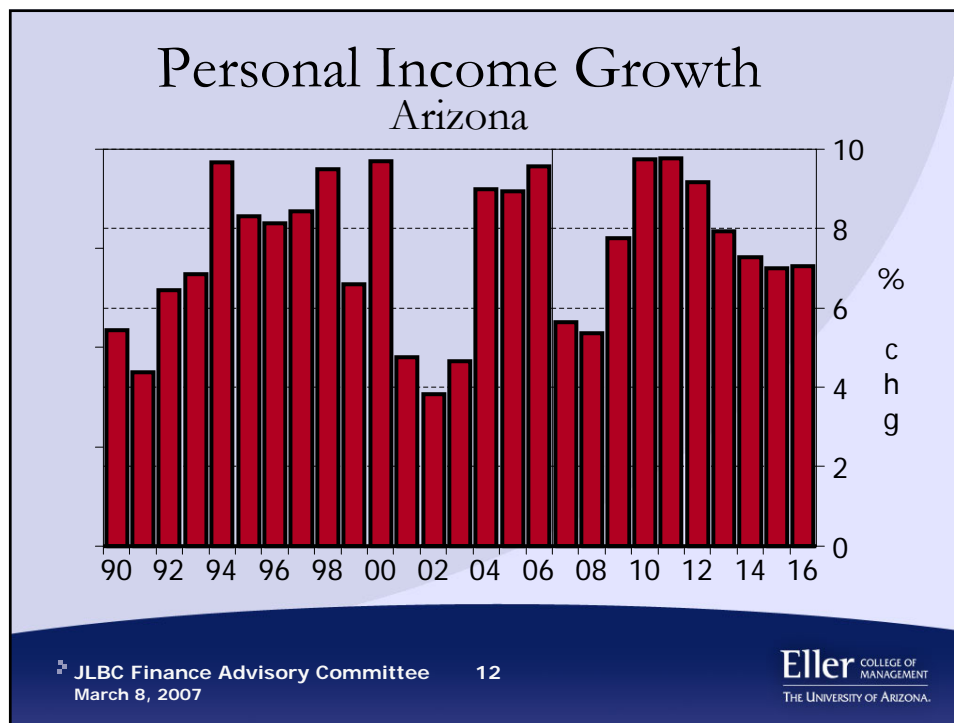
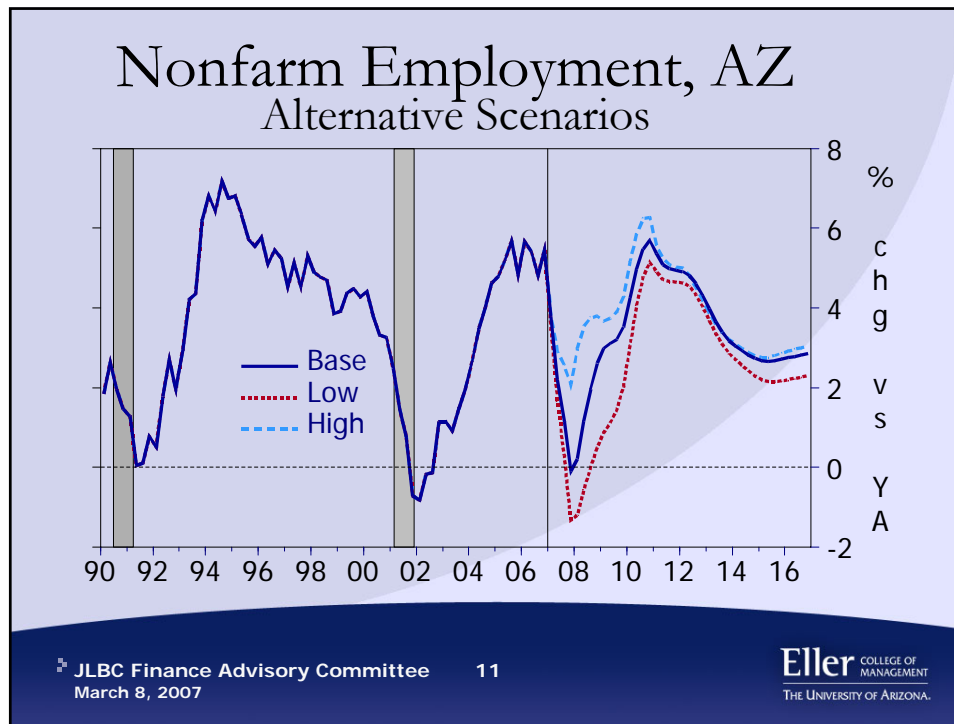
## AZ's Growth Industry

- 20% of nonfarm jobs are related to the "growth industry"
  - Real estate, rental & leasing – real estate brokerage, property managers, appraisers, construction equipment leasing (1.5%)
  - Professional, scientific & technical – title abstract & settlement, architectural engineering, janitorial, landscaping (2.7%)

## Sales Have Softened

- Retail has stopped growing
  - Flat since May
  - Housing-related categories, autos
  - General merchandise & apparel





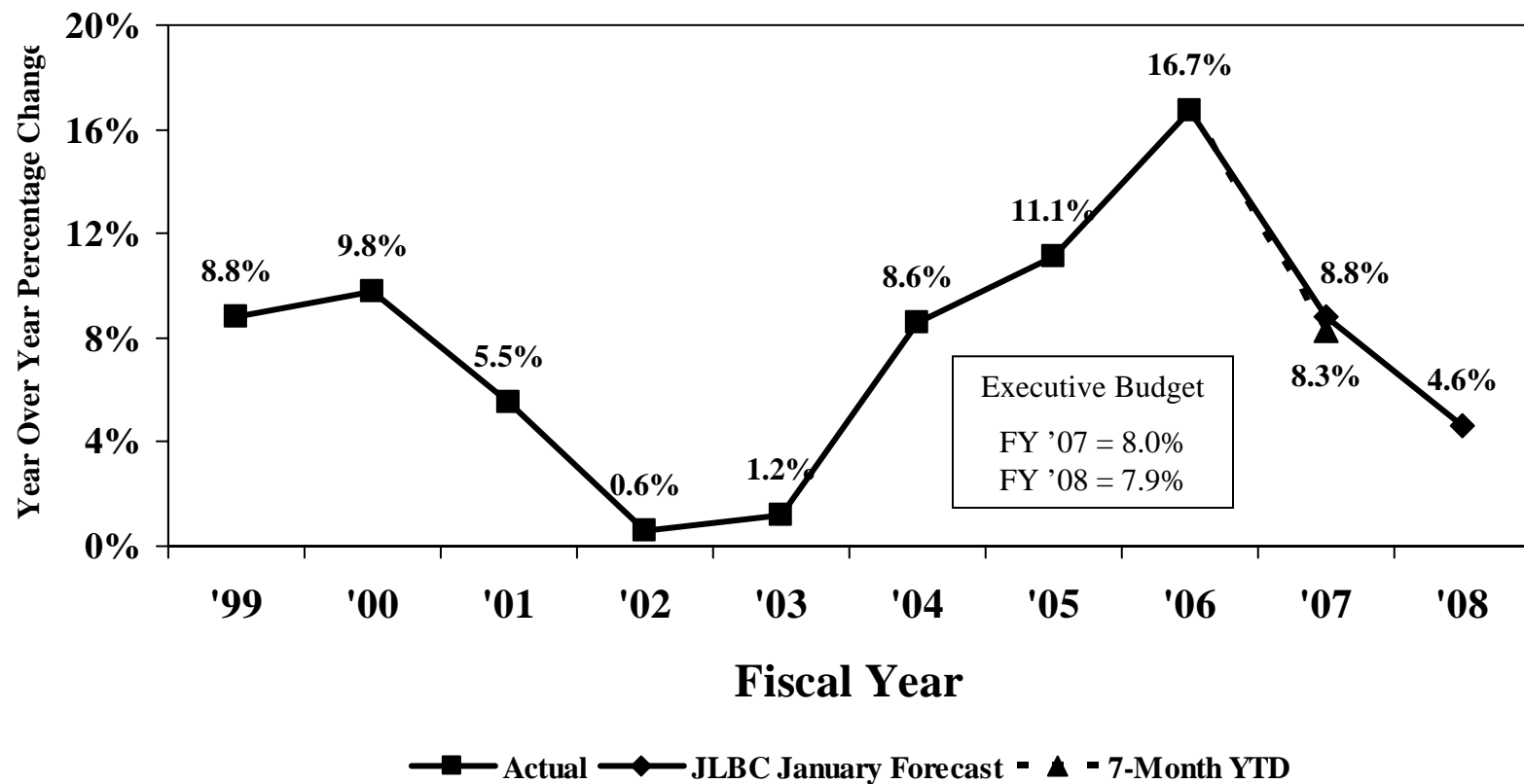
## Conclusions

- Housing market correction will continue well into 2007
- Spillover from housing now affecting sales and jobs
- Expect “below trend” growth in 2007-08
  - The slowest growth since the 2001 recession
  - Probability of recession 30%

## **Sales Tax**



# Sales Tax Growth Rate



## Arizona Sales Tax - Total General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2003	↑	July 2002	257,896,009	-0.6%	-0.6%
		Aug 2002	243,515,739	2.6%	0.9%
		Sept 2002	249,790,525	2.5%	1.5%
		Oct 2002	242,468,120	1.2%	1.4%
		Nov 2002	246,764,506	-0.2%	1.1%
		Dec 2002	241,562,128	4.8%	1.7%
		Jan 2003	296,537,693	5.2%	2.2%
		Feb 2003	235,803,427	1.7%	2.2%
		Mar 2003	238,596,840	0.0%	1.9%
		Apr 2003	263,762,436	1.1%	1.9%
		May 2003	251,579,956	-0.1%	1.7%
	↓	June 2003	265,600,336	-4.4%	1.1%
FY 2004	↑	July 2003	271,097,895	5.1%	5.1%
		Aug 2003	261,639,289	7.4%	6.2%
		Sept 2003	266,948,000	6.9%	6.5%
		Oct 2003	265,731,338	9.6%	7.2%
		Nov 2003	267,288,644	8.3%	7.4%
		Dec 2003	261,734,569	8.4%	7.6%
		Jan 2004	313,990,713	5.9%	7.3%
		Feb 2004	257,808,864	9.3%	7.5%
		Mar 2004	264,404,198	10.8%	7.9%
		Apr 2004	300,747,181	14.0%	8.5%
		May 2004	277,369,244	10.3%	8.7%
	↓	June 2004	286,028,384	7.7%	8.6%
FY 2005	↑	July 2004	297,753,472	9.8%	9.8%
		Aug 2004	286,991,921	9.7%	9.8%
		Sept 2004	291,524,219	9.2%	9.6%
		Oct 2004	294,146,223	10.7%	9.9%
		Nov 2004	289,546,242	8.3%	9.5%
		Dec 2004	287,618,657	9.9%	9.6%
		Jan 2005	356,818,639	13.6%	10.3%
		Feb 2005	282,930,176	9.7%	10.2%
		Mar 2005	291,854,753	10.4%	10.2%
		Apr 2005	332,806,103	10.7%	10.3%
		May 2005	315,664,510	13.8%	10.6%
	↓	June 2005	333,513,707	16.6%	11.1%
FY 2006	↑	July 2005	347,621,329	16.7%	16.7%
		Aug 2005	334,204,902	16.5%	16.6%
		Sept 2005	343,784,559	17.9%	17.0%
		Oct 2005	344,584,769	17.1%	17.1%
		Nov 2005	334,011,412	15.4%	16.7%
		Dec 2005	341,852,219	18.9%	17.1%
		Jan 2006	420,282,327	17.8%	17.2%
		Feb 2006	330,582,460	16.8%	17.2%
		Mar 2006	345,767,996	18.5%	17.3%
		Apr 2006	384,904,139	15.7%	17.1%
		May 2006	362,497,362	14.8%	16.9%
	↓	June 2006	383,265,378	14.9%	16.7%
FY 2007	↑	July 2006	390,460,231	12.3%	12.3%
		Aug 2006	353,466,457	5.8%	9.1%
		Sept 2006	379,889,665	10.5%	9.6%
		Oct 2006	376,890,480	9.4%	9.5%
		Nov 2006	365,372,337	9.4%	9.5%
		Dec 2006	362,236,390	6.0%	8.9%
		Jan 2007			
		Feb 2007			
		Mar 2007			
		Apr 2007			
		May 2007			
	↓	June 2007			

## Arizona Sales Tax - Retail General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2003	↑	July 2002	123,609,916	3.0%	3.0%
		Aug 2002	109,441,333	1.1%	2.1%
		Sept 2002	119,291,704	5.3%	3.1%
		Oct 2002	111,499,789	1.7%	2.8%
		Nov 2002	113,449,193	-3.6%	1.5%
		Dec 2002	118,789,359	1.3%	1.4%
		Jan 2003	156,285,465	4.1%	1.9%
		Feb 2003	111,222,553	3.3%	2.1%
		Mar 2003	113,732,520	2.7%	2.1%
		Apr 2003	127,029,029	1.6%	2.1%
		May 2003	123,100,688	2.2%	2.1%
	↓	June 2003	126,667,785	7.5%	2.5%
FY 2004	↑	July 2003	127,577,005	3.2%	3.2%
		Aug 2003	118,490,608	8.3%	5.6%
		Sept 2003	124,602,196	4.5%	5.2%
		Oct 2003	120,412,104	8.0%	5.9%
		Nov 2003	120,653,650	6.4%	6.0%
		Dec 2003	127,258,077	7.1%	6.2%
		Jan 2004	168,746,929	8.0%	6.5%
		Feb 2004	121,833,836	9.5%	6.8%
		Mar 2004	123,543,299	8.6%	7.0%
		Apr 2004	144,618,793	13.8%	7.8%
		May 2004	131,759,387	7.0%	7.7%
	↓	June 2004	135,314,178	6.8%	7.6%
FY 2005	↑	July 2004	135,655,865	6.3%	6.3%
		Aug 2004	129,780,078	9.5%	7.9%
		Sept 2004	129,817,746	4.2%	6.6%
		Oct 2004	133,734,938	11.1%	7.7%
		Nov 2004	131,620,393	9.1%	8.0%
		Dec 2004	138,559,574	8.9%	8.1%
		Jan 2005	186,350,807	10.4%	8.6%
		Feb 2005	130,567,977	7.2%	8.4%
		Mar 2005	136,300,442	10.3%	8.6%
		Apr 2005	158,048,274	9.3%	8.7%
		May 2005	148,086,810	12.4%	9.0%
	↓	June 2005	149,656,276	10.6%	9.2%
FY 2006	↑	July 2005	159,056,661	17.3%	17.3%
		Aug 2005	151,650,858	16.9%	17.1%
		Sept 2005	155,323,150	19.6%	17.9%
		Oct 2005	151,719,291	13.4%	16.8%
		Nov 2005	150,085,277	14.0%	16.2%
		Dec 2005	157,743,736	13.8%	15.8%
		Jan 2006	213,093,761	14.4%	15.5%
		Feb 2006	148,801,215	14.0%	15.4%
		Mar 2006	155,769,534	14.3%	15.2%
		Apr 2006	175,368,144	11.0%	14.8%
		May 2006	169,266,627	14.3%	14.7%
	↓	June 2006	168,160,318	12.4%	14.5%
FY 2007	↑	July 2006	169,723,491	6.7%	6.7%
		Aug 2006	155,842,572	2.8%	4.8%
		Sept 2006	163,988,894	5.6%	5.0%
		Oct 2006	158,869,642	4.7%	5.0%
		Nov 2006	153,908,793	2.5%	4.5%
		Dec 2006	167,464,043	6.2%	4.8%
		Jan 2007			
		Feb 2007			
		Mar 2007			
		Apr 2007			
		May 2007			
	↓	June 2007			

## Arizona Sales Tax - Contracting General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2003	↑	July 2002	43,600,297	-6.6%	-6.6%
		Aug 2002	42,237,580	-0.5%	-3.7%
		Sept 2002	41,384,993	-3.8%	-3.7%
		Oct 2002	40,871,642	-1.5%	-3.2%
		Nov 2002	42,715,897	1.2%	-2.3%
		Dec 2002	41,150,382	-8.2%	-3.3%
		Jan 2003	47,086,527	3.0%	-2.4%
		Feb 2003	35,905,236	-6.7%	-2.9%
		Mar 2003	38,834,842	-3.2%	-2.9%
		Apr 2003	40,770,387	-3.8%	-3.0%
		May 2003	43,287,761	2.5%	-2.5%
	↓	June 2003	43,987,882	0.3%	-2.3%
FY 2004	↑	July 2003	48,134,741	10.4%	10.4%
		Aug 2003	45,929,526	8.7%	9.6%
		Sept 2003	47,083,613	13.8%	10.9%
		Oct 2003	48,219,491	18.0%	12.7%
		Nov 2003	49,324,030	15.5%	13.2%
		Dec 2003	43,970,907	6.9%	12.2%
		Jan 2004	52,042,704	10.5%	11.9%
		Feb 2004	41,840,685	16.5%	12.4%
		Mar 2004	44,020,667	13.4%	12.5%
		Apr 2004	51,032,178	25.2%	13.8%
		May 2004	50,115,540	15.8%	13.9%
	↓	June 2004	49,842,749	13.3%	13.9%
FY 2005	↑	July 2004	56,625,508	17.6%	17.6%
		Aug 2004	53,051,419	15.5%	16.6%
		Sept 2004	56,478,418	20.0%	17.7%
		Oct 2004	56,912,069	18.0%	17.8%
		Nov 2004	54,698,652	10.9%	16.4%
		Dec 2004	55,495,541	26.2%	17.9%
		Jan 2005	64,083,984	23.1%	18.7%
		Feb 2005	48,999,303	17.1%	18.5%
		Mar 2005	53,376,960	21.3%	18.8%
		Apr 2005	64,008,264	25.4%	19.5%
		May 2005	61,389,981	22.5%	19.8%
	↓	June 2005	66,300,608	33.0%	21.0%
FY 2006	↑	July 2005	73,449,566	29.7%	29.7%
		Aug 2005	65,280,791	23.1%	26.5%
		Sept 2005	69,736,836	23.5%	25.5%
		Oct 2005	71,875,989	26.3%	25.7%
		Nov 2005	65,866,408	20.4%	24.6%
		Dec 2005	73,197,845	31.9%	25.8%
		Jan 2006	83,495,930	30.3%	26.6%
		Feb 2006	65,409,736	33.5%	27.3%
		Mar 2006	70,980,348	33.0%	27.9%
		Apr 2006	82,734,326	29.3%	28.1%
		May 2006	76,269,575	24.2%	27.7%
	↓	June 2006	82,977,855	25.2%	27.5%
FY 2007	↑	July 2006	89,602,967	22.0%	22.0%
		Aug 2006	75,238,759	15.3%	18.8%
		Sept 2006	80,938,291	16.1%	17.9%
		Oct 2006	87,594,136	21.9%	18.9%
		Nov 2006	80,499,919	22.2%	19.5%
		Dec 2006	76,849,517	5.0%	17.0%
		Jan 2007			
		Feb 2007			
		Mar 2007			
		Apr 2007			
		May 2007			
	↓	June 2007			

## Arizona Sales Tax - Utilities

### General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change
FY 2003	July 2002	24,023,330	-1.6%	-1.6%
	Aug 2002	28,103,321	7.8%	3.3%
	Sept 2002	26,732,261	2.2%	2.9%
	Oct 2002	26,828,727	3.0%	2.9%
	Nov 2002	23,355,879	1.1%	2.6%
	Dec 2002	17,773,840	0.9%	2.4%
	Jan 2003	18,741,804	-2.2%	1.8%
	Feb 2003	20,284,326	-3.8%	1.2%
	Mar 2003	17,814,285	-9.1%	0.2%
	Apr 2003	17,665,389	-1.0%	0.1%
	May 2003	17,711,968	5.5%	0.5%
	June 2003	19,087,828	-1.1%	0.4%
FY 2004	July 2003	26,176,823	9.0%	9.0%
	Aug 2003	28,509,948	1.4%	4.9%
	Sept 2003	29,336,072	9.7%	6.5%
	Oct 2003	29,307,263	9.2%	7.2%
	Nov 2003	24,724,948	5.9%	7.0%
	Dec 2003	18,604,298	4.7%	6.7%
	Jan 2004	19,831,633	5.8%	6.6%
	Feb 2004	21,735,545	7.2%	6.7%
	Mar 2004	21,098,647	18.4%	7.7%
	Apr 2004	19,424,570	10.0%	7.9%
	May 2004	18,972,977	7.1%	7.8%
	June 2004	21,672,854	13.5%	8.2%
FY 2005	July 2004	27,013,184	3.2%	3.2%
	Aug 2004	30,325,703	6.4%	4.8%
	Sept 2004	31,741,960	8.2%	6.0%
	Oct 2004	30,740,200	4.9%	5.7%
	Nov 2004	25,266,623	2.2%	5.1%
	Dec 2004	20,437,208	9.9%	5.7%
	Jan 2005	22,887,268	15.4%	6.8%
	Feb 2005	23,568,912	8.4%	6.9%
	Mar 2005	21,093,834	0.0%	6.3%
	Apr 2005	20,088,226	3.4%	6.0%
	May 2005	19,934,242	5.1%	6.0%
	June 2005	23,163,752	6.9%	6.0%
FY 2006	July 2005	30,123,635	11.5%	11.5%
	Aug 2005	33,750,711	11.3%	11.4%
	Sept 2005	35,125,817	10.7%	11.1%
	Oct 2005	33,780,817	9.9%	10.8%
	Nov 2005	29,135,783	15.3%	11.6%
	Dec 2005	22,091,021	8.1%	11.2%
	Jan 2006	27,326,797	19.4%	12.2%
	Feb 2006	25,560,400	8.4%	11.8%
	Mar 2006	22,568,311	7.0%	11.3%
	Apr 2006	24,117,190	20.1%	12.0%
	May 2006	22,105,984	10.9%	11.9%
	June 2006	27,844,657	20.2%	12.6%
FY 2007	July 2006	34,298,139	13.9%	13.9%
	Aug 2006	35,017,585	3.8%	8.5%
	Sept 2006	43,094,371	22.7%	13.5%
	Oct 2006	37,109,678	9.9%	12.6%
	Nov 2006	31,261,217	7.3%	11.7%
	Dec 2006	24,939,936	12.9%	11.8%
	Jan 2007			
	Feb 2007			
	Mar 2007			
	Apr 2007			
	May 2007			
	June 2007			

## Arizona Sales Tax - Restaurants and Bars

### General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change
FY 2003	July 2002	20,263,979	4.7%	4.7%
	Aug 2002	17,595,315	0.1%	2.5%
	Sept 2002	18,007,473	1.0%	2.0%
	Oct 2002	19,165,701	6.6%	3.1%
	Nov 2002	20,187,558	2.8%	3.1%
	Dec 2002	19,885,230	5.7%	3.5%
	Jan 2003	21,295,087	4.8%	3.7%
	Feb 2003	20,990,794	8.5%	4.3%
	Mar 2003	20,941,438	1.5%	4.0%
	Apr 2003	24,259,076	3.4%	3.9%
	May 2003	20,983,003	-3.2%	3.2%
	June 2003	21,982,554	6.8%	3.5%
FY 2004	July 2003	20,792,336	2.6%	2.6%
	Aug 2003	19,298,370	9.7%	5.9%
	Sept 2003	19,651,921	9.1%	6.9%
	Oct 2003	20,622,120	7.6%	7.1%
	Nov 2003	20,860,459	3.3%	6.3%
	Dec 2003	21,904,960	10.2%	7.0%
	Jan 2004	22,636,406	6.3%	6.9%
	Feb 2004	22,798,497	8.6%	7.1%
	Mar 2004	23,967,651	14.5%	8.0%
	Apr 2004	26,173,173	7.9%	8.0%
	May 2004	23,684,814	12.9%	8.4%
	June 2004	23,349,956	6.2%	8.2%
FY 2005	July 2004	22,708,857	9.2%	9.2%
	Aug 2004	21,278,820	10.3%	9.7%
	Sept 2004	21,320,496	8.5%	9.3%
	Oct 2004	21,984,775	6.6%	8.6%
	Nov 2004	23,818,505	14.2%	9.8%
	Dec 2004	22,326,535	1.9%	8.4%
	Jan 2005	26,300,293	16.2%	9.6%
	Feb 2005	24,490,839	7.4%	9.3%
	Mar 2005	26,750,839	11.6%	9.6%
	Apr 2005	27,538,659	5.2%	9.1%
	May 2005	27,671,032	16.8%	9.8%
	June 2005	26,359,625	12.9%	10.1%
FY 2006	July 2005	25,760,478	13.4%	13.4%
	Aug 2005	23,621,671	11.0%	12.3%
	Sept 2005	24,552,209	15.2%	13.2%
	Oct 2005	25,332,188	15.2%	13.7%
	Nov 2005	26,717,800	12.2%	13.4%
	Dec 2005	26,402,748	18.3%	14.2%
	Jan 2006	28,524,262	8.5%	13.3%
	Feb 2006	27,902,255	13.9%	13.3%
	Mar 2006	29,389,750	9.9%	12.9%
	Apr 2006	31,522,229	14.5%	13.1%
	May 2006	30,057,423	8.6%	12.6%
	June 2006	29,045,199	10.2%	12.4%
FY 2007	July 2006	28,025,509	8.8%	8.8%
	Aug 2006	25,406,213	7.6%	8.2%
	Sept 2006	25,474,093	3.8%	6.7%
	Oct 2006	27,567,943	8.8%	7.3%
	Nov 2006	32,249,878	20.7%	10.1%
	Dec 2006	28,295,767	7.2%	9.6%
	Jan 2007			
	Feb 2007			
	Mar 2007			
	Apr 2007			
	May 2007			
	June 2007			

## Arizona Use Tax

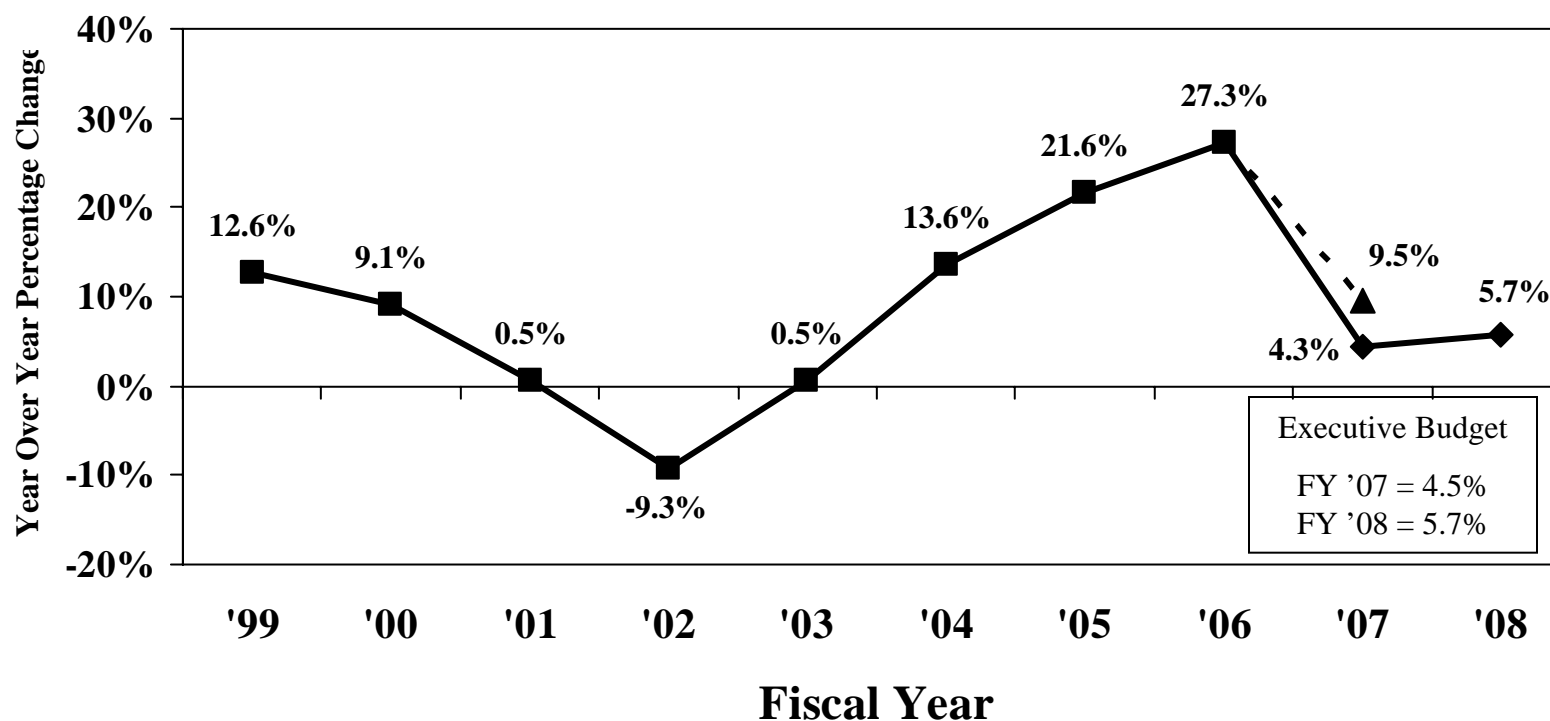
### General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change
FY 2003	July 2002	13,486,051	-15.0%	-15.0%
	Aug 2002	15,996,222	13.1%	-1.7%
	Sept 2002	17,055,343	19.2%	5.0%
	Oct 2002	15,641,877	8.1%	5.8%
	Nov 2002	14,773,282	21.7%	8.5%
	Dec 2002	12,193,679	354.3%	21.1%
	Jan 2003	20,579,434	28.7%	22.5%
	Feb 2003	15,481,115	12.2%	21.1%
	Mar 2003	14,424,659	8.4%	19.7%
	Apr 2003	17,247,879	22.3%	19.9%
	May 2003	15,227,411	-7.4%	16.9%
	June 2003	17,577,568	18.9%	17.1%
FY 2004	July 2003	17,860,978	32.4%	32.4%
	Aug 2003	19,887,972	24.3%	28.0%
	Sept 2003	19,482,321	14.2%	23.0%
	Oct 2003	18,728,981	19.7%	22.2%
	Nov 2003	20,488,151	38.7%	25.3%
	Dec 2003	18,658,810	53.0%	29.1%
	Jan 2004	19,912,056	-3.2%	23.1%
	Feb 2004	17,630,604	13.9%	21.9%
	Mar 2004	17,707,908	22.8%	22.0%
	Apr 2004	21,218,819	23.0%	22.1%
	May 2004	19,055,304	25.1%	22.4%
	June 2004	21,584,318	22.8%	22.4%
FY 2005	July 2004	22,547,132	26.2%	26.2%
	Aug 2004	22,557,101	13.4%	19.5%
	Sept 2004	22,229,731	14.1%	17.7%
	Oct 2004	20,607,802	10.0%	15.8%
	Nov 2004	21,355,148	4.2%	13.3%
	Dec 2004	19,586,986	5.0%	12.0%
	Jan 2005	24,134,289	21.2%	13.3%
	Feb 2005	21,758,390	23.4%	14.5%
	Mar 2005	18,691,567	5.6%	13.6%
	Apr 2005	22,354,083	5.4%	12.7%
	May 2005	21,652,224	13.6%	12.7%
	June 2005	22,141,203	2.6%	11.8%
FY 2006	July 2005	23,872,256	5.9%	5.9%
	Aug 2005	26,621,874	18.0%	11.9%
	Sept 2005	25,990,396	16.9%	13.6%
	Oct 2005	28,124,088	36.5%	19.0%
	Nov 2005	25,350,591	18.7%	18.9%
	Dec 2005	25,520,731	30.3%	20.6%
	Jan 2006	31,316,999	29.8%	22.1%
	Feb 2006	26,149,998	20.2%	21.8%
	Mar 2006	26,624,546	42.4%	23.8%
	Apr 2006	26,326,619	17.8%	23.2%
	May 2006	21,682,845	0.1%	21.1%
	June 2006	18,617,865	-15.9%	17.9%
FY 2007	July 2006	28,987,773	21.4%	21.4%
	Aug 2006	25,431,547	-4.5%	7.8%
	Sept 2006	28,561,796	9.9%	8.5%
	Oct 2006	28,527,152	1.4%	6.6%
	Nov 2006	27,484,263	8.4%	7.0%
	Dec 2006	23,756,958	-6.9%	4.7%
	Jan 2007			
	Feb 2007			
	Mar 2007			
	Apr 2007			
	May 2007			
	June 2007			

# **Individual Income Tax**



# Individual Income Tax Growth Rate



—■— Actual —◆— JLBC January Forecast —▲— 7-Month YTD

\* The '06 increase of 27.3% consisted of an increase of approximately 16% in withholding tax collections, and an increase of over 43% in estimated and final payments, partially offset by an increase of over 23% in refunds.

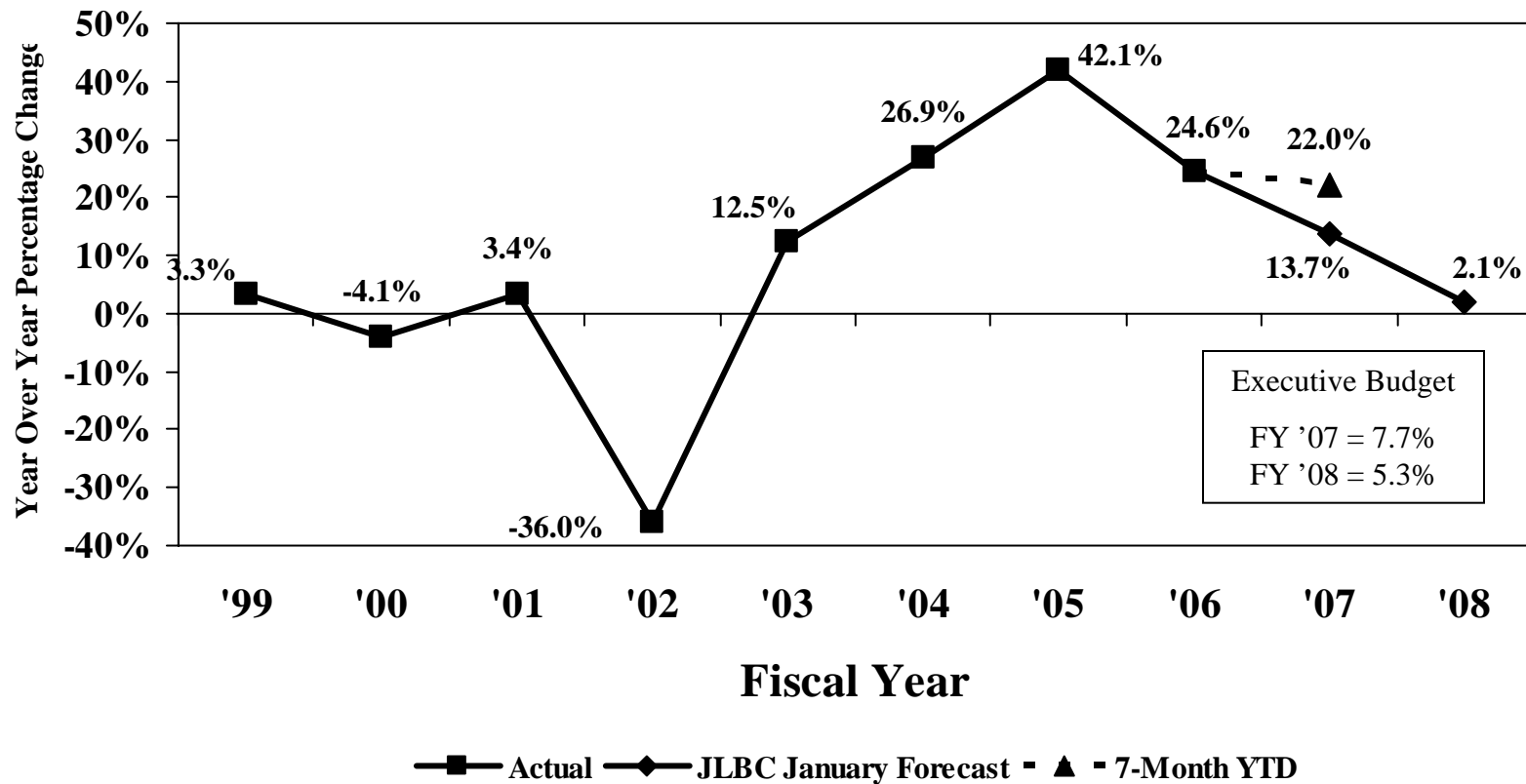
		Y/Y		FYTD		FYTD		Est. & Final		FYTD		FYTD	
		Total PIT	Chg.	Chg.	Withholdings	Y/Y Chg.	Chg.	Payments	Y/Y Chg.	Chg.	Refunds	Y/Y Chg.	Chg.
FY 2003	Jul-02	171,839,366	-5.0%	-5.0%	186,097,356	-1.5%	-1.5%	9,784,426	0.5%	0.5%	(24,042,416)	35.1%	35.1%
	Aug	174,349,570	-11.3%	-8.3%	180,450,199	-10.4%	-6.1%	11,039,878	-23.0%	-13.5%	(17,140,507)	-11.2%	11.0%
	Sep	232,995,593	0.5%	-4.9%	174,722,202	3.2%	-3.3%	68,951,388	-9.8%	-10.7%	(10,677,997)	-22.9%	1.8%
	Oct	181,663,248	-8.0%	-5.7%	185,218,851	-8.3%	-4.6%	19,702,835	-14.8%	-11.5%	(23,258,438)	-16.3%	-4.6%
	Nov	190,711,424	3.4%	-4.0%	195,524,645	-0.2%	-3.7%	6,765,849	-14.0%	-11.6%	(11,579,070)	-40.1%	-11.6%
	Dec	242,258,006	-0.3%	-3.3%	209,371,110	0.2%	-3.0%	48,809,634	27.0%	-2.9%	(15,922,737)	258.1%	0.1%
	Jan	266,560,326	-8.6%	-4.3%	208,974,170	3.6%	-2.0%	73,610,601	-24.5%	-10.8%	(16,024,445)	111.8%	7.8%
	Feb	66,647,477	-3.7%	-4.3%	192,708,648	-3.0%	-2.2%	10,017,378	10.7%	-10.1%	(136,078,548)	-1.8%	2.4%
	Mar	28,478,867	514.3%	-2.8%	200,798,157	7.4%	-1.2%	26,043,526	16.3%	-8.1%	(198,362,815)	-3.1%	-0.1%
	Apr	214,035,005	-12.8%	-4.1%	187,450,892	1.3%	-0.9%	272,037,025	-10.3%	-9.2%	(245,452,913)	1.0%	0.3%
FY 2004	May	98,627,660	13.4%	-3.3%	190,796,090	-2.5%	-1.1%	30,970,547	39.6%	-7.5%	(123,138,977)	-5.9%	-0.7%
	Jun	229,588,326	48.3%	0.5%	194,218,952	12.9%	0.0%	62,895,078	-3.9%	-7.1%	(27,525,704)	-66.7%	-6.7%
	Jul-03	165,870,019	-3.5%	-3.5%	168,192,384	-9.6%	-9.6%	9,818,564	0.3%	0.3%	(12,140,929)	-49.5%	-49.5%
	Aug	181,887,528	4.3%	0.5%	179,843,713	-0.3%	-5.1%	13,138,440	19.0%	10.2%	(11,094,625)	-35.3%	-43.6%
	Sep	230,980,848	-0.9%	-0.1%	179,587,853	2.8%	-2.5%	71,246,053	3.3%	4.9%	(19,853,058)	85.9%	-16.9%
	Oct	185,796,530	2.3%	0.5%	187,639,147	1.3%	-1.5%	21,360,425	8.4%	5.6%	(23,203,042)	-0.2%	-11.8%
	Nov	182,342,949	-4.4%	-0.5%	194,612,408	-0.5%	-1.3%	8,398,521	24.1%	6.6%	(20,667,980)	78.5%	0.3%
	Dec	260,146,909	7.4%	1.1%	213,979,177	2.2%	-0.7%	56,932,488	16.6%	9.6%	(10,764,756)	-32.4%	-4.8%
	Jan	267,064,993	0.2%	0.9%	204,879,796	-2.0%	-0.9%	79,187,113	7.6%	9.0%	(17,001,915)	6.1%	-3.3%
	Feb	65,487,978	-1.7%	0.8%	205,968,930	6.9%	0.1%	12,119,201	21.0%	9.5%	(152,600,153)	12.1%	4.9%
FY 2005	Mar	89,513,594	214.3%	4.7%	220,645,285	9.9%	1.2%	36,041,044	38.4%	12.2%	(167,172,735)	-15.7%	-4.1%
	Apr	302,321,741	41.2%	9.1%	186,126,178	-0.7%	1.0%	325,396,679	19.6%	15.9%	(209,201,115)	-14.8%	-7.9%
	May	135,278,064	37.2%	10.6%	195,496,444	2.5%	1.2%	46,712,145	50.8%	17.8%	(106,930,525)	-13.2%	-8.6%
	Jun	239,484,015	4.3%	9.9%	195,929,652	0.9%	1.2%	77,177,113	22.7%	18.2%	(33,622,750)	22.2%	-7.6%
	Jul-04	180,258,486	8.7%	8.7%	185,359,849	10.2%	10.2%	7,982,042	-18.7%	-18.7%	(13,083,405)	7.8%	7.8%
	Aug	208,007,549	14.4%	11.6%	206,338,811	14.7%	12.5%	17,256,736	31.3%	9.9%	(15,587,998)	40.5%	23.4%
	Sep	258,308,001	11.8%	11.7%	184,456,860	2.7%	9.2%	85,967,739	20.7%	18.0%	(12,116,599)	-39.0%	-5.3%
	Oct	203,622,310	9.6%	11.2%	187,072,940	-0.3%	6.7%	27,192,307	27.3%	19.8%	(1		

**Individual Income Tax  
Estimated/Final Payments Worksheet  
(by Month)**

Actual Collections															
	FY2003			FY2004			FY2005			FY2006			FY2007		
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final
Jul	9,784,426	3,492,050	6,292,376	9,818,564	2,774,158	7,044,406	7,982,042	3,053,848	4,928,193	15,395,021	4,885,194	10,509,827	17,937,645	6,371,696	11,565,948
Aug	11,039,878	2,514,558	8,525,319	13,138,440	2,732,267	10,406,173	17,256,736	4,162,399	13,094,337	25,713,368	7,683,379	18,029,988	23,419,716	7,456,858	15,962,858
Sep	68,951,388	63,672,778	5,278,610	71,246,053	65,075,592	6,170,461	85,967,739	78,273,024	7,694,715	118,564,270	110,531,138	8,033,132	157,891,625	145,469,802	12,421,823
Oct	19,702,835	3,306,495	16,396,340	21,360,425	3,772,407	17,588,018	27,192,307	5,023,144	22,169,162	27,206,826	7,685,799	19,521,027	65,184,764	11,339,308	53,845,457
Nov	6,765,849	1,902,952	4,862,896	8,398,521	2,538,181	5,860,340	11,359,321	3,013,046	8,346,275	16,055,089	5,885,793	10,169,296	31,853,112	5,472,606	26,380,506
Dec	48,809,634	44,069,962	4,739,671	56,932,488	51,357,168	5,575,321	81,181,241	73,782,471	7,398,770	111,812,195	104,933,642	6,878,553	90,557,275	80,299,660	10,257,615
Jan	73,610,601	69,278,716	4,331,885	79,187,113	73,720,063	5,467,050	119,604,915	113,808,450	5,796,464	182,419,323	176,696,056	5,723,266	239,701,160	224,055,775	15,645,385
Feb	10,017,378	1,061,801	8,955,577	12,119,201	1,203,674	10,915,527	12,489,817	2,222,960	10,266,858	18,041,261	3,446,602	14,594,659	-	-	-
Mar	26,043,526	2,547,064	23,496,461	36,041,044	3,044,584	32,996,460	39,089,384	4,321,854	34,767,531	43,912,674	3,710,949	40,201,725	-	-	-
Apr	272,037,025	34,869,869	237,167,157	325,396,679	44,070,748	281,325,931	512,208,256	60,279,400	451,928,857	618,672,832	76,814,795	541,858,037	-	-	-
May	30,970,547	2,382,300	28,588,248	46,712,145	3,646,483	43,065,661	84,231,869	4,464,003	79,767,865	259,114,481	9,724,645	249,389,836	-	-	-
Jun	62,895,078	53,980,895	8,914,184	77,177,113	67,435,337	9,741,775	106,817,719	93,912,110	12,905,609	145,568,069	127,531,819	18,036,250	-	-	-
Total	640,628,165	283,079,440	357,548,724	757,527,785	321,370,662	436,157,123	1,105,381,346	446,316,710	659,064,637	1,582,475,408	639,529,812	942,945,597	626,545,297	480,465,705	146,079,592
Percent Change															
	FY2003			FY2004			FY2005			FY2006			FY2007		
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final
Jul	0.5%	9.5%	-3.9%	0.3%	-20.6%	12.0%	-18.7%	10.1%	-30.0%	92.9%	60.0%	113.3%	16.5%	30.4%	10.0%
Aug	-23.0%	-28.6%	-21.2%	19.0%	8.7%	22.1%	31.3%	52.3%	25.8%	49.0%	84.6%	37.7%	-8.9%	-2.9%	-11.5%
Sep	-9.8%	-10.6%	0.7%	3.3%	2.2%	16.9%	20.7%	20.3%	24.7%	37.9%	41.2%	4.4%	33.2%	31.6%	54.6%
Oct	-14.8%	-40.3%	-6.7%	8.4%	14.1%	7.3%	27.3%	33.2%	26.0%	0.1%	53.0%	-11.9%	139.6%	47.5%	175.8%
Nov	-14.0%	13.7%	-21.5%	24.1%	33.4%	20.5%	35.3%	18.7%	42.4%	41.3%	95.3%	21.8%	98.4%	-7.0%	159.4%
Dec	27.0%	32.3%	-7.7%	16.6%	16.5%	17.6%	42.6%	43.7%	32.7%	37.7%	42.2%	-7.0%	-19.0%	-23.5%	49.1%
Jan	-24.5%	-24.8%	-18.4%	7.6%	6.4%	26.2%	51.0%	54.4%	6.0%	52.5%	55.3%	-1.3%	31.4%	26.8%	173.4%
Feb	10.7%	-1.3%	12.4%	21.0%	13.4%	21.9%	3.1%	84.7%	-5.9%	44.4%	55.0%	42.2%			
Mar	16.3%	52.8%	13.4%	38.4%	19.5%	40.4%	8.5%	42.0%	5.4%	12.3%	-14.1%	15.6%			
Apr	-10.3%	-7.0%	-10.8%	19.6%	26.4%	18.6%	57.4%	36.8%	60.6%	20.8%	27.4%	19.9%			
May	39.6%	1.2%	44.2%	50.8%	53.1%	50.6%	80.3%	22.4%	85.2%	207.6%	117.8%	212.6%			
Jun	-3.9%	-8.3%	36.1%	22.7%	24.9%	9.3%	38.4%	39.3%	32.5%	36.3%	35.8%	39.8%			
Total	-7.1%	-9.3%	-5.3%	18.2%	13.5%	22.0%	45.9%	38.9%	51.1%	43.2%	43.3%	43.1%			
Percent to Total															
	FY2003			FY2004			FY2005			FY2006			FY2007		
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final
Jul	1.5%	1.2%	1.8%	1.3%	0.9%	1.6%	0.7%	0.7%	0.7%	1.0%	0.8%	1.1%	N/A	N/A	N/A
Aug	1.7%	0.9%	2.4%	1.7%	0.9%	2.4%	1.6%	0.9%	2.0%	1.6%	1.2%	1.9%	N/A	N/A	N/A
Sep	10.8%	22.5%	1.5%	9.4%	20.2%	1.4%	7.8%	17.5%	1.2%	7.5%	17.3%	0.9%	N/A	N/A	N/A
Oct	3.1%	1.2%	4.6%	2.8%	1.2%	4.0%	2.5%	1.1%	3.4%	1.7%	1.2%	2.1%	N/A	N/A	N/A
Nov	1.1%	0.7%	1.4%	1.1%	0.8%	1.3%	1.0%	0.7%	1.3%	1.0%	0.9%	1.1%	N/A	N/A	N/A
Dec	7.6%	15.6%	1.3%	7.5%	16.0%	1.3%	7.3%	16.5%	1.1%	7.1%	16.4%	0.7%	N/A	N/A	N/A
Jan	11.5%	24.5%	1.2%	10.5%	22.9%	1.3%	10.8%	25.5%	0.9%	11.5%	27.6%	0.6%	N/A	N/A	N/A
Feb	1.6%	0.4%	2.5%	1.6%	0.4%	2.5%	1.1%	0.5%	1.6%	1.1%	0.5%	1.5%	N/A	N/A	N/A
Mar	4.1%	0.9%	6.6%	4.8%	0.9%	7.6%	3.5%	1.0%	5.3%	2.8%	0.6%	4.3%	N/A	N/A	N/A
Apr	42.5%	12.3%	66.3%	43.0%	13.7%	64.5%	46.3%	13.5%	68.6%	39.1%	12.0%	57.5%	N/A	N/A	N/A
May	4.8%	0.8%	8.0%	6.2%	1.1%	9.9%	7.6%	1.0%	12.1%	16.4%	1.5%	26.4%	N/A	N/A	N/A
Jun	9.8%	19.1%	2.5%	10.2%	21.0%	2.2%	9.7%	21.0%	2.0%	9.2%	19.9%	1.9%	N/A	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	N/A	N/A	N/A

# **Corporate Income Tax**

# Corporate Income Tax Growth Rate



		Gross	Year-to-Year	Year-to-Date		Year-to-Year	Year-to-Date	Net	Year-to-Year	Year-to-Date
		Revenue (\$)	% Change	% Change	Refunds (\$)	% Change	% Change	Revenue (\$)	% Change	% Change
FY 2003	July 2002	26,661,773	15.7%	15.7%	(10,431,027)	-2.7%	-2.7%	16,230,746	31.7%	31.7%
	Aug 2002	17,612,202	14.5%	15.2%	(7,498,520)	133.6%	28.8%	10,113,682	-16.9%	7.6%
	Sept 2002	76,944,404	-20.5%	-10.3%	(4,604,463)	-52.9%	-4.9%	72,339,941	-16.8%	-11.5%
	Oct 2002	25,324,611	-23.3%	-12.9%	(7,050,147)	84.7%	7.5%	18,274,464	-37.4%	-16.9%
	Nov 2002	11,280,385	-11.4%	-12.8%	(14,721,660)	-60.4%	-31.5%	(3,441,275)	-85.9%	-2.3%
	Dec 2002	67,811,163	-26.9%	-17.6%	(29,360,620)	-27.4%	-29.9%	38,450,543	-26.6%	-9.9%
	Jan 2003	21,054,501	15.5%	-15.5%	(8,321,051)	-28.7%	-29.8%	12,733,450	94.1%	-6.0%
	Feb 2003	8,063,919	-11.9%	-15.4%	(6,668,466)	-43.4%	-31.1%	1,395,453	-153.3%	-3.7%
	Mar 2003	52,912,894	50.1%	-8.5%	(10,039,885)	24.5%	-27.8%	42,873,009	57.7%	4.6%
	Apr 2003	94,116,613	7.8%	-5.2%	(10,102,573)	-36.6%	-28.7%	84,014,040	17.8%	8.1%
	May 2003	27,164,813	29.3%	-3.5%	(14,536,060)	79.4%	-23.2%	12,628,753	-2.1%	7.6%
June 2003	86,051,935	31.9%	1.0%	(2,244,003)	-22.6%	-23.2%	83,807,932	34.5%	12.5%	
FY 2004	July 2003	23,301,575	-12.6%	-12.6%	(6,333,153)	-39.3%	-39.3%	16,968,422	4.5%	4.5%
	Aug 2003	11,271,363	-36.0%	-21.9%	(4,015,351)	-46.5%	-42.3%	7,256,012	-28.3%	-8.0%
	Sept 2003	94,502,857	22.8%	6.5%	(6,579,280)	42.9%	-24.9%	87,923,577	21.5%	13.6%
	Oct 2003	37,166,100	46.8%	13.4%	(19,666,477)	179.0%	23.7%	17,499,623	-4.2%	10.8%
	Nov 2003	28,413,161	151.9%	23.3%	(18,047,246)	22.6%	23.3%	10,365,915	-401.2%	23.3%
	Dec 2003	108,992,703	60.7%	34.6%	(23,791,682)	-19.0%	6.5%	85,201,021	121.6%	48.2%
	Jan 2004	20,205,126	-4.0%	31.3%	(2,157,873)	-74.1%	-1.7%	18,047,254	41.7%	47.7%
	Feb 2004	9,833,589	21.9%	31.0%	(12,420,688)	86.3%	4.9%	(2,587,099)	-285.4%	44.9%
	Mar 2004	42,492,506	-19.7%	22.3%	(15,059,660)	50.0%	9.5%	27,432,846	-36.0%	28.3%
	Apr 2004	100,133,690	6.4%	18.5%	(2,765,216)	-72.6%	1.9%	97,368,474	15.9%	24.7%
	May 2004	39,082,901	43.9%	20.2%	(1,084,383)	-92.5%	-9.3%	37,998,517	200.9%	32.0%
June 2004	94,099,134	9.4%	18.3%	(3,528,826)	57.3%	-8.1%	90,570,308	8.1%	26.9%	
FY 2005	July 2004	25,278,574	8.5%	8.5%	(4,286,201)	-32.3%	-32.3%	20,992,373	23.7%	23.7%
	Aug 2004	23,683,196	110.1%	41.6%	(2,429,217)	-39.5%	-35.1%	21,253,979	192.9%	74.4%
	Sept 2004	128,929,320	36.4%	37.8%	(6,570,919)	-0.1%	-21.5%	122,358,400	39.2%	46.8%
	Oct 2004	41,115,100	10.6%	31.7%	(6,005,157)	-69.5%	-47.3%	35,109,943	100.6%	54.0%
	Nov 2004	17,598,692	-38.1%	21.6%	(11,805,464)	-34.6%	-43.1%	5,793,228	-44.1%	46.8%
	Dec 2004	148,651,887	36.4%	26.9%	(11,419,097)	-52.0%	-45.8%	137,232,790	61.1%	52.2%
	Jan 2005	26,481,318	31.1%	27.1%	(4,271,547)	98.0%	-41.9%	22,209,771	23.1%	50.0%
	Feb 2005	18,432,601	87.4%	28.9%	(11,908,414)	-4.1%	-36.9%	6,524,188	-352.2%	54.3%
	Mar 2005	67,086,220	57.9%	32.2%	(3,257,603)	-78.4%	-42.7%	63,828,617	132.7%	62.4%
	Apr 2005	108,261,223	8.1%	27.1%	(7,157,472)	158.8%	-37.6%	101,103,751	3.8%	46.8%
	May 2005	70,241,233	79.7%	31.1%	(2,192,513)	102.2%	-			

# **Economic Indicators**

# Recent Economic Indicators

The Conference Board's **U.S. Consumer Confidence Index** climbed 3.5% in December, reflecting a better outlook across the board. Consumers' assessment of current conditions improved, while sentiment about the job market and expectations for the next 6 months also were rising.

The **U.S. Index of Leading Economic Indicators** increased 0.3% in December. The advance was led by positive contributions from building permits, stock prices, manufacturers' new orders, vendor performance, and declining unemployment insurance claims. The recent pattern of the leading index suggests that slow to moderate economic growth is likely to continue in the months ahead.

Semiconductor sales remained at relatively high levels. The Semiconductor Industry Association (SIA) announced that **U.S. semiconductor billings** (3-month moving average) edged (0.5)% lower in November but remained 6.5% above the level from a year ago. The SIA reported that unit sales of consumer electronic products such as digital cameras (up more than 40% in the U.S. market for the first 11 months of 2006) and flat panel displays were ahead of forecasts, resulting in strong revenue growth.

Retail price inflation moderated toward the end of 2006. The **U.S. Consumer Price Index (CPI)** (3-month moving average) dipped (0.2)% in December, while the corresponding year-over-year increase was 1.9%. For all of 2006, the CPI increased at a 3.2% average annual rate. Excluding food and fuel costs, the core CPI increased 2.6% during 2006.

Preliminary estimates showed that Arizona's **non-farm employment** increased by 4.5% on a year-over-year basis in December 2006. The job count totaled 2.72 million, an increase of 116,000 from the prior year. Although manufacturing employment was shrinking in recent months, the other goods-producing sectors – construction and mining – posted steady gains. The construction industry directly accounted for 20% of all the jobs created in 2006. The state finished the year with a 4.1% **unemployment rate**, an improvement from the 4.7% rate reported a year ago.

The residential real estate market continued its downward trend. The Realty Studies group at Arizona State University estimated that the Greater Phoenix **single-family median resale home price** dropped (1.2)% to \$255,900 in December,

well below the record \$267,000 median price reported for June 2006. A total of 67,035 existing single-family homes were sold in 2006, which was (40.0)% less than the 110,835 units sold in 2005 and the fewest sold since 2002.

The **townhouse-condominium median price** increased to \$175,000 in December but remained below the \$179,000 record median price posted in July 2006. A total of 13,995 existing units were sold in 2006, down from 2005's total of 21,290.

The **Arizona Business Conditions Index**, based on a survey of supply chain managers and produced by Arizona State University, decreased (14.5)% to 54.5 in December, slightly higher than the mark of 50 associated with an expanding economy. The new orders component was among the factors leading December's decline, with production and delivery times also posting losses. The employment and materials inventory components made small positive contributions.

A different measure of statewide business sentiment moved into positive territory. The University of Arizona's **Business Leaders Confidence Index (BLCI)** for 2007's 1<sup>st</sup> quarter rose 7.9% to 51.9, slightly above the neutral 50 reading. All 6 components moved higher, with the capital expenditures and hiring categories registering the biggest increases from the prior quarter. The sales expectations component continued to post the highest results as it has consistently in recent surveys.

The **Department of Corrections' inmate population** increased by an average of 169 inmates per month from October through December. The total population increased by 2,438 inmates from a year ago.

The number of **TANF** recipients decreased (2.7)% to 84,228 in November and was (13.1)% below the level from November 2005. The **AHCCCS caseload** increased 0.3% in January from the prior month but was (2.0)% below the level from a year ago.



**Table 4****RECENT 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	December	4.1%	0.0%	(0.6)%
- Jobs	December	2.72 million	0.6%	4.5%
- Contracting Tax Receipts (3-month average)	Oct-Dec	\$81.6 million	(0.3)%	16.1%
- Retail Sales Tax Receipts (3-month average)	Oct-Dec	\$160.1 million	(1.9)%	4.5%
- Residential Building Permits - (3-month moving average)				
Single-unit	Sep-Nov	3,030	(14.2)%	(49.9)%
Multi-unit	Sep-Nov	500	(5.9)%	(51.1)%
- Greater Phoenix Existing Home Sales				
Single-Family	December	4,620	(8.3)%	(28.7)%
Townhouse/Condominium	December	880	(4.3)%	(37.1)%
- Greater Phoenix Median Home Sales Price				
Single-Family	December	\$255,900	(1.2)%	(1.6)%
Townhouse/Condominium	December	\$175,000	1.7%	6.7%
- Arizona Tourism Barometer	August	102.8	(1.2)%	(0.8)%
- Phoenix Sky Harbor Air Passengers	October	3.4 million	10.7%	(2.4)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	October	\$6.20	(8.4)%	(29.9)%
- Leading Indicators Index	October	119.2	0.2%	(0.5)%
- Business Conditions Index (>50 signifies expansion)	December	54.9	(14.5)%	(20.5)%
- Consumer Confidence Index	4 <sup>th</sup> Quarter 2006	105.3	2.5%	7.3%
- Business Leaders Confidence Index	1 <sup>st</sup> Quarter 2007	51.9	7.9%	(13.4)%
- Arizona Personal Income	3 <sup>rd</sup> Quarter 2006	\$195.4 billion	1.8%	7.1%
- Arizona Population	July 1, 2006	6.17 million	3.6%	3.6%
- AHCCCS Recipients	January	1,029,702	0.3%	(2.0)%
- TANF Recipients	November	84,228	(2.7)%	(13.1)%
- DOC Inmate Growth (3-month average)	Oct-Dec	35,783	169 inmates	2,438 inmates
<b>United States</b>				
- Gross Domestic Product (seasonally adjusted annual growth rate)	3 <sup>rd</sup> Quarter 2006	\$11.4 trillion	2.0%	3.0%
- Consumer Confidence Index	December	109.0	3.5%	5.0%
- Leading Indicators Index	December	138.0	0.3%	(0.4)%
- U.S. Semiconductor Billings (3-month moving average)	Sep-Nov	\$3.97 billion	(0.5)%	6.5%
- Consumer Price Index (3-month moving average)	Oct-Dec	201.7	(0.2)%	1.9%

## **JLBC FINANCE ADVISORY COMMITTEE (FAC) MEMBERS**

**Dan Anderson** has served as Assistant Executive Director for Institutional Analysis for Arizona Board of Regents since July 2002. From 1975 through June 2002, Mr. Anderson held various positions at the Arizona Department of Economic Security, with most of his time as Research Administrator. He has been a member of the FAC since its inception.

**James Apperson** is Director of the Governor's Office of Strategic Planning and Budgeting (OSPB). He joined the Napolitano Administration as OSPB Deputy Director in October 2006 and was appointed OSPB Director in December 2006. Mr. Apperson most recently served in the private sector as President and CEO of the Arizona Chamber of Commerce. He has been a member of the FAC since December 2006.

**Dr. Jay Q. Butler** is Director of Realty Studies and an Associate Professor of Real Estate in the Morrison School at Arizona State University at the Polytechnic campus. He also holds the Arizona Realtors Professorship in Real Estate. Dr. Butler has been at ASU since 1972. He has been a member of the FAC since 1994.

**Tracy L. Clark** is Associate Director for the JPMorgan Chase Economic Outlook Center. He is editor of the JPMorgan Chase Arizona Blue Chip Economic Forecast; economics editor of the Greater Phoenix Economic Forecast; managing editor of the Western Blue Chip Economic Forecast and managing editor for the Mexico Consensus Economic Forecast. He produces a quarterly national and local economic forecast as well as the Arizona Leading Index. Mr. Clark has been a member of the FAC since 1989.

**John C. Lucking** is President of ECON-LINC, an economic consulting firm. Dr. Lucking also serves as a director for Sanu Resources Ltd., an international mineral exploration company, and as a trustee for several municipal bond mutual funds. Previously, he served as Chief Economist for Bank One Arizona and as the Executive Director of the Governor's Partnership for Economic Development (GSPED). Dr. Lucking has been a member of the FAC since 1987.

**State Treasurer Dean Martin** serves as the chief financial officer for the State Treasury in Arizona. He previously served as a State Senator from 2001 to 2007 and was Chairman of the Senate Finance Committee, responsible for legislation related to taxes, retirement, insurance and financial issues. The State Treasurer has been a member of the Finance Advisory Committee since its inception. Mr. Martin has been a member of the FAC since he became State Treasurer in January 2007.

**Georganna Meyer** is Chief Economist for the Arizona Department of Revenue. She has been a member of the FAC since 1984.

**Elliott D. Pollack** is President of Elliott D. Pollack and Company in Scottsdale, Arizona, an economic and real estate consulting firm established in 1987. Mr. Pollack served as Chief Economist of Valley National Bank in Arizona for 14 years prior to establishing his

consulting firm and is currently a member of the Economic Estimates Commission. He has been a member of the FAC since its inception.

**Hank Reardon** is principal of H.C. Reardon Economics. Mr. Reardon served as Chief Economist and Revenue Section Chief during his 28-year tenure with the JLBC staff. Mr. Reardon also worked for 20 years at the General Electric Company, where he held positions in auditing, accounting and forecasting. He has been a member of the FAC since 2000.

**Debra J. Roubik** is the Chief Economist and Founder of VisionEcon, a consulting firm. Ms. Roubik began her career as an economist at Chicago's Harris Trust and Savings Bank where she was responsible for the bank's macroeconomic model. She also held the positions of Vice President of Stotler Economics, Manager of Revenue Forecasting for Atchison Topeka & Santa Fe Railway, and Economist for the Arizona Department of Economic Security's Research Administration. Ms. Roubik has been a member of the FAC since 1999.

**Martin Shultz** is Vice President of Government Affairs for Pinnacle West Capital Corporation. In that role he manages public affairs and government relations for Pinnacle West Capital Corporation and its subsidiaries: Arizona Public Service (APS), APS Energy Services, Pinnacle West Energy Corporation, El Dorado and SunCor. Mr. Shultz has been a member of the FAC since 1984.

**Randie Stein** joined the Investment Banking firm Stone & Youngberg as a Vice President in the Public Finance Department in September 2004. Ms. Stein has 10 years of experience as a fiscal advisor and Finance Committee analyst in the State Senate and as an economist/budget analyst with the Joint Legislative Budget Committee, and is a former staff director of the School Facilities Board. She has been a member of the FAC since 2005.

**Marshall J. Vest** is director of the Economic and Business Research Center at the University of Arizona's Eller College of Management. Mr. Vest has headed the College's Forecasting Project for 28 years. He is past-president of the Association for University Economic and Business Research, whose membership includes university-based applied research centers from across the country. Mr. Vest has been a member of the FAC for 28 years.

Additional FAC Panel Members:

**Pete Ewen** – Arizona Public Service

**Don Wehby** – Arizona Department of Economic Security