

Finance Advisory Committee

Briefing Materials

April 13, 2010

JLBC

Finance Advisory Committee

Briefing Materials

April 13, 2010

Table of Contents

JLBC Staff Presentation.....	Tab A
Elliott Pollack Presentation..... (Elliott D. Pollack and Company)	Tab B
Treasurer Dean Martin Presentation	Tab C
Background Information	Tab D
Sales Tax	1
Growth Rate History Chart	2
5-Year Data Table – Total Collections	3
5-Year Data Tables – Major Categories	
Retail	4
Contracting	5
Utilities	6
Restaurants and Bars	7
Use Tax	8
Individual Income Tax	9
Growth Rate History Chart	10
5-Year Data Table-Payment Breakdown	11
5-Year Data Table by Component	12
Corporate Income Tax	13
Growth Rate History Chart	14
Corporate Income Tax Collections	15
5-Year Data Table by Component	16
Economic Indicators	17
Finance Advisory Committee Member List (with biographies)	Tab E

JLBC

Finance Advisory Committee

Revenue Update

April 13, 2010

JLBC

There Has Been Some Good News

- January Revenue Collections Broke Several Streaks

- ❑ Single digit year-over-year decline in revenue for first time since September 2008
 - February and March continued this trend

- ❑ Monthly General Fund revenues above forecast for first time since March 2007
 - February and March below forecast

But the Road to Recovery Will Still Be Long

- ❑ 323,700 jobs lost since December 2007
 - Worse than first projected

- ❑ Foreclosures still too high
 - 2/3rd of Valley single family re-sales in March

- ❑ 51% of mortgages “underwater”
 - Up from 48% at last FAC

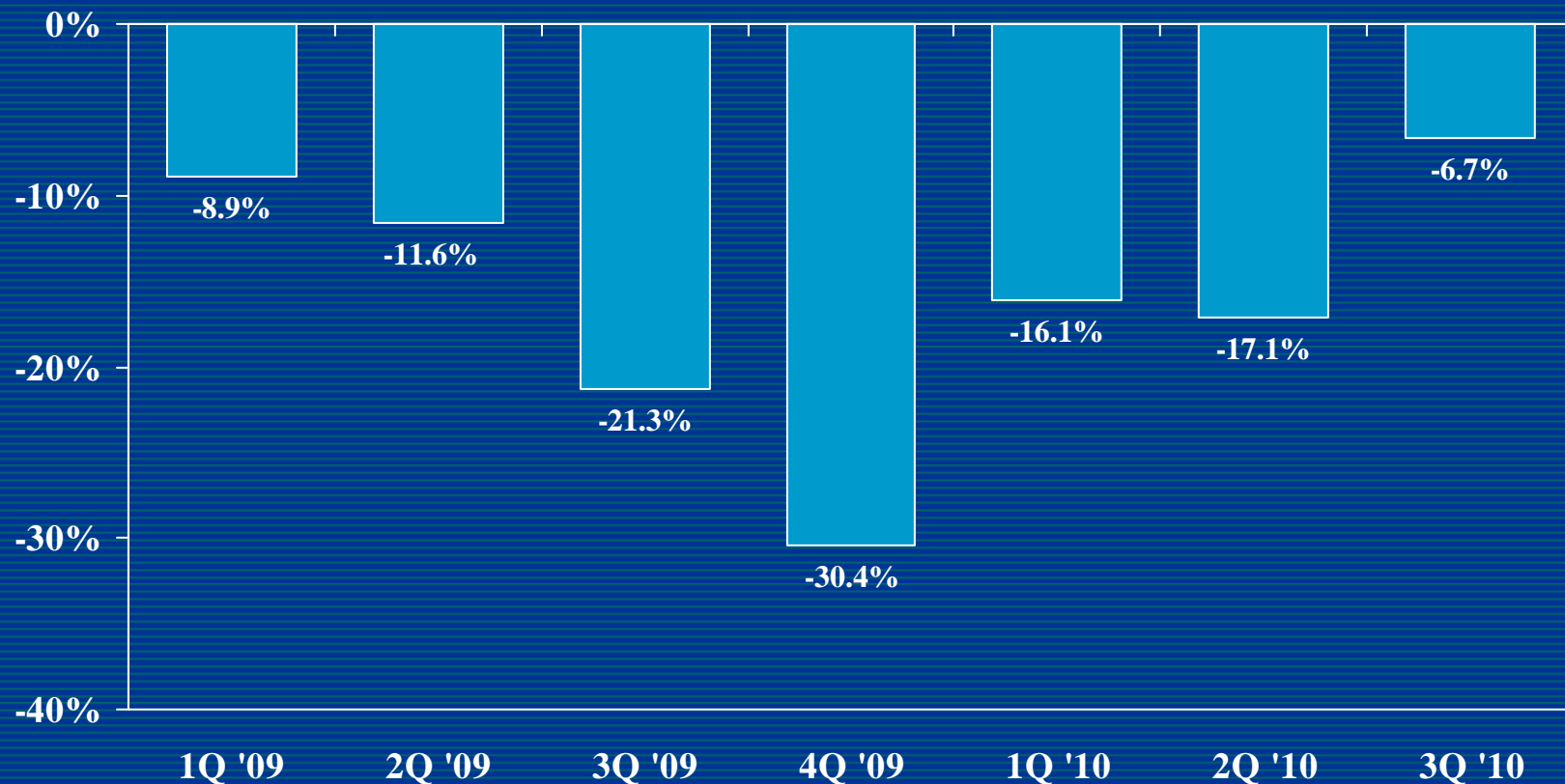
Housing Market Will Remain Unsettled

- ❑ 51% of mortgages underwater may lead to a substantial inventory of homes
- ❑ Composed of:
 - Strategic defaults
 - Homes in foreclosure
 - Homes held by lender
 - Investor re-sales
- ❑ A ready supply of houses may put downward pressure on prices; prolong housing downturn

FY '10 Revenues Are (14.1)% Below FY '09

- Rate of Decline Slowing

- Collections \$(30.1) M Below Enacted March Budget

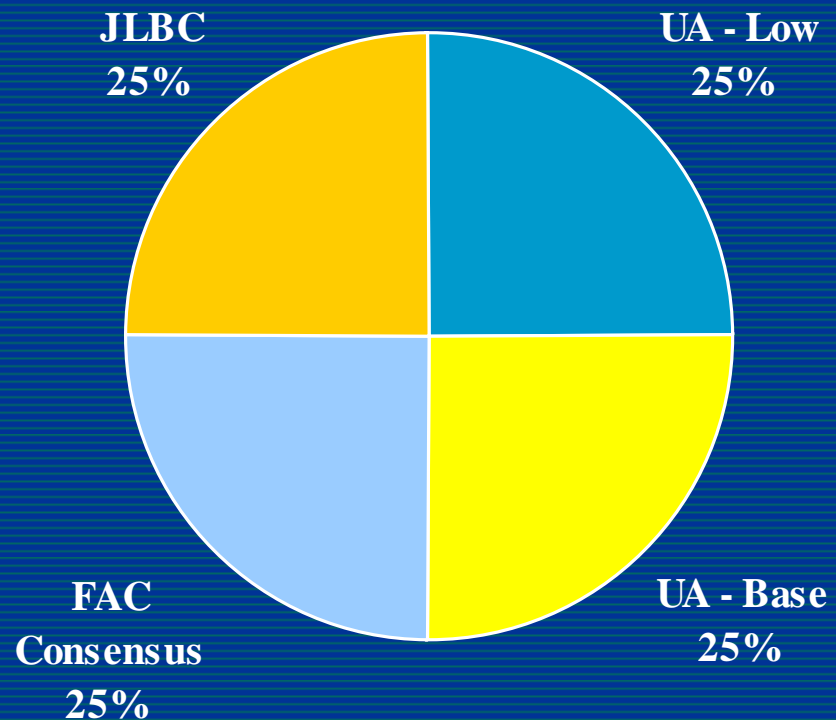


Where Are We Headed Over the Next Few Years?

- Four-Sector Consensus Forecast Incorporates Different Economics Views, Including the FAC

4-sector forecast equally weights:

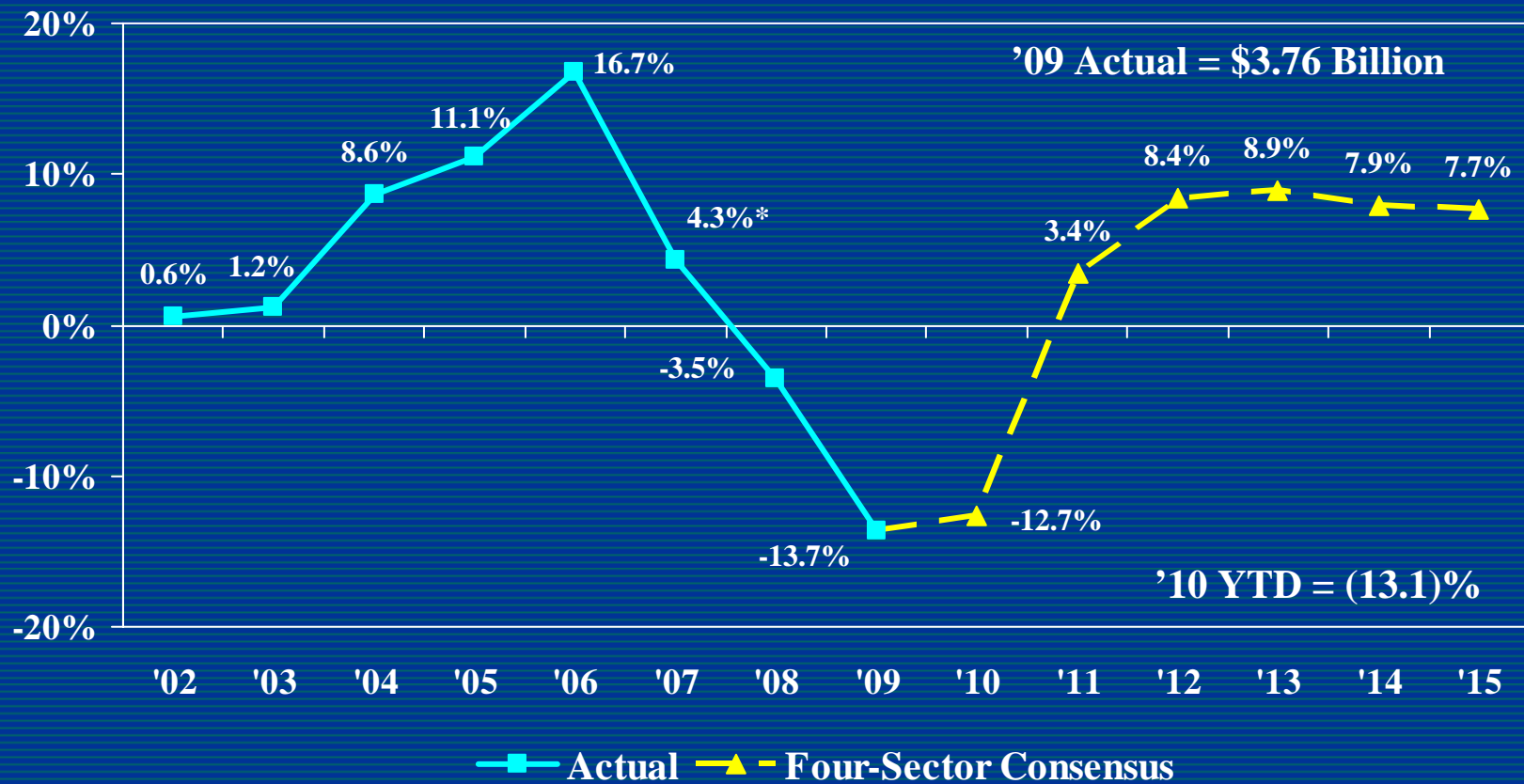
- ❑ FAC average
- ❑ UofA model – base
- ❑ UofA model – low
- ❑ JLBC Staff forecast
- ❑ Remaining revenues (10% of total) are staff forecast



* Includes Big 3 categories of sales tax, individual income and corporate income taxes

Sales Tax

- The Consensus Forecasts Decline of (12.7)% in FY '10, with Positive Growth Rates beginning in FY '11



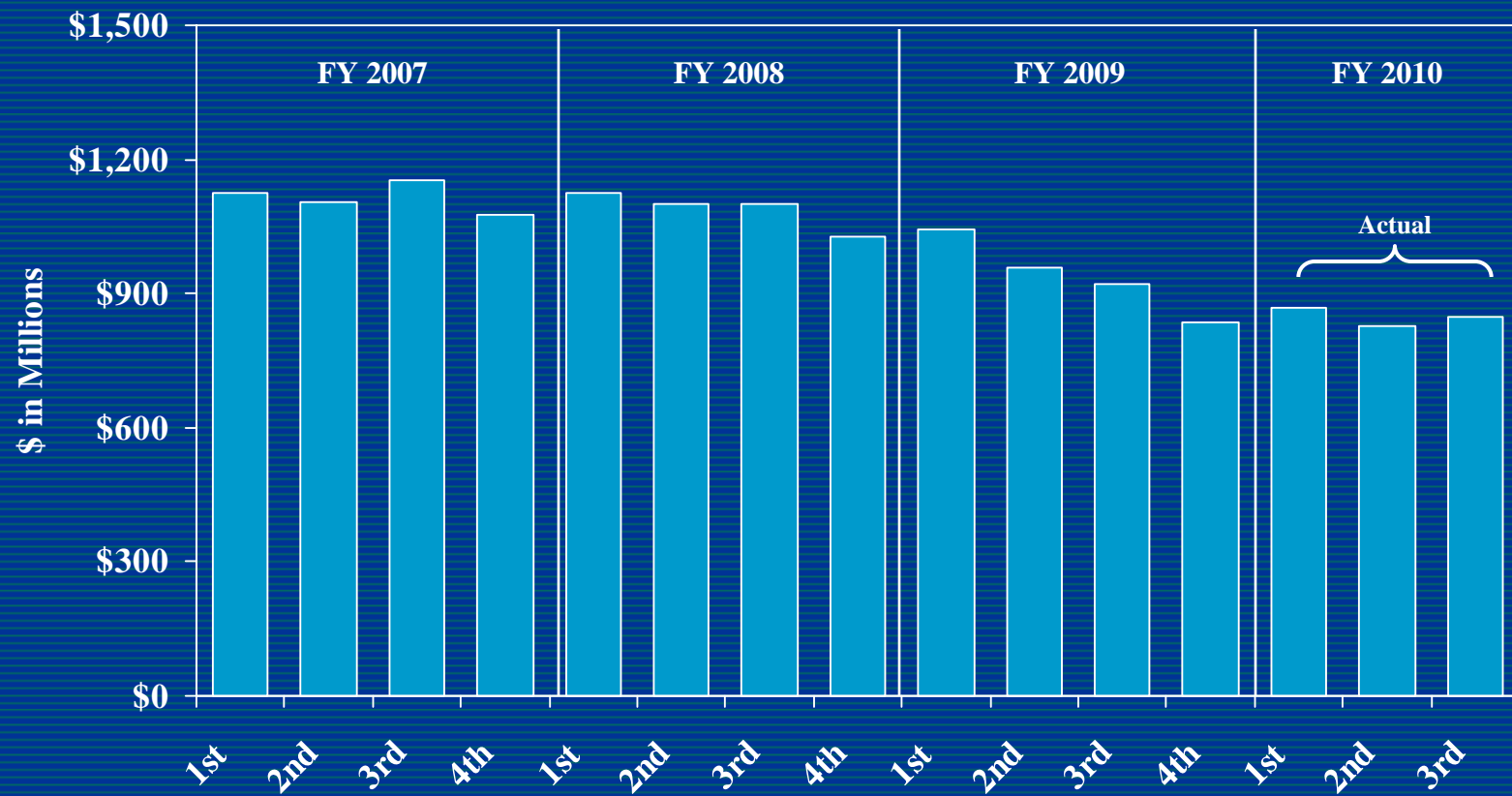
* 5.6% without the \$(55.2) million estimated payment threshold change.

Sales Tax

- Despite 5% - 9% Growth, Collections Would Not Reach FY '07 Level Until FY '15

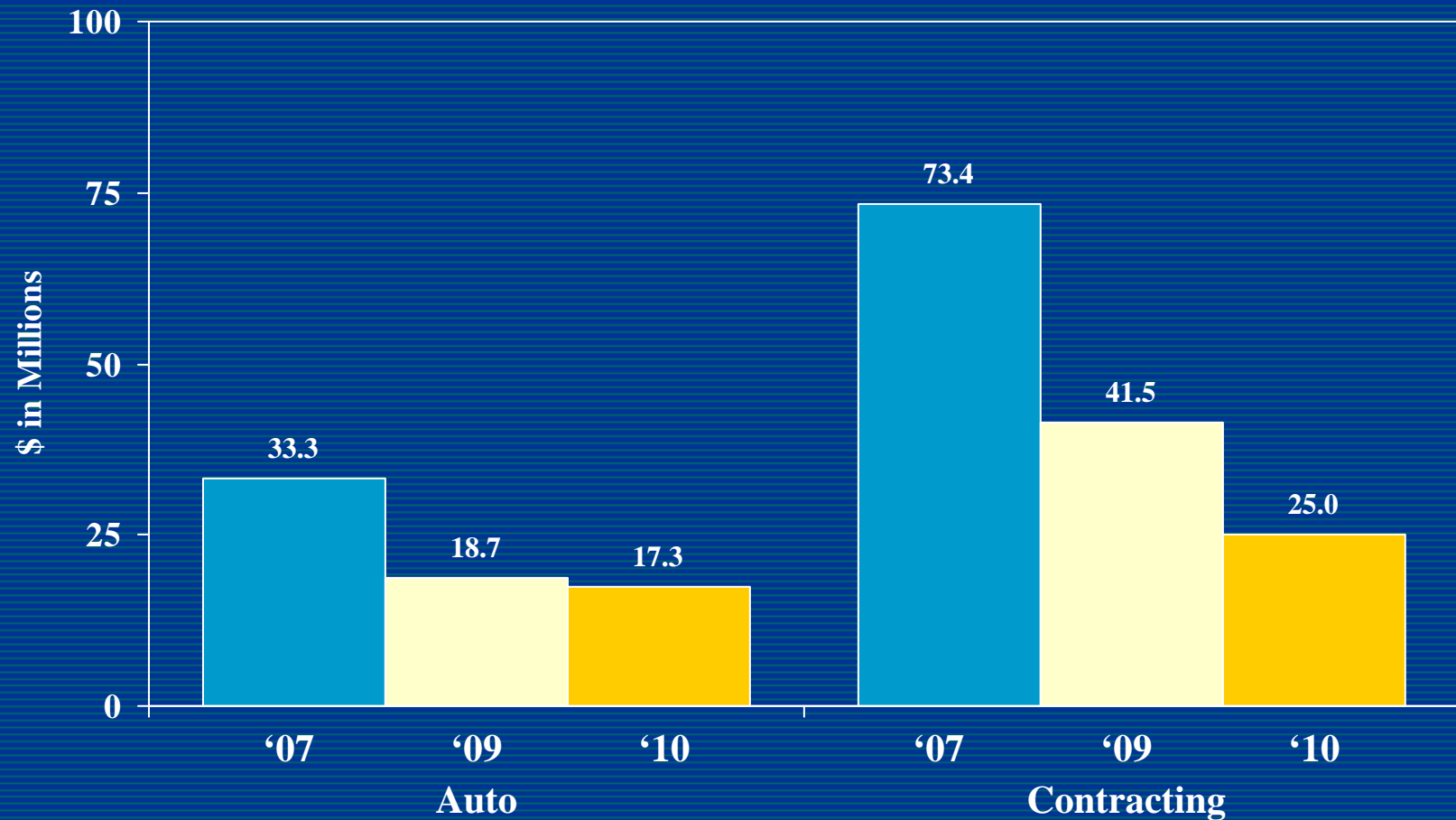


Sales Tax Collections Appear to Have Stabilized



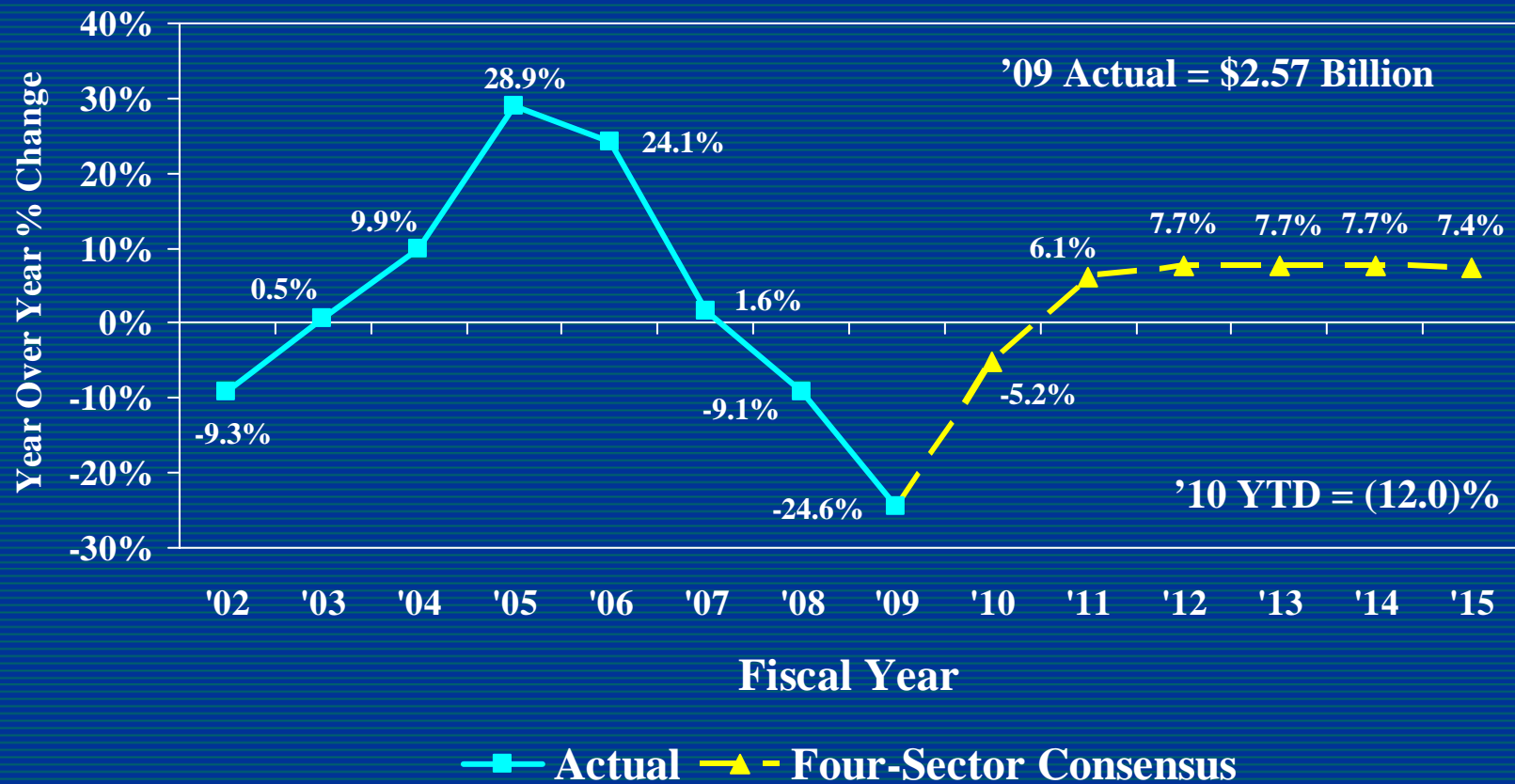
Vehicle Spending Has Begun to Stabilize, While Contracting Continues Sharp Decline

- February Sales Tax Collections



Individual Income Tax

- The Consensus Forecasts Decline of (5.2)% in FY '10, with Positive Growth Rates Beginning in FY '11

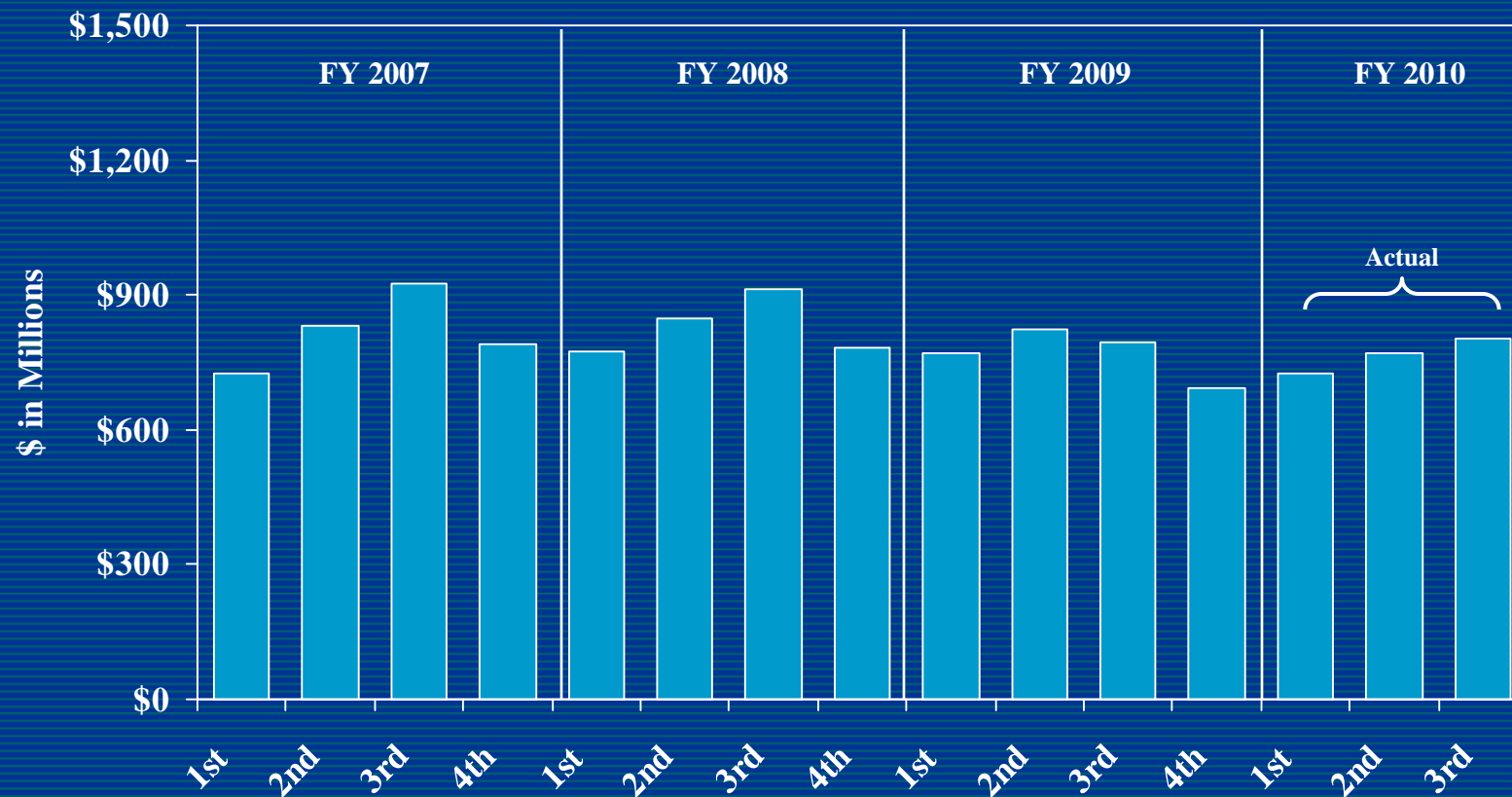


Individual Income Tax

- Collections Would Not Reach FY '07 Level Until After FY '15



As With Sales, Withholding Appears to Have Bottomed Out

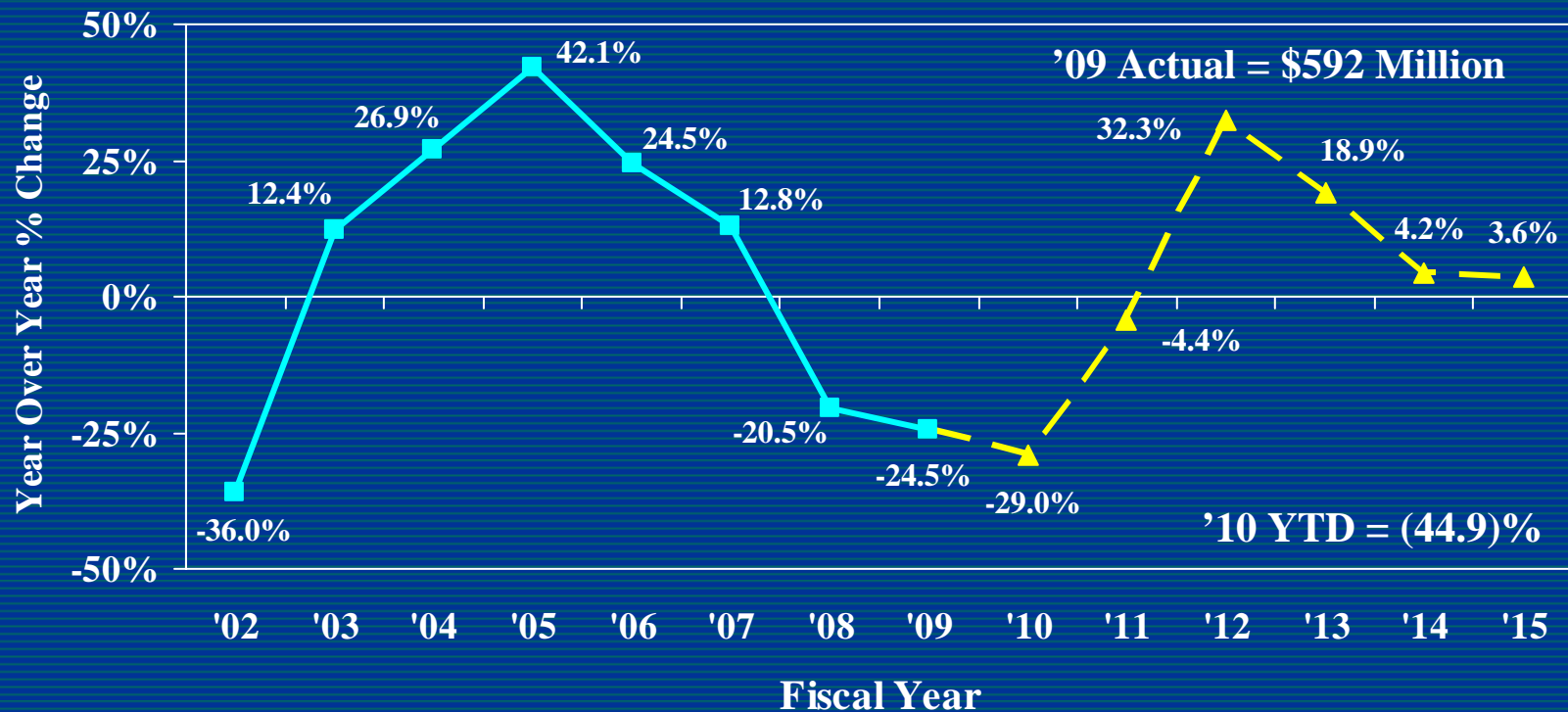


Individual Income Tax Issues

- ❑ Processing of individual income tax returns is keeping up with inventory
- ❑ 19% decline in returns filed compared to last year
- ❑ Withholding rates change in July – no longer linked to Federal level
 - Could cause short term disruption

Corporate Income Tax

- The Consensus Forecasts Decline of (29.0)% in FY '10, with Positive Growth Rates Beginning in FY '12



* The '08 – '10 percentages include the impact of the consolidated reporting credit and the phase-in of the corporate sales factor. Excluding these tax law changes, baseline growth for '08 – '10 would be (17.2)%, (20.7)%, and (18.7)% respectively.

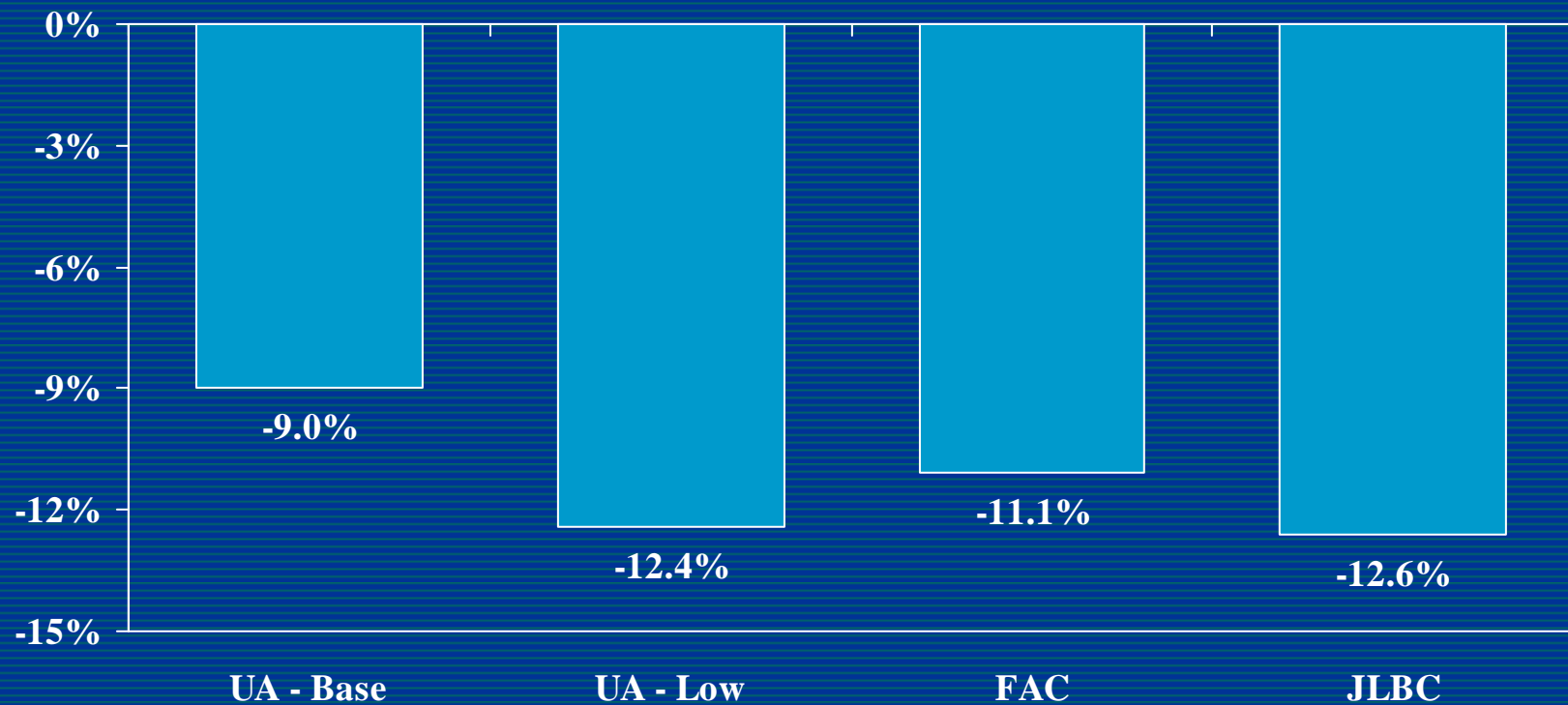
Corporate Income Tax

- Forecast Remains Substantially Below FY '07 High Point



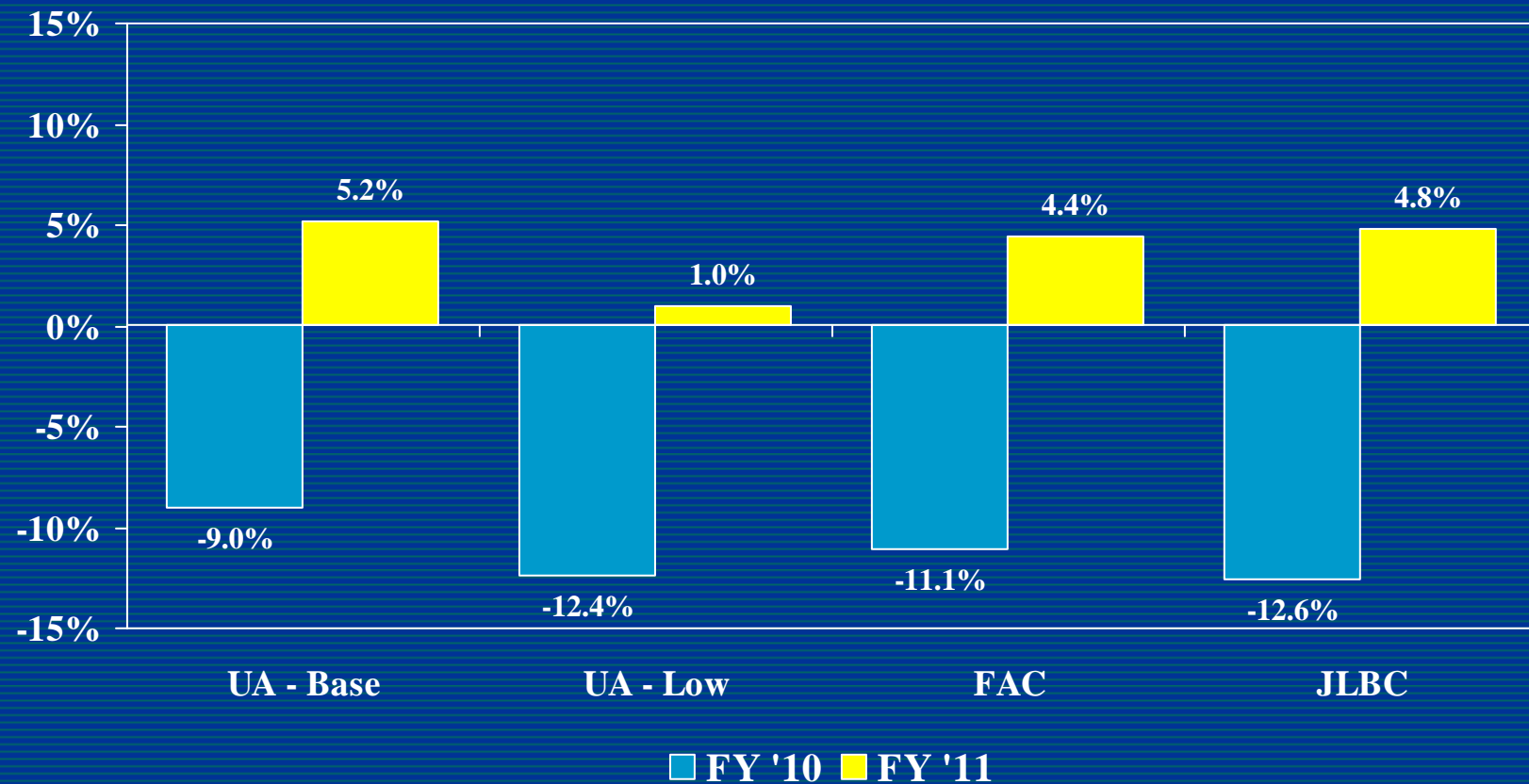
April 4-Sector Projecting Revenue Decline of (10.7)% in FY '10

- Enacted March Budget is (9.4)%



Consensus Forecast Growth for FY '11 = 3.4%

- Enacted March Budget is 4.2%



Consensus Forecasts for FY '10 and FY '11 Slightly Lower than March Budget

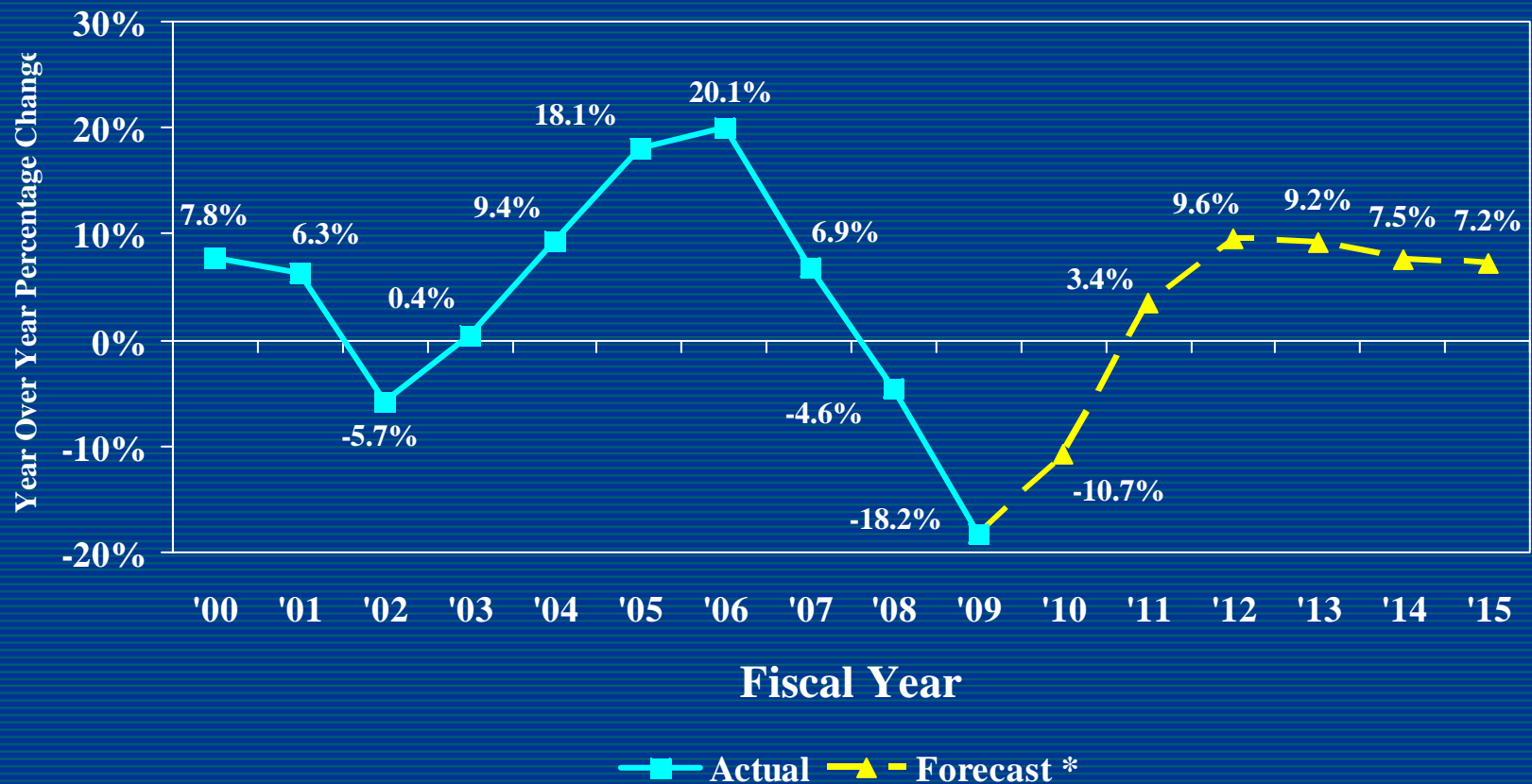
- ❑ Consensus forecast for FY '10 is (10.7)% compared to budgeted decrease of (9.4)%
- ❑ Consensus forecast for FY '11 is 3.4% compared to budgeted increase of 4.2%.

What are Implications of Consensus Forecast?

- ❑ Uncertainty of income tax filing season adds to speculative nature of forecast
- ❑ Depends if consensus or JLBC Staff forecast is correct – FY '10 revenues would be \$(100) M - \$(200) M short of forecast
- ❑ Given \$49 M carry-forward, there would be a FY '10 shortfall of \$(51) M - \$(151) M
- ❑ Actual shortfall would also depend on spending
- ❑ Any FY '10 problem would be resolved in FY '11

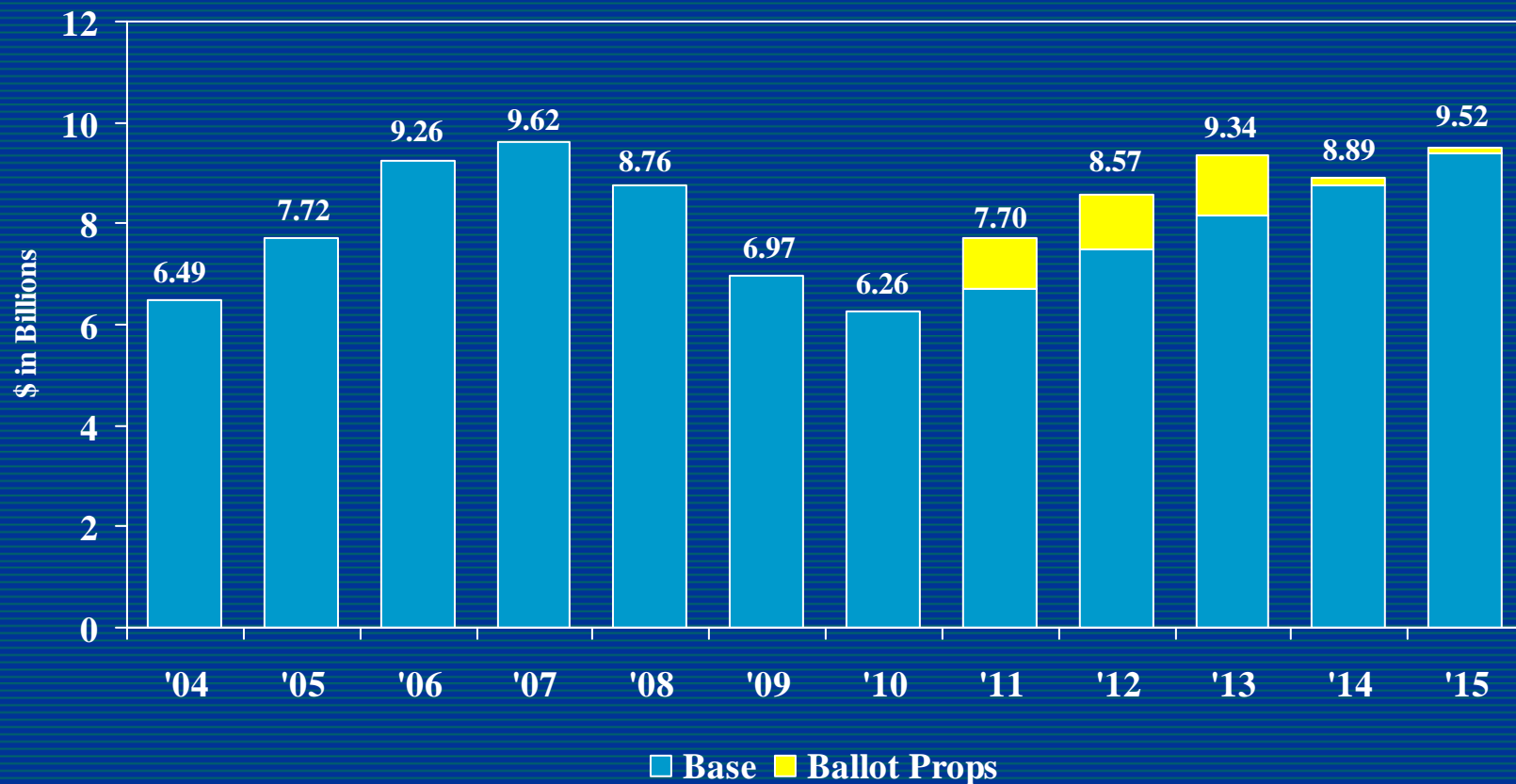
Past FY '11, Consensus Forecasts

7% to 9% Growth



* Adjusted for small revenue categories.

While Moderate Recovery, Revenues Below '07 Level Through '15



- Excludes balance forward and other one-time revenues

FY2010-FY 2015 Quartile Forecast Worksheet

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<u>Sales Tax</u>						
JLBC Forecast	-11.4%	3.4%	8.2%	8.0%	8.0%	7.0%
UA - Low	-15.1%	1.8%	9.1%	9.4%	8.1%	8.4%
UA - Base	-13.8%	4.6%	10.1%	10.2%	8.8%	9.0%
FAC	-10.4%	3.7%	6.3%	8.0%	6.7%	6.3%
Average:	-12.7%	3.4%	8.4%	8.9%	7.9%	7.7%
<u>Individual Income Tax</u>						
JLBC Forecast	-8.0%	5.7%	6.3%	6.5%	6.5%	7.1%
UA - Low	-5.9%	3.4%	8.3%	7.9%	9.0%	8.0%
UA - Base	0.8%	10.9%	8.1%	7.6%	8.8%	8.0%
FAC	-7.8%	4.5%	8.0%	8.6%	6.5%	6.4%
Average:	-5.2%	6.1%	7.7%	7.7%	7.7%	7.4%
<u>Corporate Income Tax</u>						
JLBC Forecast	-40.6%	12.5%	12.5%	6.4%	6.4%	4.0%
UA - Low	-23.7%	-16.9%	43.8%	25.9%	2.0%	0.4%
UA - Base	-21.6%	-22.5%	56.0%	29.4%	-4.3%	2.1%
FAC	-30.2%	9.5%	17.0%	13.9%	12.7%	7.8%
Average:	-29.0%	-4.4%	32.3%	18.9%	4.2%	3.6%
Consensus Weighted Average: *	-10.7%	3.4%	9.6%	9.2%	7.5%	7.2%
JLBC Weighted Average:	-12.6%	4.8%	7.7%	7.3%	7.3%	6.8%
UA Low Weighted Average:	-12.4%	1.0%	10.9%	10.1%	7.9%	7.6%
UA Base Weighted Average:	-9.0%	5.2%	11.7%	10.6%	7.6%	8.0%
FAC Consensus Weighted Average:	-11.1%	4.4%	7.7%	8.7%	7.1%	6.5%

* Consensus forecast adjusted to include small tax categories.

Forecast percentages are prior to tax law changes.



Recovery, but not Recovered

Presented to:

Finance Advisory Committee
April 13th, 2010

By:

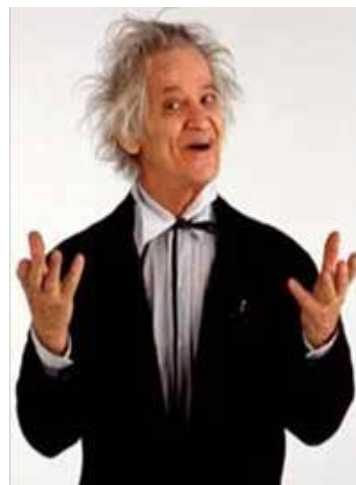
Elliott Pollack
CEO, Elliott D. Pollack & Company



Elliott D. Pollack & Company

Is the Recession Over?

**Leading
economists say
“recession is
over.”**



Elliott D. Pollack & Company

Main Themes

- Consider the glass ½ full.
- We have moved away from the abyss.
- Recession is over.
- Unemployment rate will stay high.
- Inflation not a problem... YET.



Elliott D. Pollack & Company

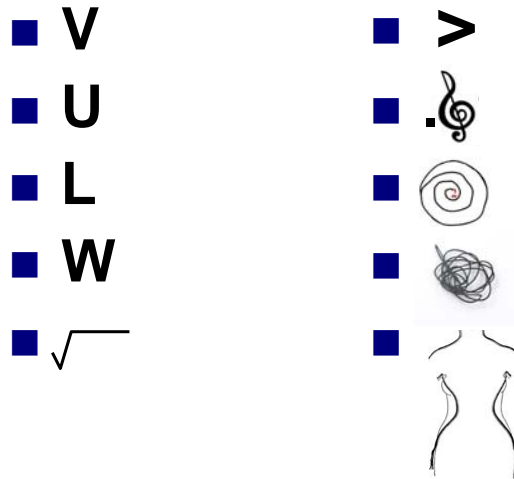
Main Themes

- Big inventory cycle underway.
- Consumer spending will recover slowly.
- The recovery could be sluggish at first despite short term large year-over-year gains.
- Economy will continue to recover.



Elliott D. Pollack & Company

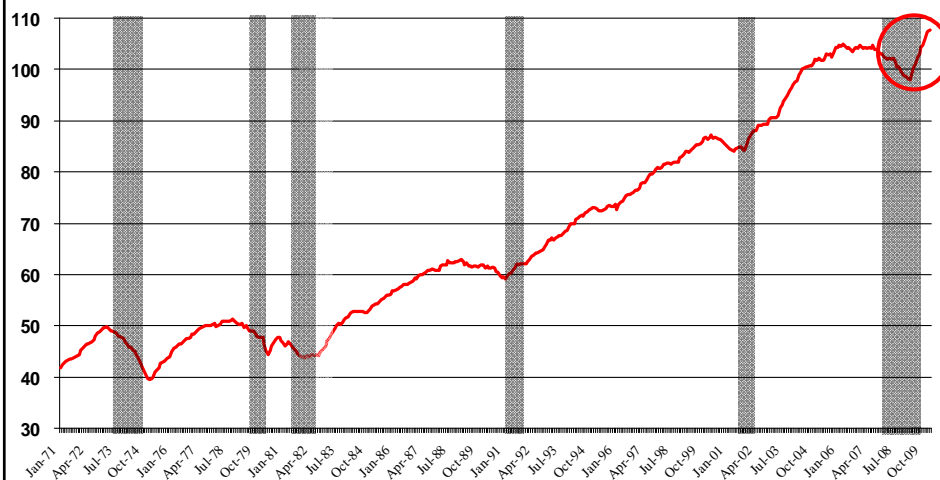
The Shape of Recoveries




 Elliott D. Pollack & Company

U.S. Leading Indicators 1971 – 2010 (through February)

Source: The Conference Board

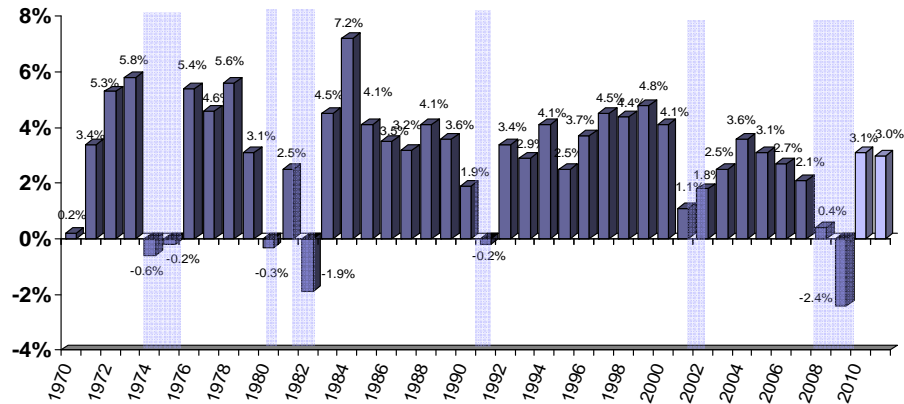


 Elliott D. Pollack & Company

 Recession Periods

United States Real Gross Domestic Product* Annual Growth 1970 - 2011**

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



* Based on chained 2005 dollars.

** 2010 - 2011 are forecasts from the Blue Chip Economic Indicators, March 2010

Recession Periods

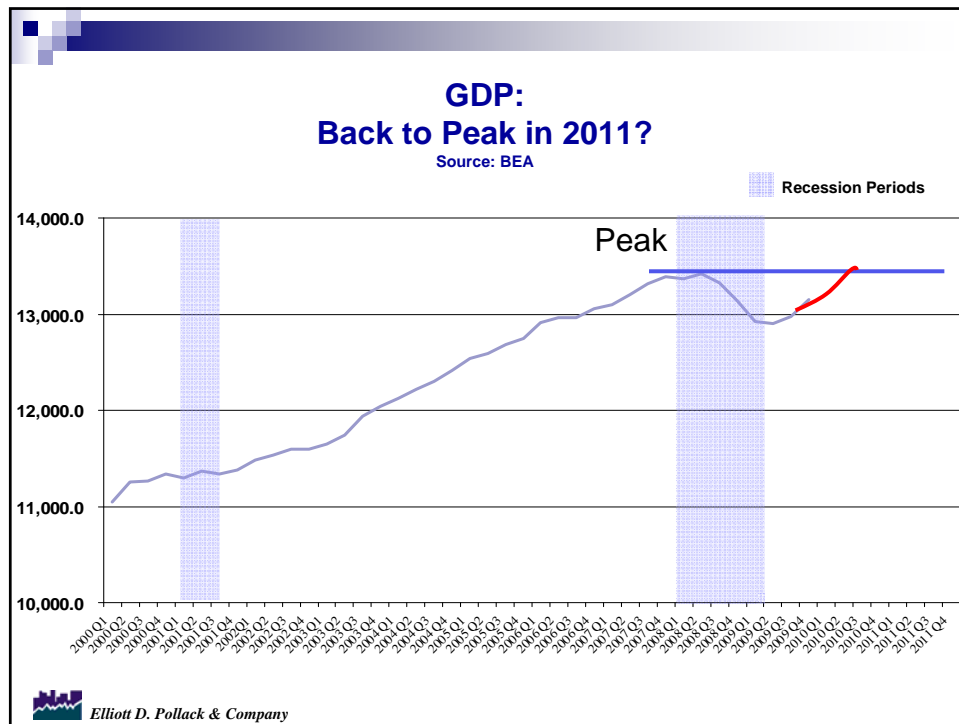


Elliott D. Pollack & Company

**Generally,
the more severe the recession,
the stronger the recovery.**



Elliott D. Pollack & Company



What *usually* drives a recovery?

- Inventory swing
- Retail sales
- Housing

Basic Story: Consumer

- Debt level improving but probably still has a way to go.
- Savings rate up but could be affected by tax increase 2011.
- Stock market way up, but still 30% off peak.
- Housing prices yet to turn up significantly.
- Jobs and hours worked looking better.
- Real personal income up.
- Household net worth still off peak, but up over last year.
- Confidence low but improving.



Elliott D. Pollack & Company

The Result: Consumer



- Consumer not as squeezed.
- Cuts in spending on durables over.
- Cuts in non-durables and services over.
- Comparisons easy.



Elliott D. Pollack & Company

Basic Story: Business

- Inventory accumulation.
- Weakness dollar helps exports.
- Lots of excess capacity.
- Asia looks better.



Elliott D. Pollack & Company

The Result: Business

- Business spending on plant will be slow.
- Spending on equipment will be up.



Elliott D. Pollack & Company

Basic Story: Housing

- Supply / demand imbalance continues but is improving.
- Credit markets getting better for those with a source of repayment.
- Foreclosures to continue at high rates.
- Comparisons easy.



Elliott D. Pollack & Company

The Result: Housing

- Drag on economy from housing has ended.
- But drag on economy from commercial will get slightly worse.



Elliott D. Pollack & Company



So,
the recession
is over, but...
...It won't feel great.

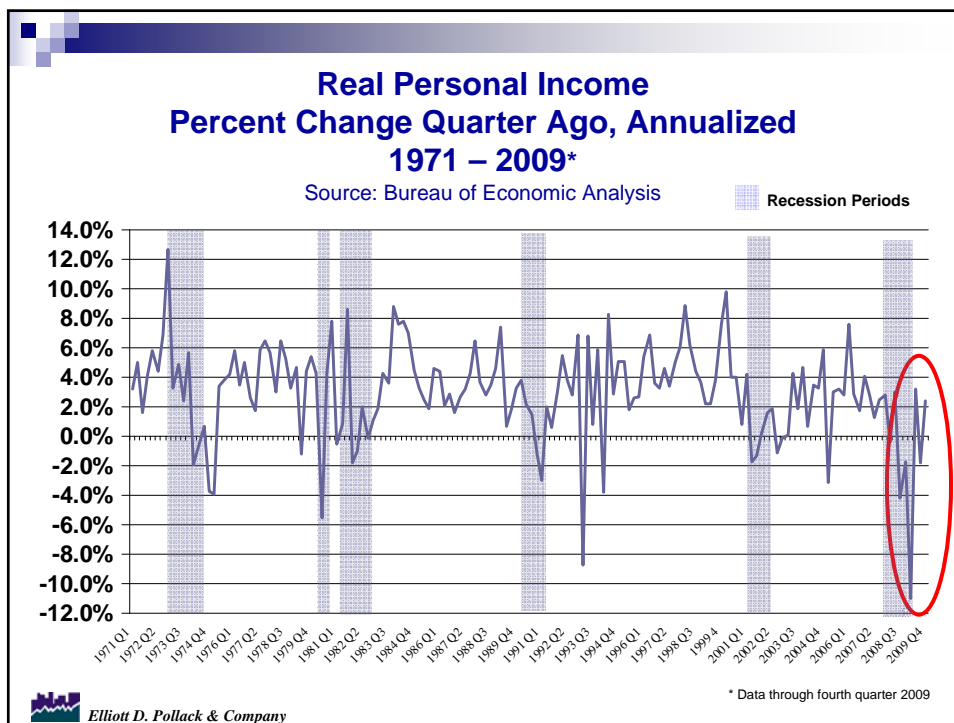
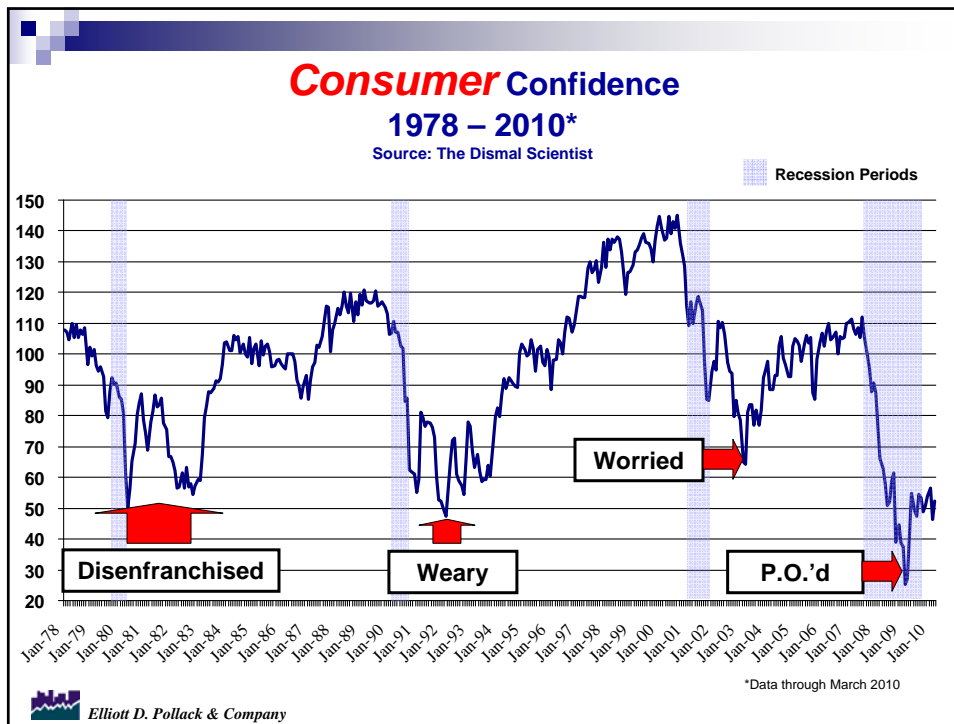


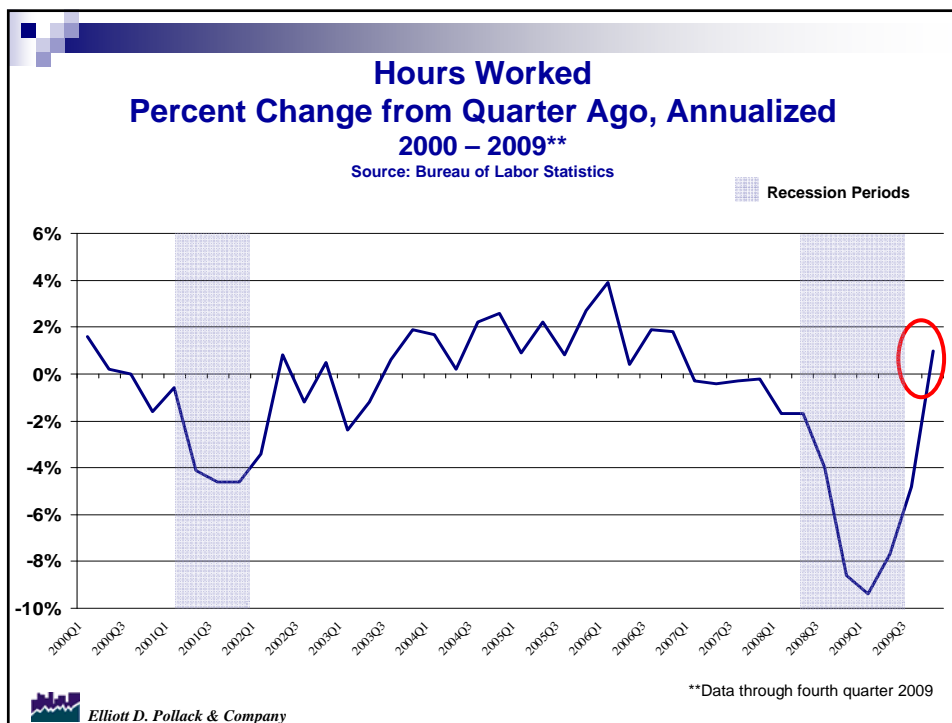
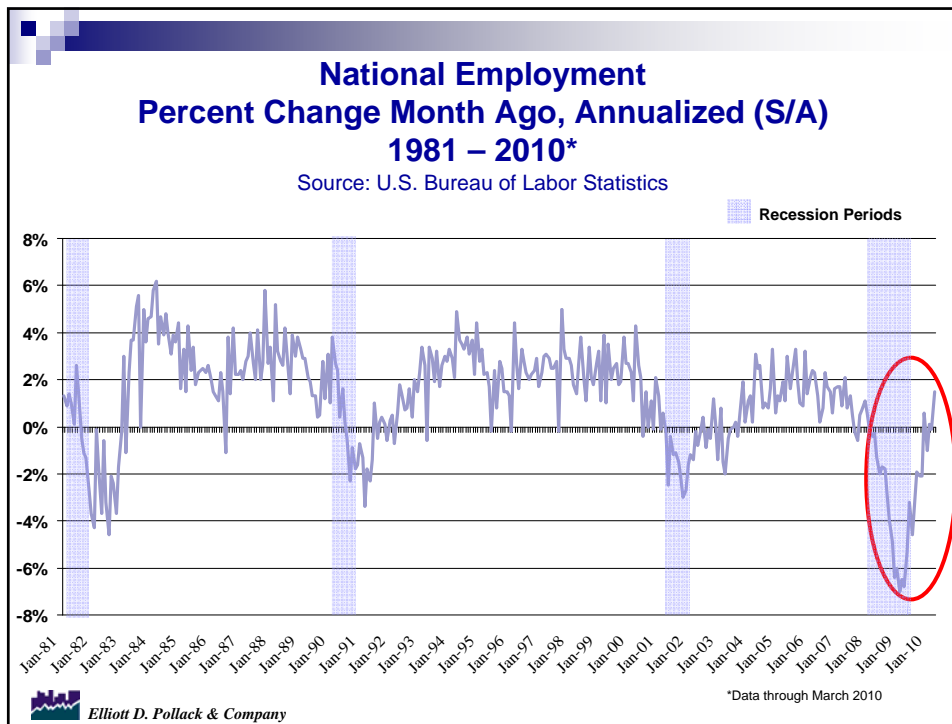
Elliott D. Pollack & Company

Consumer



Elliott D. Pollack & Company





Retail Sales

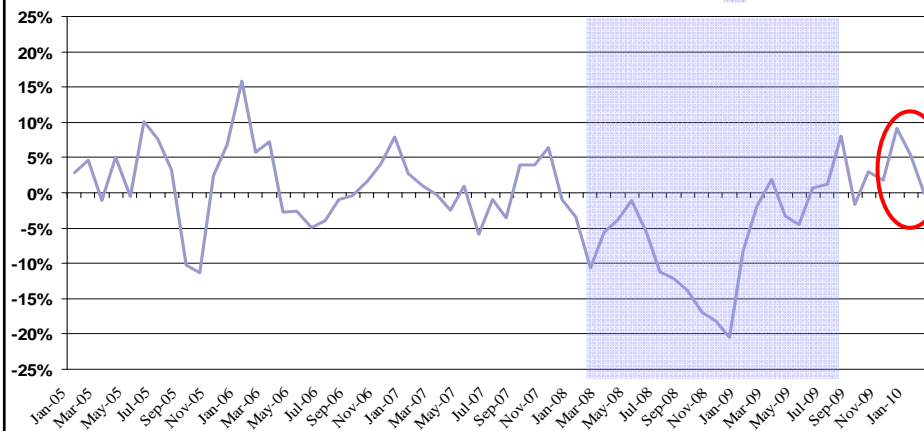


Elliott D. Pollack & Company

Real Retail Sales U.S. Percent Change from Prior Month 2005 – 2009*

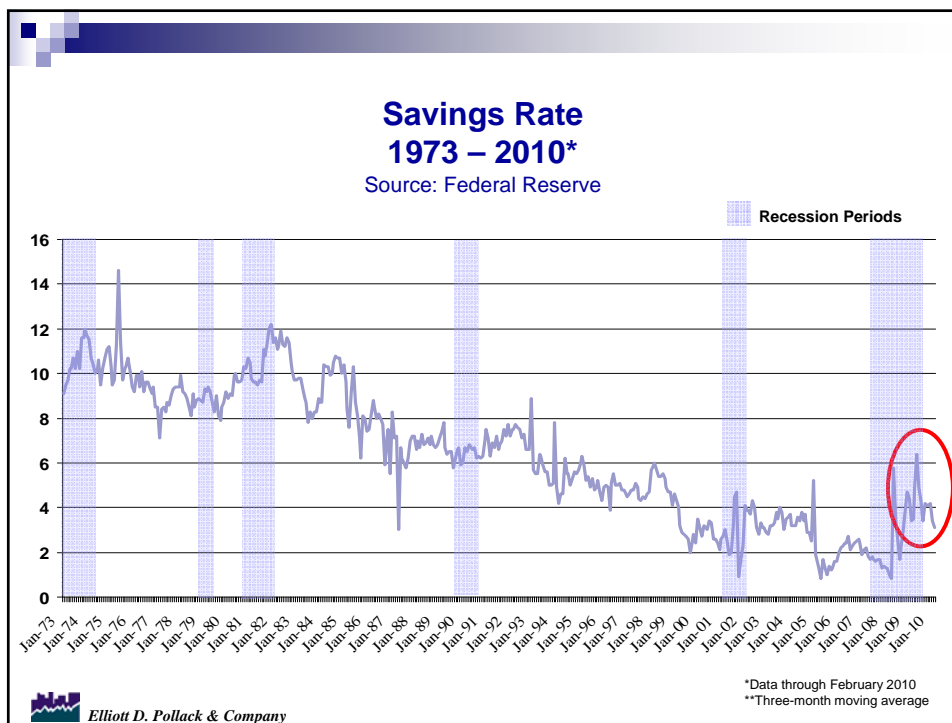
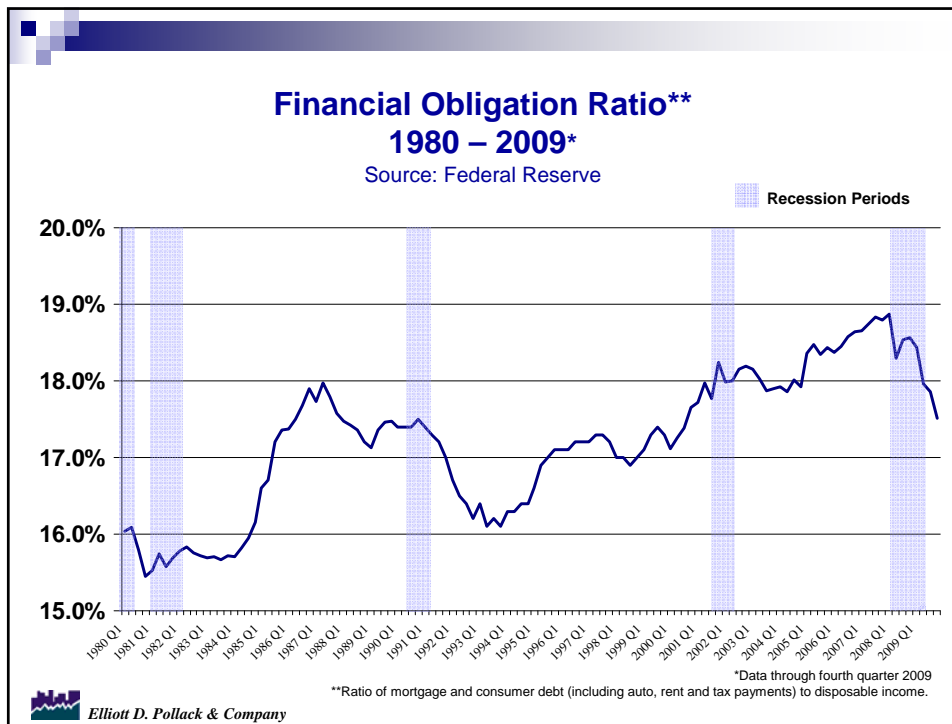
Source: Federal Reserve

Recession Periods



Elliott D. Pollack & Company

*Data through February 2010
**Three-month moving average



Wealth Effect



Elliott D. Pollack & Company

What Will Happen to HH Net Worth?

In the 90s

Housing prices increased moderately,
but stock market boomed.

First half of 2000's

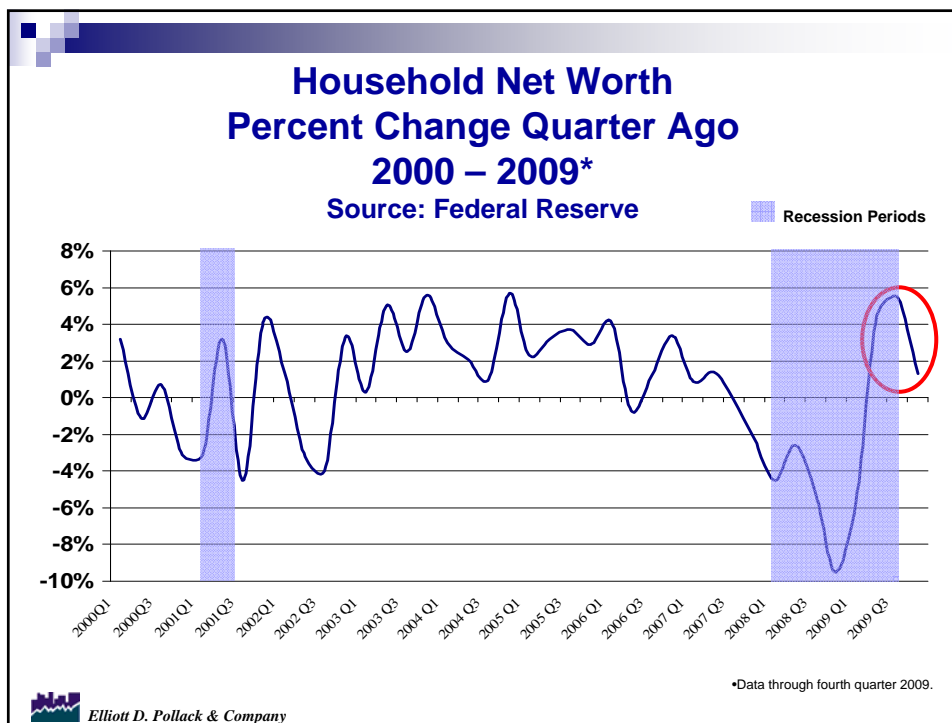
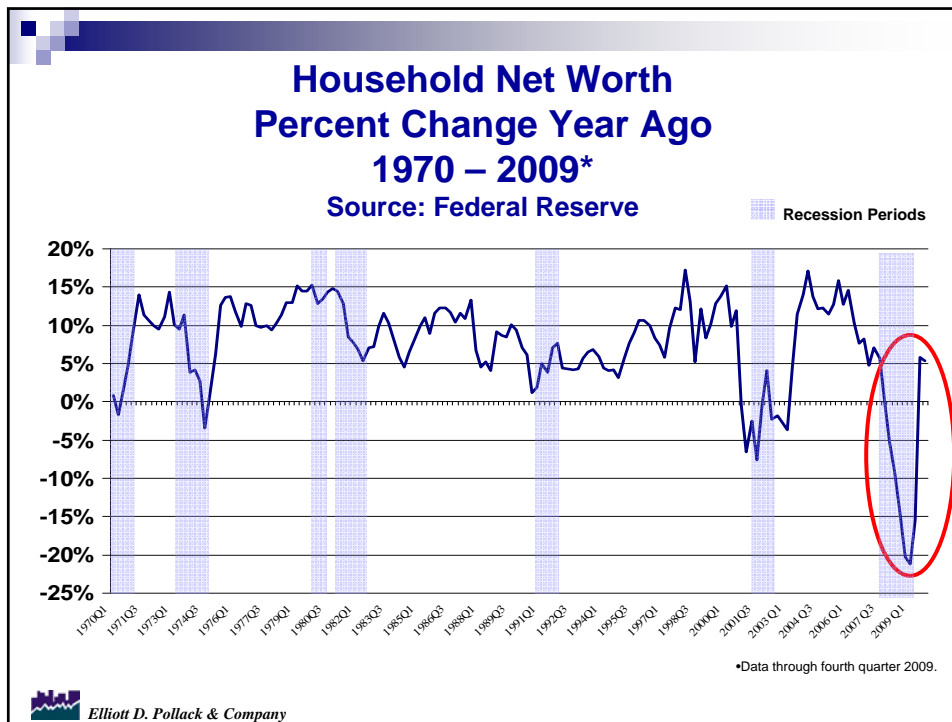
Stock market was doing poorly,
but housing prices boomed.

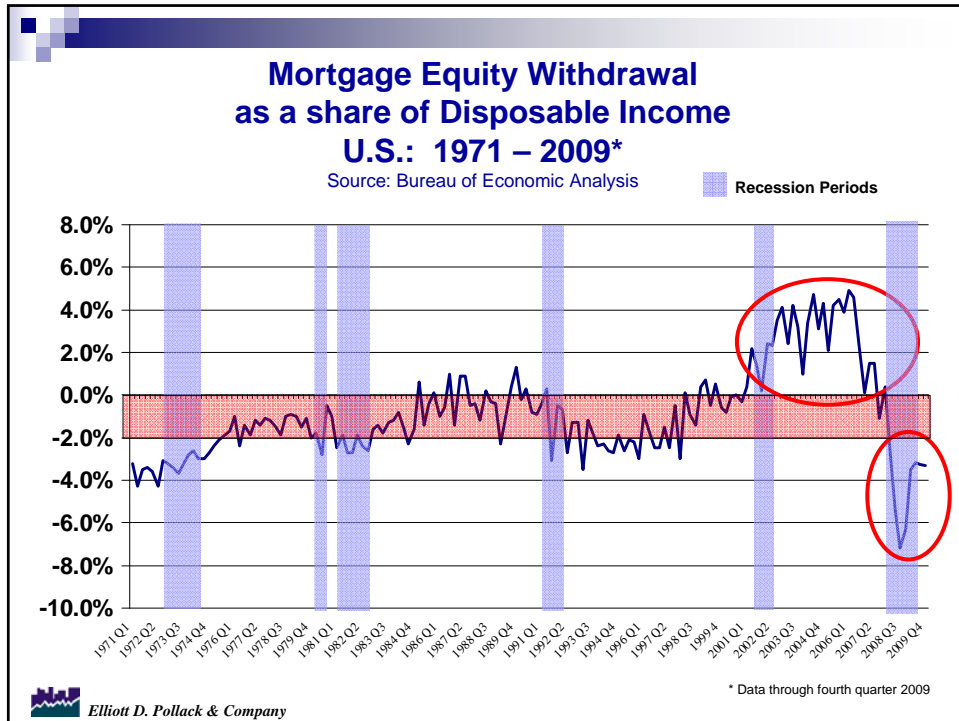
Now

Housing prices AND stock market
down from the peak.



Elliott D. Pollack & Company

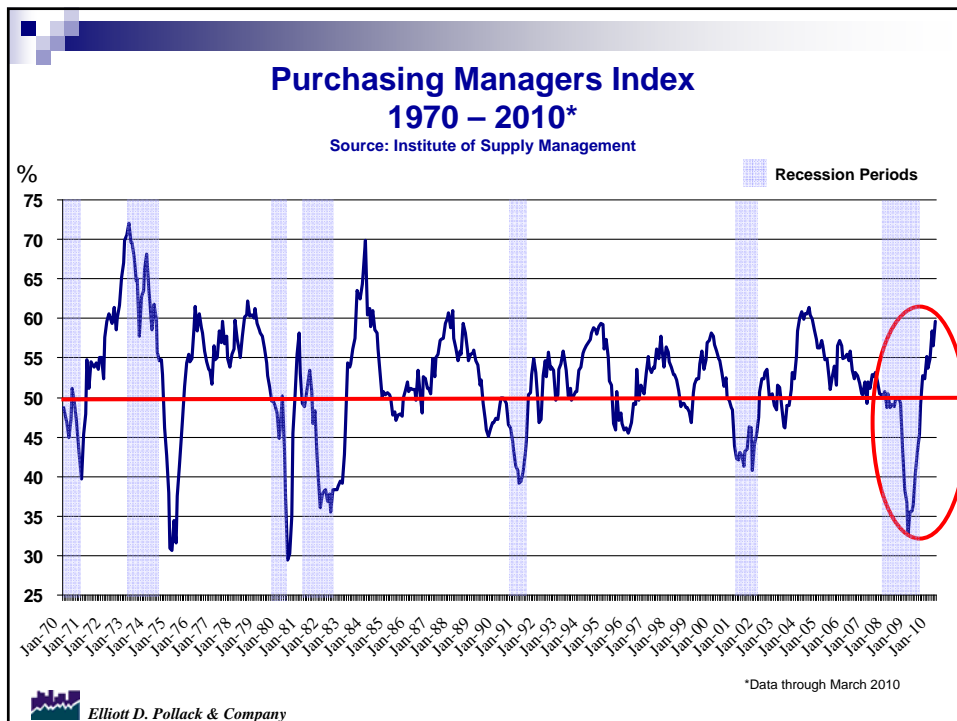
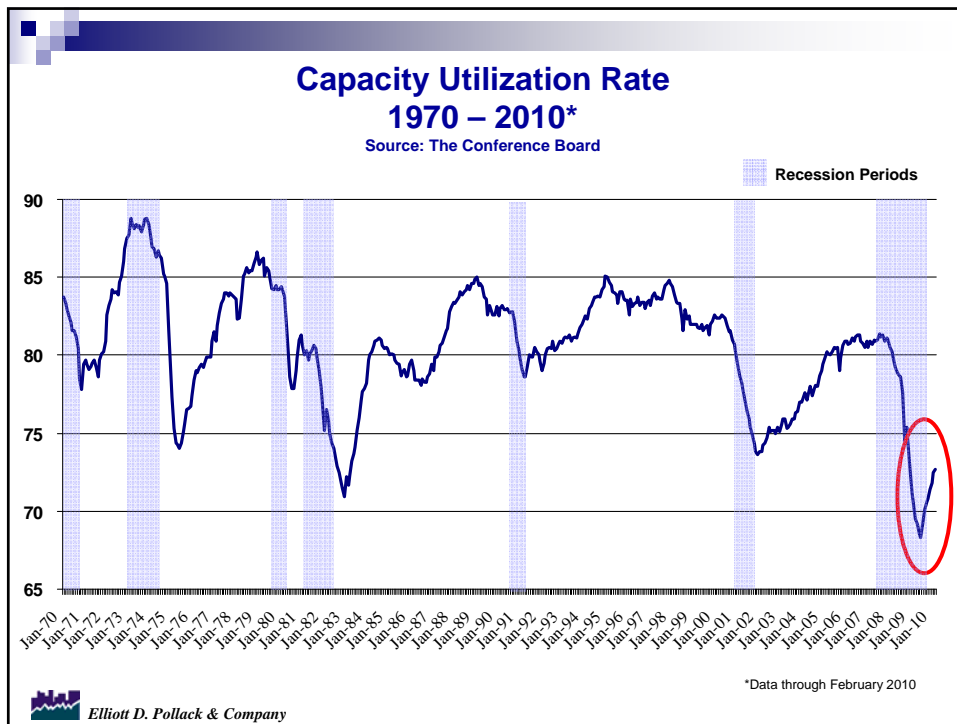


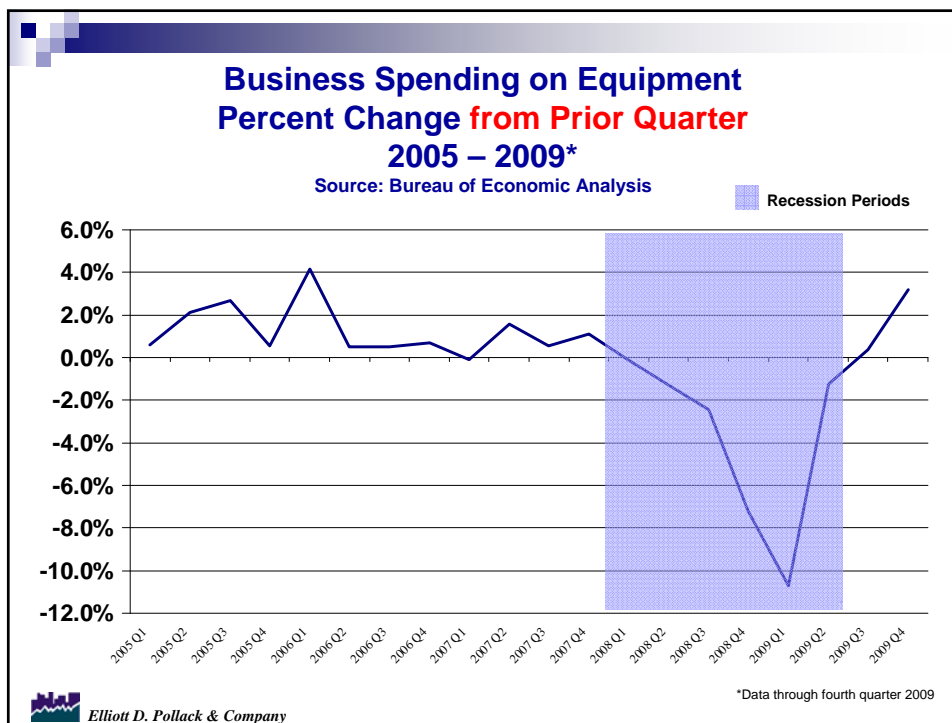
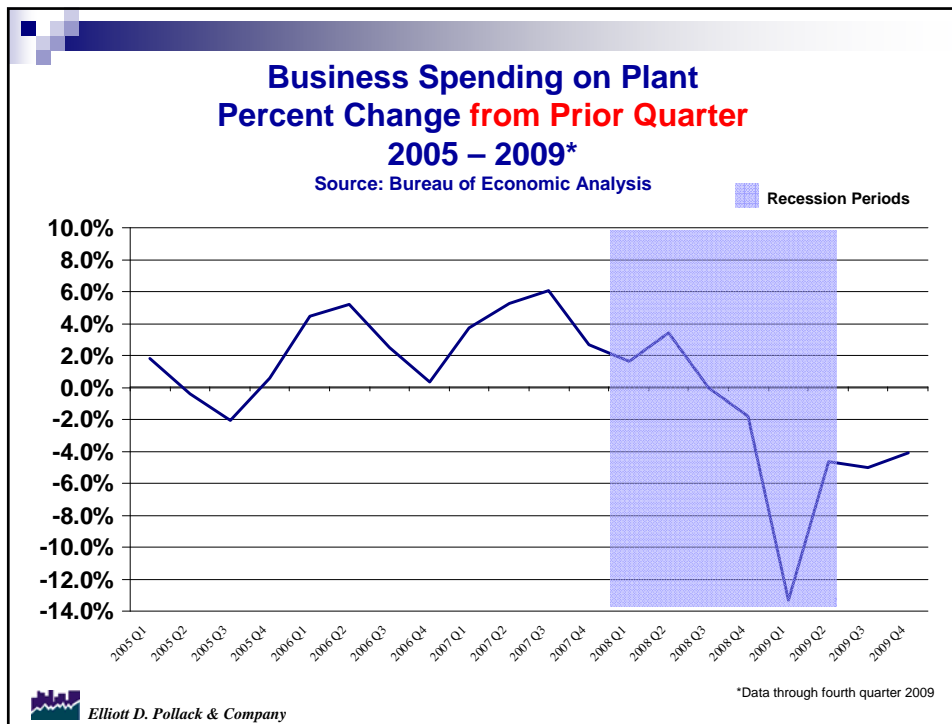


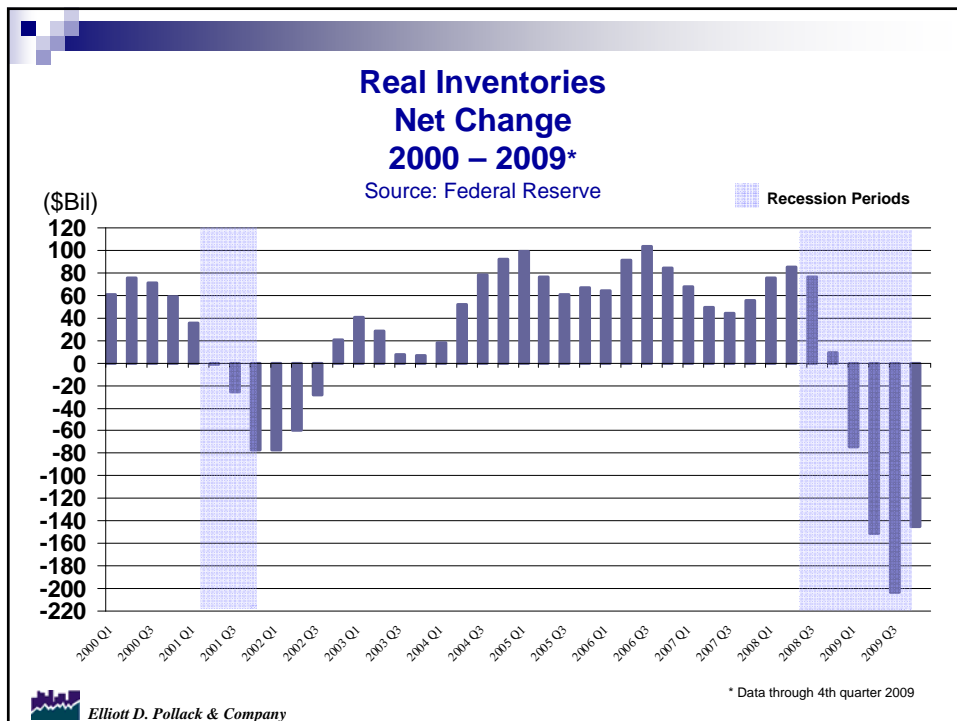
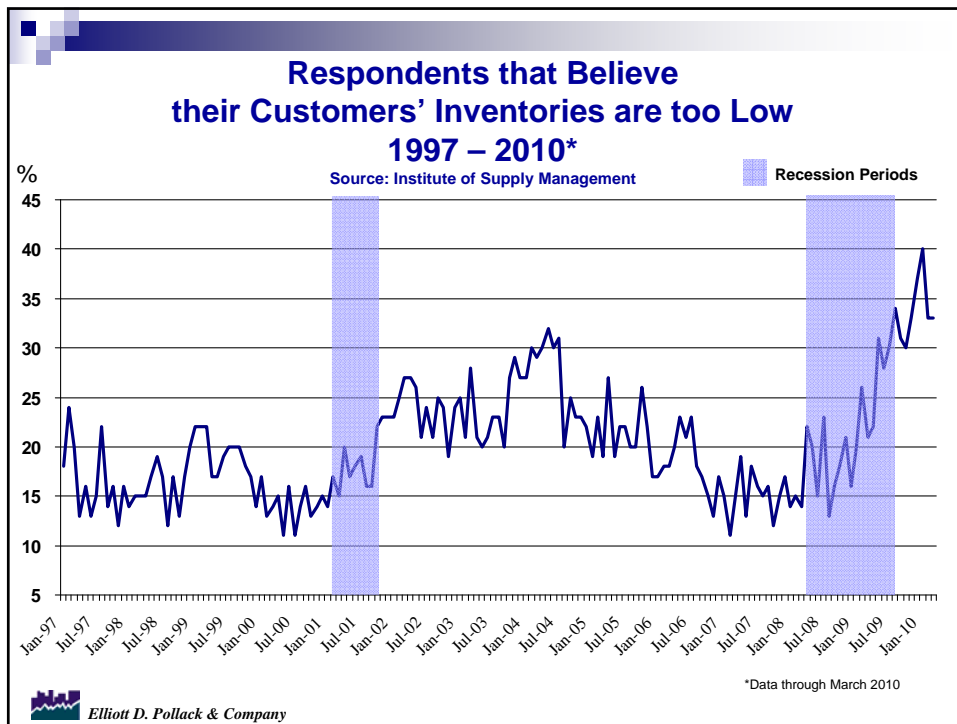
Business

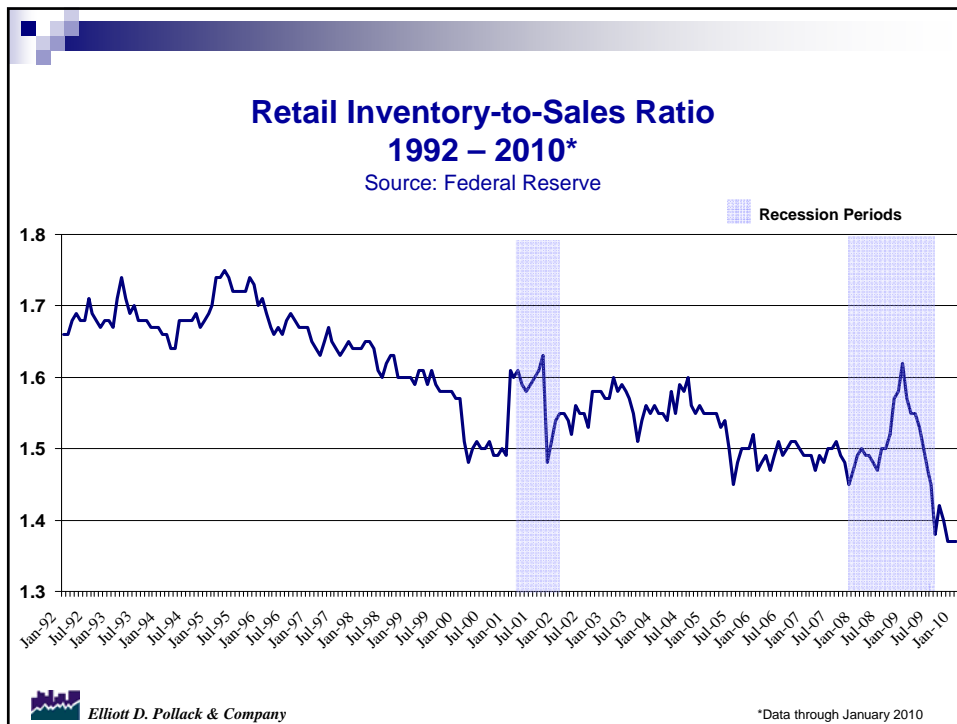
Still Ugly?

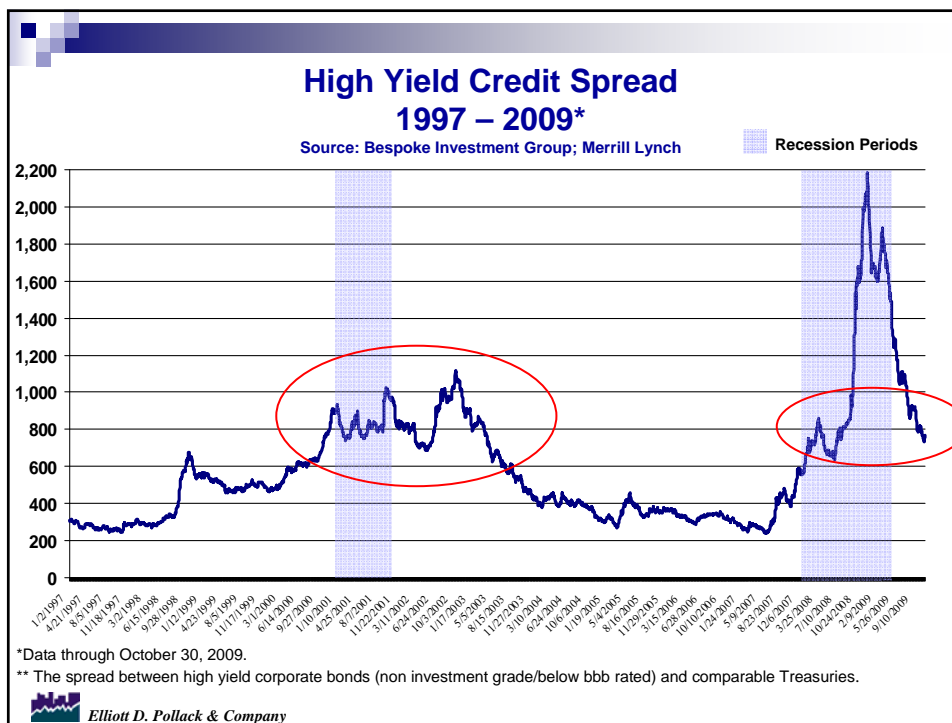
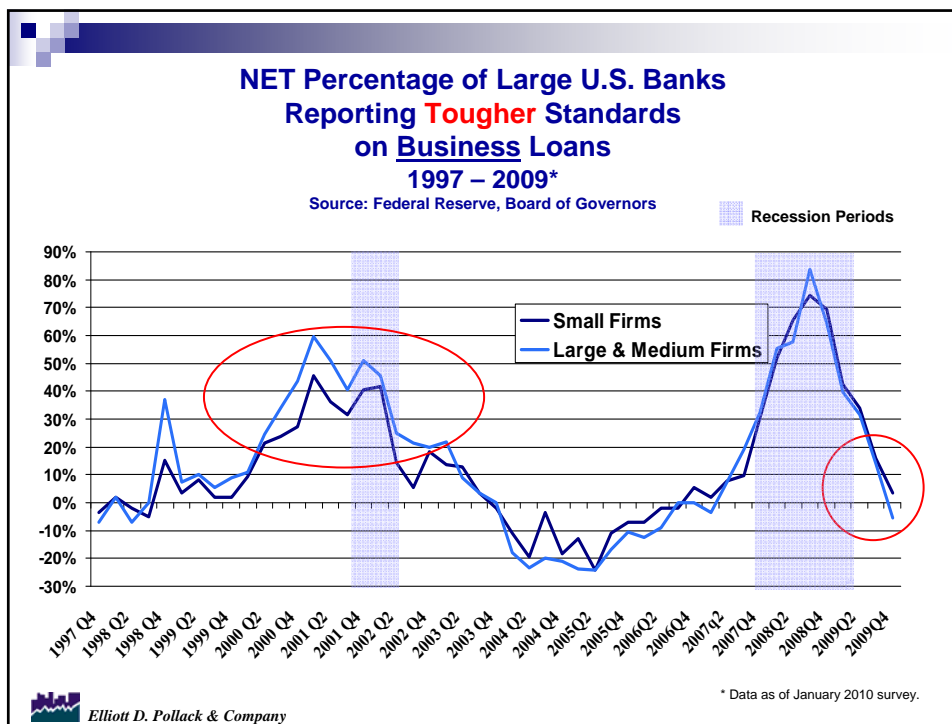
Elliott D. Pollack & Company

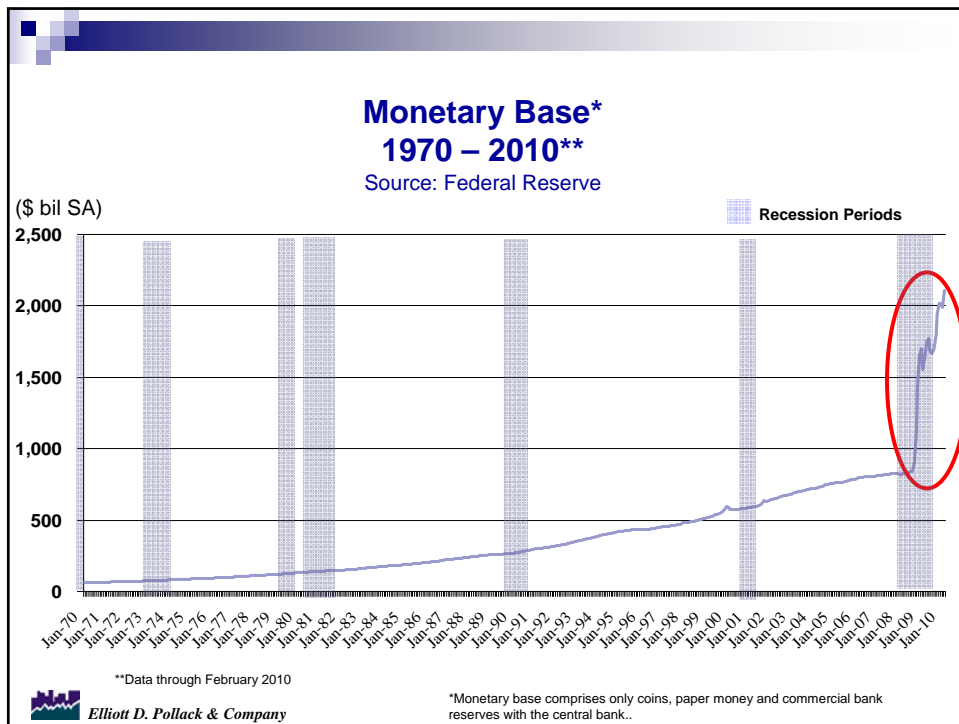












U.S. Summary



- We have moved away from the abyss.
- Recovery will probably be relatively weak at first.

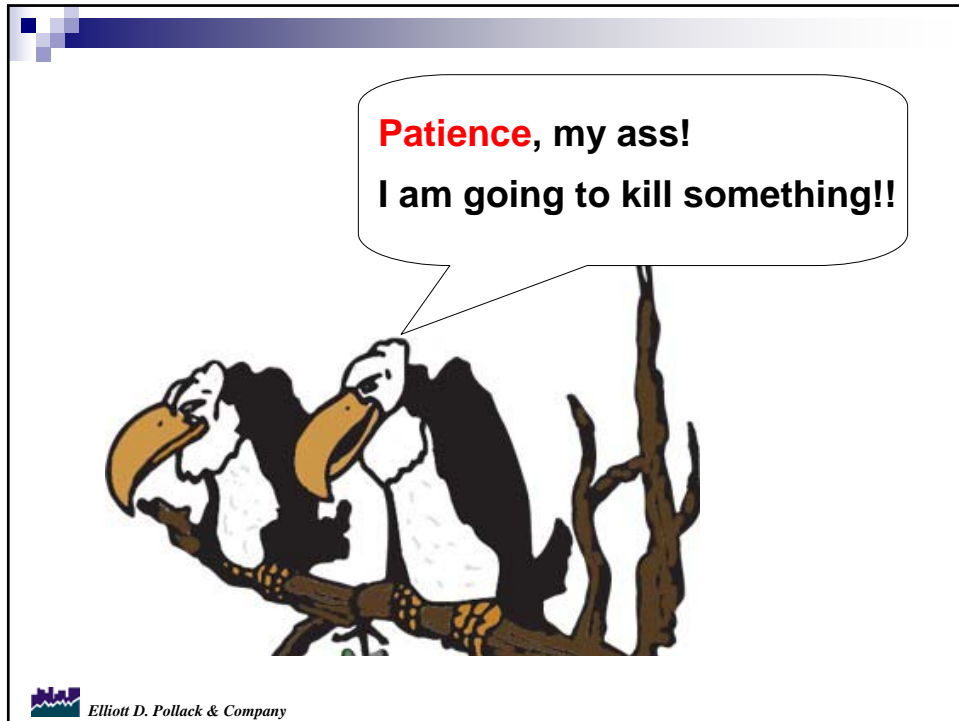


Elliott D. Pollack & Company

Be Patient!



Elliott D. Pollack & Company



***But, the next two
years will be a whole
lot better than the last
two years!***



ELLIOTT D. POLLACK
& Company

Economic and Real Estate Consulting

WWW.ARIZONAECONOMY.COM

INFO @ EDPCO.COM

7505 East Sixth Avenue, Suite 100 Scottsdale, Arizona 85251
480-423-9200 P 480-423-5942 F www.arizonaeconomy.com



Elliott D. Pollack & Company



Finance Advisory Committee

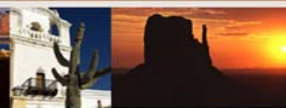
April 13, 2010



State Cash Flow Update



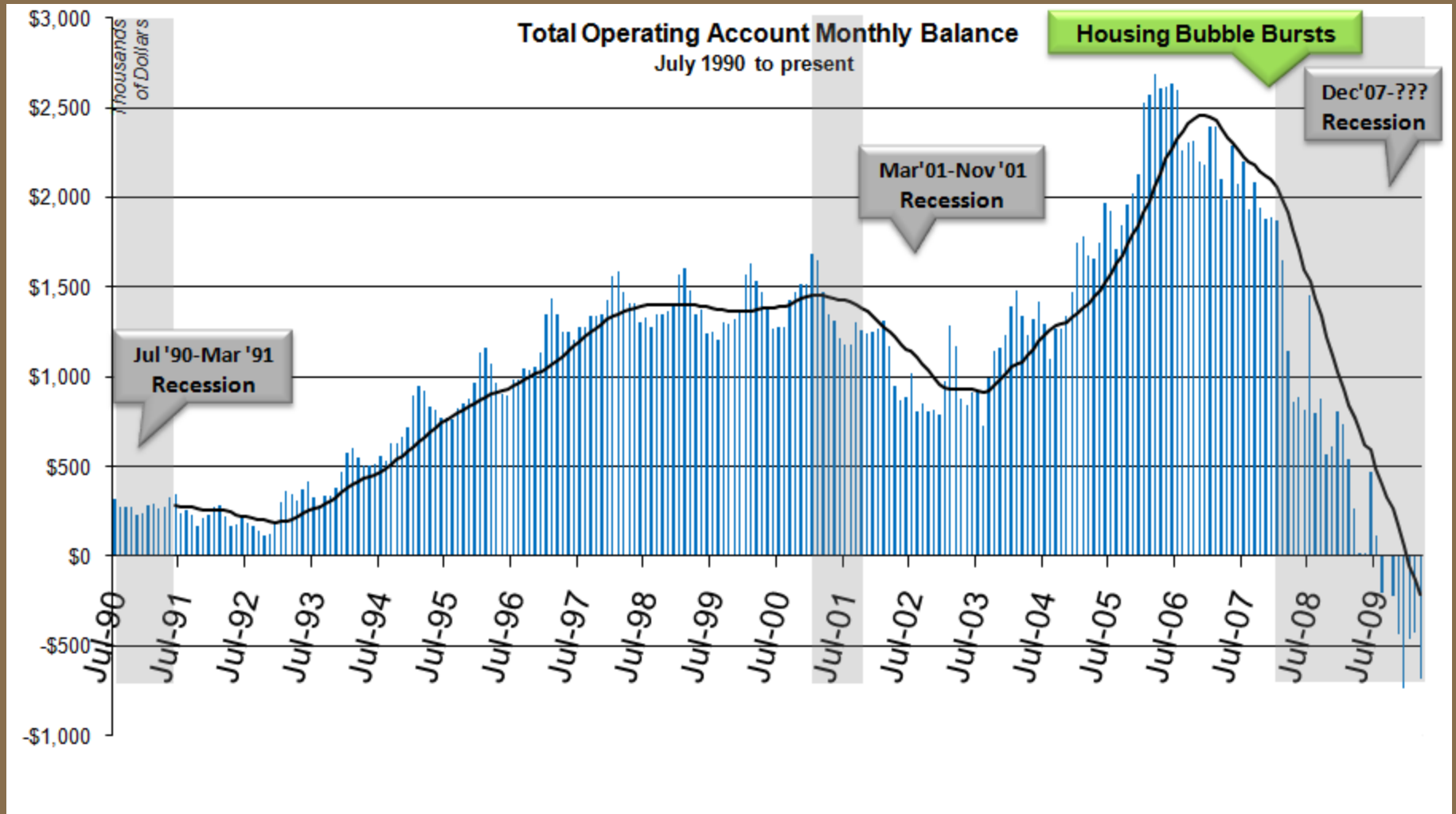
HON. DEAN MARTIN, TREASURER



OFFICE OF THE ARIZONA STATE TREASURER



State Total Operating Account Average Monthly Balance July 1990 to present



HON. DEAN MARTIN, TREASURER

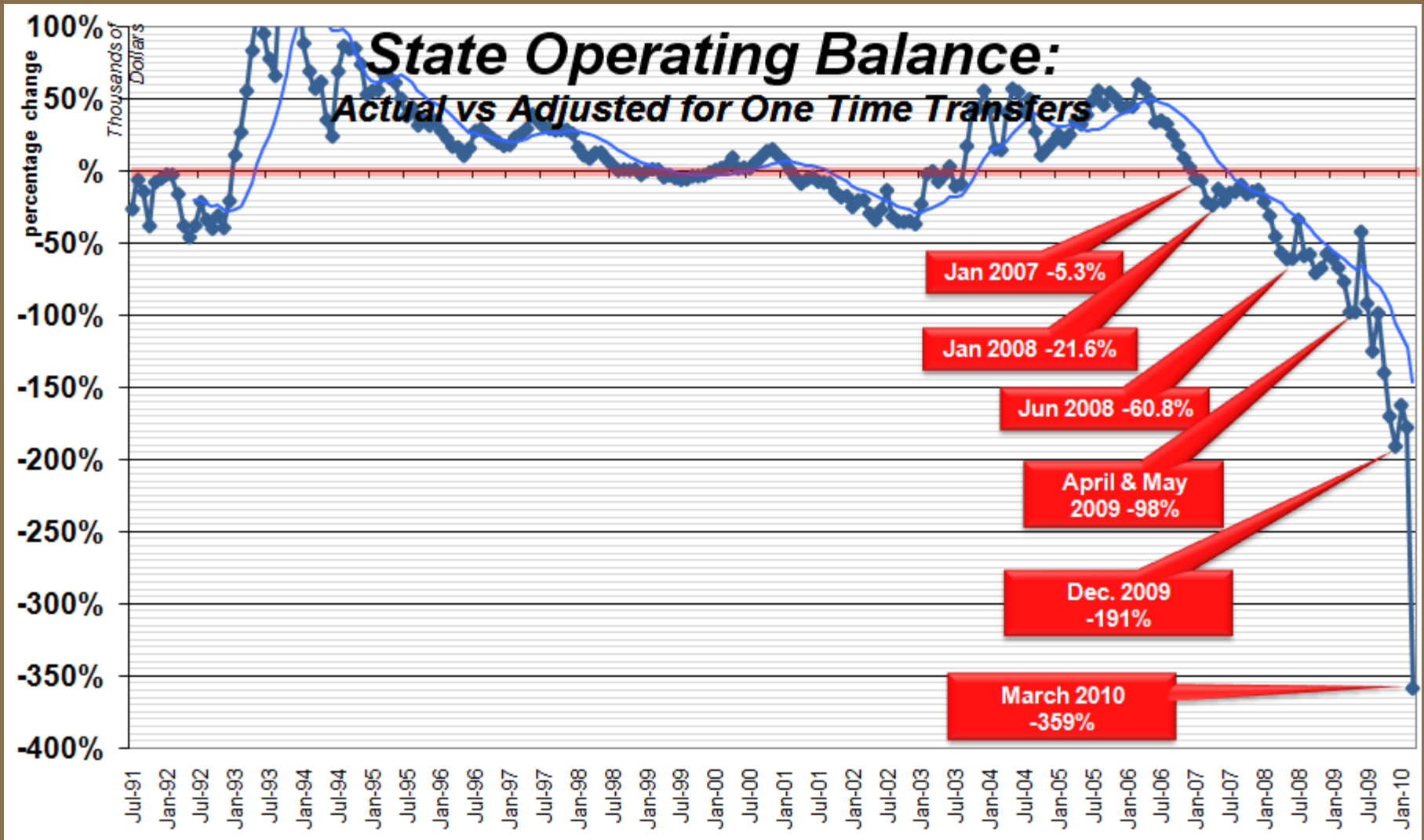
Pg 2

OFFICE OF THE ARIZONA STATE TREASURER



State of Arizona Operating Cash Balance On A Downward Trend

Percent Change in Operating Account Balance



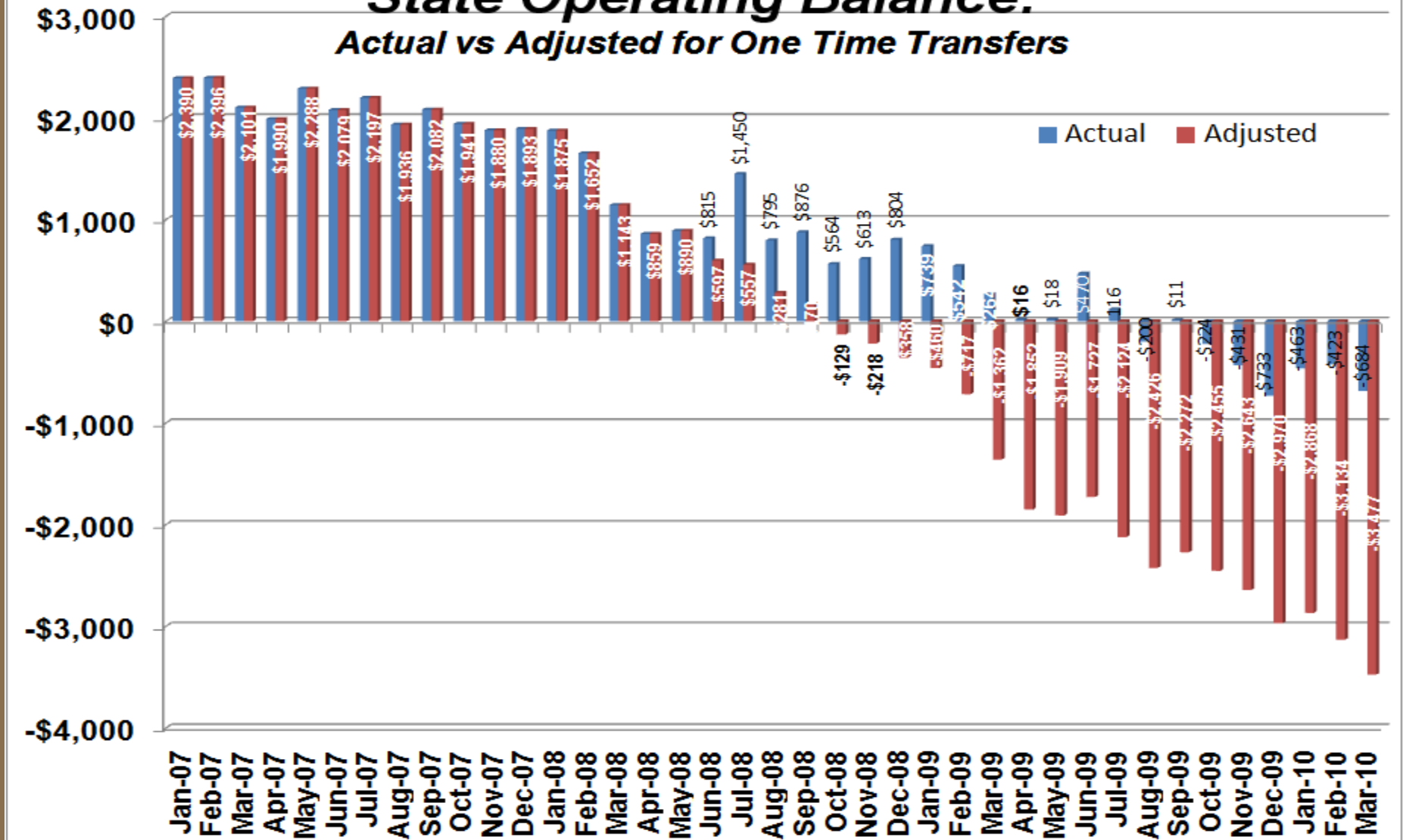
HON. DEAN MARTIN, TREASURER

Pg 3

OFFICE OF THE ARIZONA STATE TREASURER



State Operating Balance: Actual vs Adjusted for One Time Transfers

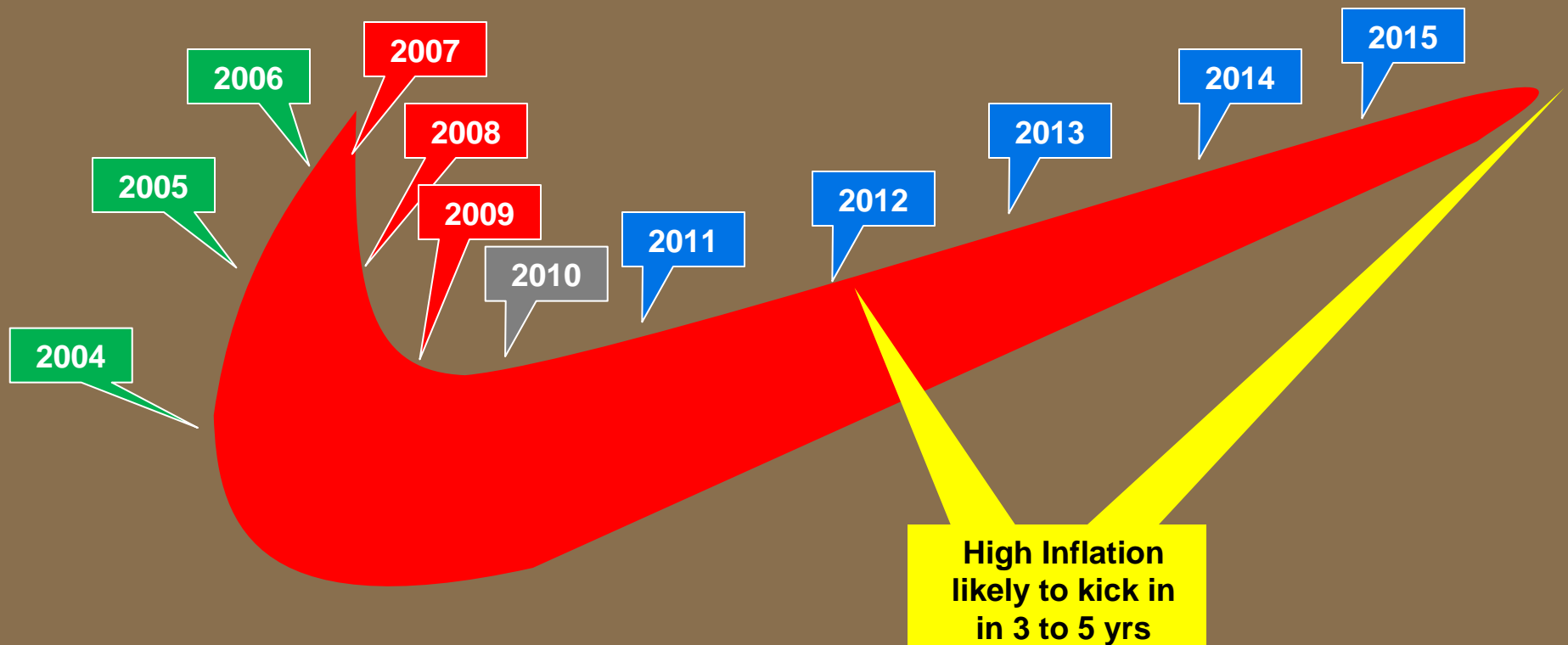


HON. DEAN MARTIN, TREASURER

OFFICE OF THE ARIZONA STATE TREASURER



“Nike” Swhooosh Forecast



HON. DEAN MARTIN, TREASURER

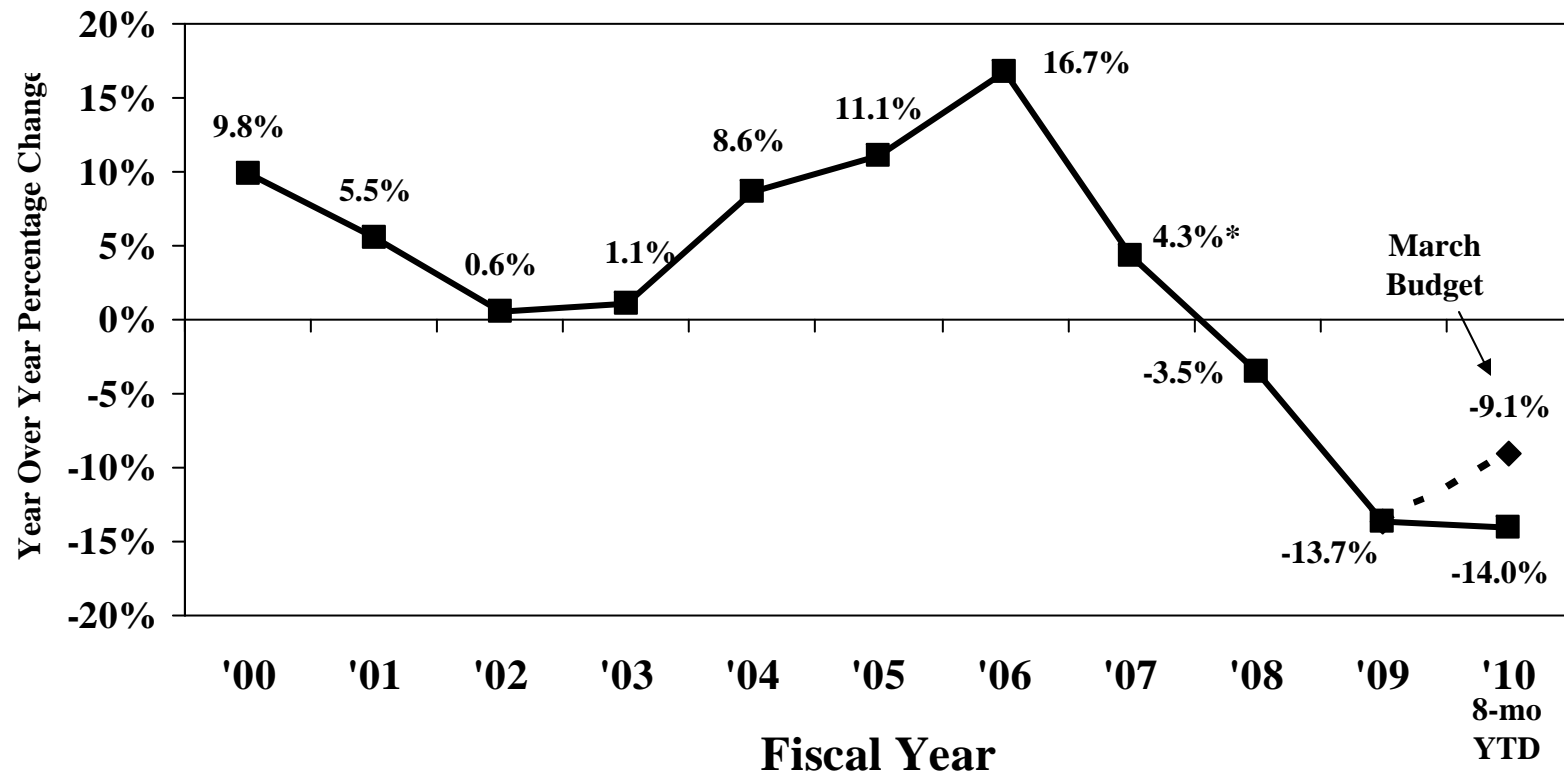
5

OFFICE OF THE ARIZONA STATE TREASURER



Sales Tax

Sales Tax Growth Rate



* The '07 increase of 4.3% includes the one-time impact of the revised June estimated payment threshold from \$100,000 to \$1.0 million enacted by the Legislature. Excluding the impact of the one-time change, baseline collections grew by 5.6%

Arizona Sales Tax - Total General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
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	439,996,411	4.7%	8.2%
		Feb 2007	359,643,938	8.8%	8.3%
		Mar 2007	353,088,173	2.1%	7.6%
		Apr 2007	398,196,373	3.5%	7.1%
		May 2007	357,610,064	-1.3%	6.3%
	↓	June 2007	320,780,323	-16.3%	4.3%
FY 2008	↑	July 2007	392,889,822	0.6%	0.6%
		Aug 2007	366,627,555	3.7%	2.1%
		Sept 2007	366,842,873	-3.4%	0.2%
		Oct 2007	373,831,498	-0.8%	0.0%
		Nov 2007	366,084,157	0.2%	0.0%
		Dec 2007	362,105,035	0.0%	0.0%
		Jan 2008	406,881,740	-7.5%	-1.2%
		Feb 2008	342,061,289	-4.9%	-1.7%
		Mar 2008	349,634,579	-1.0%	-1.6%
		Apr 2008	373,838,251	-6.1%	-2.1%
		May 2008	353,973,221	-1.0%	-2.0%
	↓	June 2008	298,794,828	-6.9%	-2.3%
FY 2009	↑	July 2008	356,253,718	-9.3%	-9.3%
		Aug 2008	345,178,741	-5.9%	-7.6%
		Sept 2008	342,275,305	-6.7%	-7.3%
		Oct 2008	337,313,340	-9.8%	-7.9%
		Nov 2008	317,474,089	-13.3%	-9.0%
		Dec 2008	302,821,227	-16.4%	-10.2%
		Jan 2009	357,760,734	-12.1%	-10.5%
		Feb 2009	280,674,594	-17.9%	-11.3%
		Mar 2009	282,169,633	-19.3%	-12.2%
		Apr 2009	299,864,274	-19.8%	-12.9%
		May 2009	278,889,778	-21.2%	-13.7%
	↓	June 2009	255,731,805	-14.4%	-13.7%
FY 2010	↑	July 2009	290,628,634	-18.4%	-18.4%
		Aug 2009	287,604,077	-16.7%	-17.6%
		Sept 2009	287,827,907	-15.9%	-17.0%
		Oct 2009	277,910,648	-17.6%	-17.2%
		Nov 2009	275,994,428	-13.1%	-16.4%
		Dec 2009	272,663,118	-10.0%	-15.4%
		Jan 2010	319,313,439	-10.7%	-14.7%
		Feb 2010	256,963,944	-8.4%	-14.0%
		Mar 2010			
		Apr 2010			
		May 2010			
	↓	June 2010			

Arizona Sales Tax - Retail

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
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	215,189,656	1.0%	4.1%
		Feb 2007	157,706,055	6.0%	4.3%
		Mar 2007	158,858,656	2.0%	4.0%
		Apr 2007	181,559,289	3.5%	4.0%
		May 2007	177,671,344	5.0%	4.1%
	↓	June 2007	166,994,609	-0.7%	3.7%
FY 2008	↑	July 2007	168,701,610	-0.6%	-0.6%
		Aug 2007	155,843,067	0.0%	-0.3%
		Sept 2007	157,758,362	-3.8%	-1.5%
		Oct 2007	155,232,586	-2.3%	-1.7%
		Nov 2007	155,481,940	1.0%	-1.2%
		Dec 2007	161,715,960	-3.4%	-1.6%
		Jan 2008	206,954,506	-3.8%	-2.0%
		Feb 2008	141,687,651	-10.2%	-2.9%
		Mar 2008	151,347,983	-4.7%	-3.1%
		Apr 2008	171,895,140	-5.3%	-3.4%
		May 2008	154,399,548	-13.1%	-4.3%
	↓	June 2008	158,533,239	-5.1%	-4.4%
FY 2009	↑	July 2008	151,221,528	-10.4%	-10.4%
		Aug 2008	141,997,515	-8.9%	-9.7%
		Sept 2008	148,418,887	-5.9%	-8.4%
		Oct 2008	142,632,579	-8.1%	-8.4%
		Nov 2008	132,015,121	-15.1%	-9.7%
		Dec 2008	139,180,130	-13.9%	-10.4%
		Jan 2009	178,527,187	-13.7%	-11.0%
		Feb 2009	125,137,464	-11.7%	-11.1%
		Mar 2009	127,627,909	-15.7%	-11.5%
		Apr 2009	141,459,474	-17.7%	-12.2%
		May 2009	133,598,827	-13.5%	-12.3%
	↓	June 2009	140,981,387	-11.1%	-12.2%
FY 2010	↑	July 2009	132,848,837	-12.1%	-12.1%
		Aug 2009	124,372,918	-12.4%	-12.3%
		Sept 2009	130,342,126	-12.2%	-12.2%
		Oct 2009	124,549,991	-12.7%	-12.3%
		Nov 2009	125,386,948	-5.0%	-11.0%
		Dec 2009	134,894,514	-3.1%	-9.7%
		Jan 2010	176,814,678	-1.0%	-8.2%
		Feb 2010	117,915,774	-5.8%	-7.9%
		Mar 2010			
		Apr 2010			
		May 2010			
	↓	June 2010			

Arizona Sales Tax - Contracting

General Fund Collections

			Year-to-Year	Year-to-Date	
			Collections (\$)	% Change	
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	95,496,438	14.4%	16.6%
		Feb 2007	73,418,261	12.2%	16.1%
		Mar 2007	70,403,512	-0.8%	14.2%
		Apr 2007	81,956,142	-0.9%	12.5%
		May 2007	76,125,717	-0.2%	11.3%
	↓	June 2007	80,475,472	-3.0%	9.9%
FY 2008	↑	July 2007	84,908,206	-5.2%	-5.2%
		Aug 2007	78,149,544	3.9%	-1.1%
		Sept 2007	75,884,177	-6.2%	-2.8%
		Oct 2007	77,120,496	-12.0%	-5.2%
		Nov 2007	76,543,383	-4.9%	-5.1%
		Dec 2007	76,723,853	-0.2%	-4.4%
		Jan 2008	72,469,751	-24.1%	-7.6%
		Feb 2008	64,593,368	-12.0%	-8.1%
		Mar 2008	59,879,686	-14.9%	-8.7%
		Apr 2008	66,449,725	-18.9%	-9.8%
		May 2008	66,990,187	-12.0%	-10.0%
	↓	June 2008	69,569,046	-13.6%	-10.3%
FY 2009	↑	July 2008	68,881,661	-18.9%	-18.9%
		Aug 2008	65,910,704	-15.7%	-17.3%
		Sept 2008	61,476,833	-19.0%	-17.9%
		Oct 2008	63,339,249	-17.9%	-17.9%
		Nov 2008	61,291,312	-19.9%	-18.3%
		Dec 2008	54,311,200	-29.2%	-20.1%
		Jan 2009	58,954,479	-18.6%	-19.9%
		Feb 2009	41,459,848	-35.8%	-21.6%
		Mar 2009	40,464,401	-32.4%	-22.5%
		Apr 2009	44,382,960	-33.2%	-23.5%
		May 2009	38,522,448	-42.5%	-25.1%
	↓	June 2009	44,002,721	-36.7%	-26.0%
FY 2010	↑	July 2009	43,223,253	-37.2%	-37.2%
		Aug 2009	39,127,079	-40.6%	-38.9%
		Sept 2009	36,572,916	-40.5%	-39.4%
		Oct 2009	35,326,726	-44.2%	-40.6%
		Nov 2009	34,718,292	-43.4%	-41.1%
		Dec 2009	34,412,620	-36.6%	-40.5%
		Jan 2010	33,949,000	-42.4%	-40.7%
		Feb 2010	25,036,775	-39.6%	-40.6%
		Mar 2010			
		Apr 2010			
		May 2010			
	↓	June 2010			

Arizona Sales Tax - Utilities

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
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	27,586,109	0.9%	10.4%
		Feb 2007	32,562,551	27.4%	12.2%
		Mar 2007	29,526,457	30.8%	13.8%
		Apr 2007	25,414,142	5.4%	13.1%
		May 2007	24,034,224	8.7%	12.8%
	↓	June 2007	29,476,016	5.9%	12.2%
FY 2008	↑	July 2007	38,942,178	13.5%	13.5%
		Aug 2007	37,039,168	5.8%	9.6%
		Sept 2007	38,939,736	-9.6%	2.2%
		Oct 2007	43,658,875	17.6%	6.1%
		Nov 2007	34,702,176	11.0%	6.9%
		Dec 2007	28,029,896	12.4%	7.6%
		Jan 2008	27,510,799	-0.3%	6.7%
		Feb 2008	35,515,285	9.1%	6.9%
		Mar 2008	34,338,536	16.3%	7.9%
		Apr 2008	24,546,221	-3.4%	7.0%
		May 2008	27,297,353	13.6%	7.4%
	↓	June 2008	30,641,891	4.0%	7.2%
FY 2009	↑	July 2008	37,561,735	-3.5%	-3.5%
		Aug 2008	46,879,131	26.6%	11.1%
		Sept 2008	45,036,032	15.7%	12.7%
		Oct 2008	40,502,312	-7.2%	7.2%
		Nov 2008	35,158,491	1.3%	6.1%
		Dec 2008	27,056,247	-3.5%	4.9%
		Jan 2009	27,856,644	1.3%	4.5%
		Feb 2009	31,978,738	-10.0%	2.7%
		Mar 2009	28,377,783	-17.4%	0.5%
		Apr 2009	26,572,955	8.3%	1.1%
		May 2009	26,330,652	-3.5%	0.8%
	↓	June 2009	29,475,056	-3.8%	0.4%
FY 2010	↑	July 2009	39,433,004	5.0%	5.0%
		Aug 2009	45,144,745	-3.7%	0.2%
		Sept 2009	43,433,690	-3.6%	-1.1%
		Oct 2009	41,500,856	2.5%	-0.3%
		Nov 2009	35,744,468	1.7%	0.1%
		Dec 2009	27,481,690	1.6%	0.2%
		Jan 2010	28,568,590	2.6%	0.5%
		Feb 2010	32,482,738	1.6%	0.6%
		Mar 2010			
		Apr 2010			
		May 2010			
	↓	June 2010			

Arizona Sales Tax - Restaurants and Bars

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
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	30,950,667	8.5%	9.4%
		Feb 2007	30,649,098	9.8%	9.5%
		Mar 2007	29,694,899	1.0%	8.4%
		Apr 2007	34,392,336	9.1%	8.5%
		May 2007	31,957,682	6.3%	8.3%
	↓	June 2007	29,936,887	3.1%	7.8%
FY 2008	↑	July 2007	29,101,596	3.8%	3.8%
		Aug 2007	26,935,024	6.0%	4.9%
		Sept 2007	26,786,010	5.2%	5.0%
		Oct 2007	28,689,796	4.1%	4.7%
		Nov 2007	29,377,274	-8.9%	1.6%
		Dec 2007	30,275,107	7.0%	2.5%
		Jan 2008	27,452,580	-11.3%	0.3%
		Feb 2008	29,995,413	-2.1%	0.0%
		Mar 2008	30,895,077	4.0%	0.5%
		Apr 2008	34,037,313	-1.0%	0.3%
		May 2008	30,786,989	-3.7%	-0.1%
	↓	June 2008	31,854,667	6.4%	0.4%
FY 2009	↑	July 2008	26,987,359	-7.3%	-7.3%
		Aug 2008	25,927,019	-3.7%	-5.6%
		Sept 2008	26,558,833	-0.8%	-4.0%
		Oct 2008	26,485,387	-7.7%	-5.0%
		Nov 2008	27,624,767	-6.0%	-5.2%
		Dec 2008	27,609,854	-8.8%	-5.8%
		Jan 2009	27,811,860	1.3%	-4.8%
		Feb 2009	27,934,981	-6.9%	-5.1%
		Mar 2009	29,329,829	-5.1%	-5.1%
		Apr 2009	31,257,185	-8.2%	-5.5%
		May 2009	28,180,810	-8.5%	-5.7%
	↓	June 2009	29,708,010	-6.7%	-5.8%
FY 2010	↑	July 2009	26,111,923	-3.2%	-3.2%
		Aug 2009	24,537,663	-5.4%	-4.3%
		Sept 2009	24,808,137	-6.6%	-5.1%
		Oct 2009	25,345,305	-4.3%	-4.9%
		Nov 2009	26,669,073	-3.5%	-4.6%
		Dec 2009	26,594,225	-3.7%	-4.4%
		Jan 2010	27,400,919	-1.5%	-4.0%
		Feb 2010	27,580,642	-1.3%	-3.6%
		Mar 2010			
		Apr 2010			
		May 2010			
	↓	June 2010			

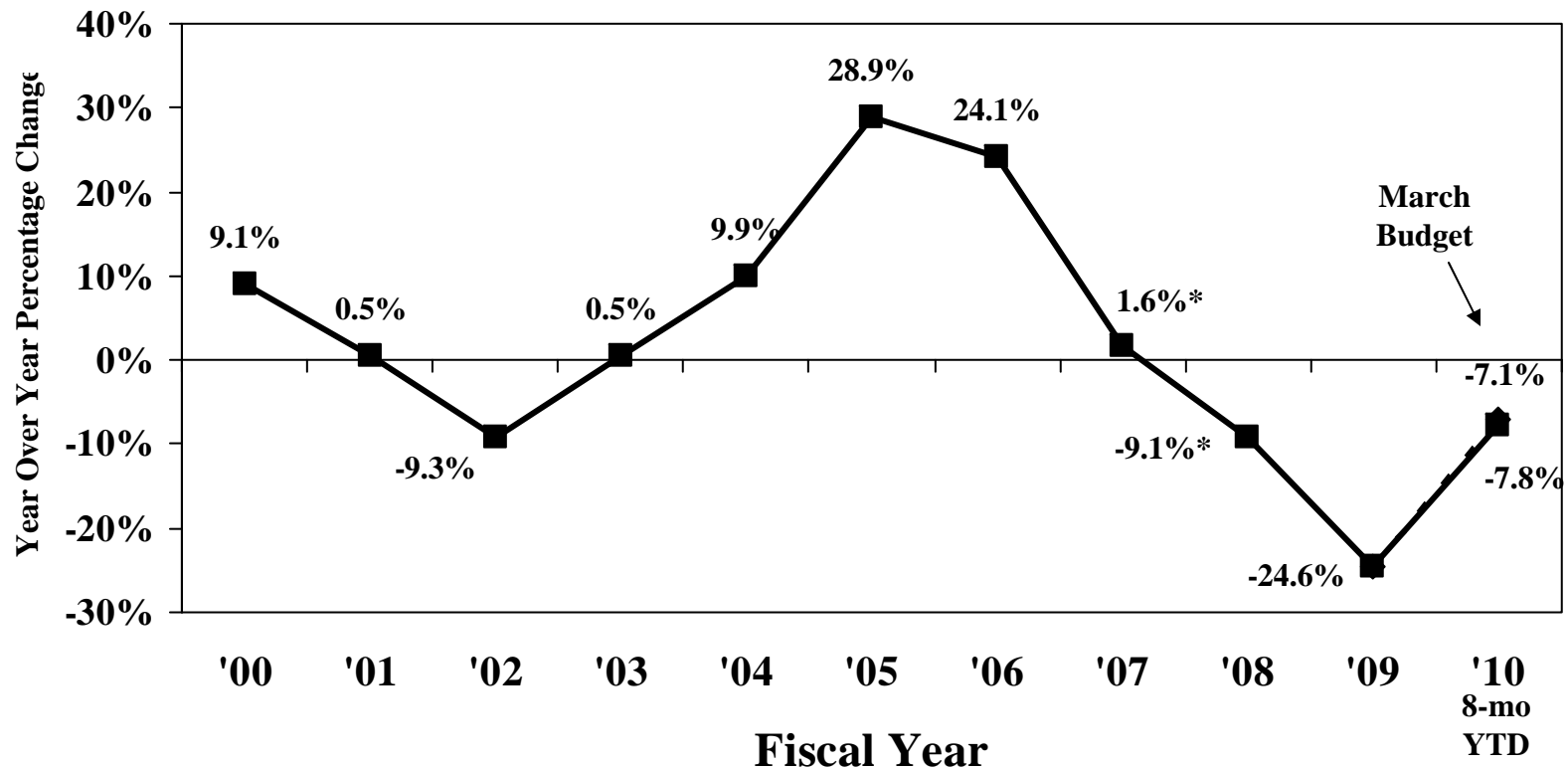
Arizona Use Tax

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
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	31,899,499	1.9%	4.2%
		Feb 2007	23,123,752	-11.6%	2.3%
		Mar 2007	22,628,801	-15.0%	0.3%
		Apr 2007	27,021,534	2.6%	0.6%
		May 2007	6,153,618	-71.6%	-4.9%
	↓	June 2007	29,434,170	58.1%	-1.0%
FY 2008	↑	July 2007	31,300,389	8.0%	8.0%
		Aug 2007	29,103,528	14.4%	11.0%
		Sept 2007	29,437,063	3.1%	8.3%
		Oct 2007	30,750,858	7.8%	8.1%
		Nov 2007	30,042,343	9.3%	8.4%
		Dec 2007	26,487,663	11.5%	8.8%
		Jan 2008	33,730,459	5.7%	8.3%
		Feb 2008	27,581,711	19.3%	9.5%
		Mar 2008	26,927,528	19.0%	10.4%
		Apr 2008	28,924,084	7.0%	10.0%
		May 2008	27,402,823	345.3%	17.6%
	↓	June 2008	19,220,885	-34.7%	12.5%
FY 2009	↑	July 2008	31,696,678	1.3%	1.3%
		Aug 2008	30,505,018	4.8%	3.0%
		Sept 2008	28,148,827	-4.4%	0.6%
		Oct 2008	29,703,678	-3.4%	-0.4%
		Nov 2008	25,398,587	-15.5%	-3.4%
		Dec 2008	20,945,415	-20.9%	-6.1%
		Jan 2009	32,438,853	-3.8%	-5.7%
		Feb 2009	21,418,330	-22.3%	-7.6%
		Mar 2009	20,507,125	-23.8%	-9.3%
		Apr 2009	19,245,339	-33.5%	-11.6%
		May 2009	19,198,904	-29.9%	-13.2%
	↓	June 2009	13,491,820	-29.8%	-14.1%
FY 2010	↑	July 2009	18,370,135	-42.0%	-42.0%
		Aug 2009	24,958,659	-18.2%	-30.3%
		Sept 2009	24,529,411	-12.9%	-24.9%
		Oct 2009	22,089,247	-25.6%	-25.1%
		Nov 2009	21,157,908	-16.7%	-23.6%
		Dec 2009	17,049,569	-18.6%	-23.0%
		Jan 2010	24,234,599	-25.3%	-23.4%
		Feb 2010	18,626,941	-13.0%	-22.4%
		Mar 2010			
		Apr 2010			
		May 2010			
	↓	June 2010			

Individual Income Tax

Individual Income Tax Growth Rate



* The '07 and '08 percentages include the impact of the 10% rate reduction passed by the Legislature, and phased in over 2 years beginning in tax year 2006. Excluding the rate reduction, baseline '07 growth was 6.3%, and '08 was (4.1)%.

% Change From Prior Year

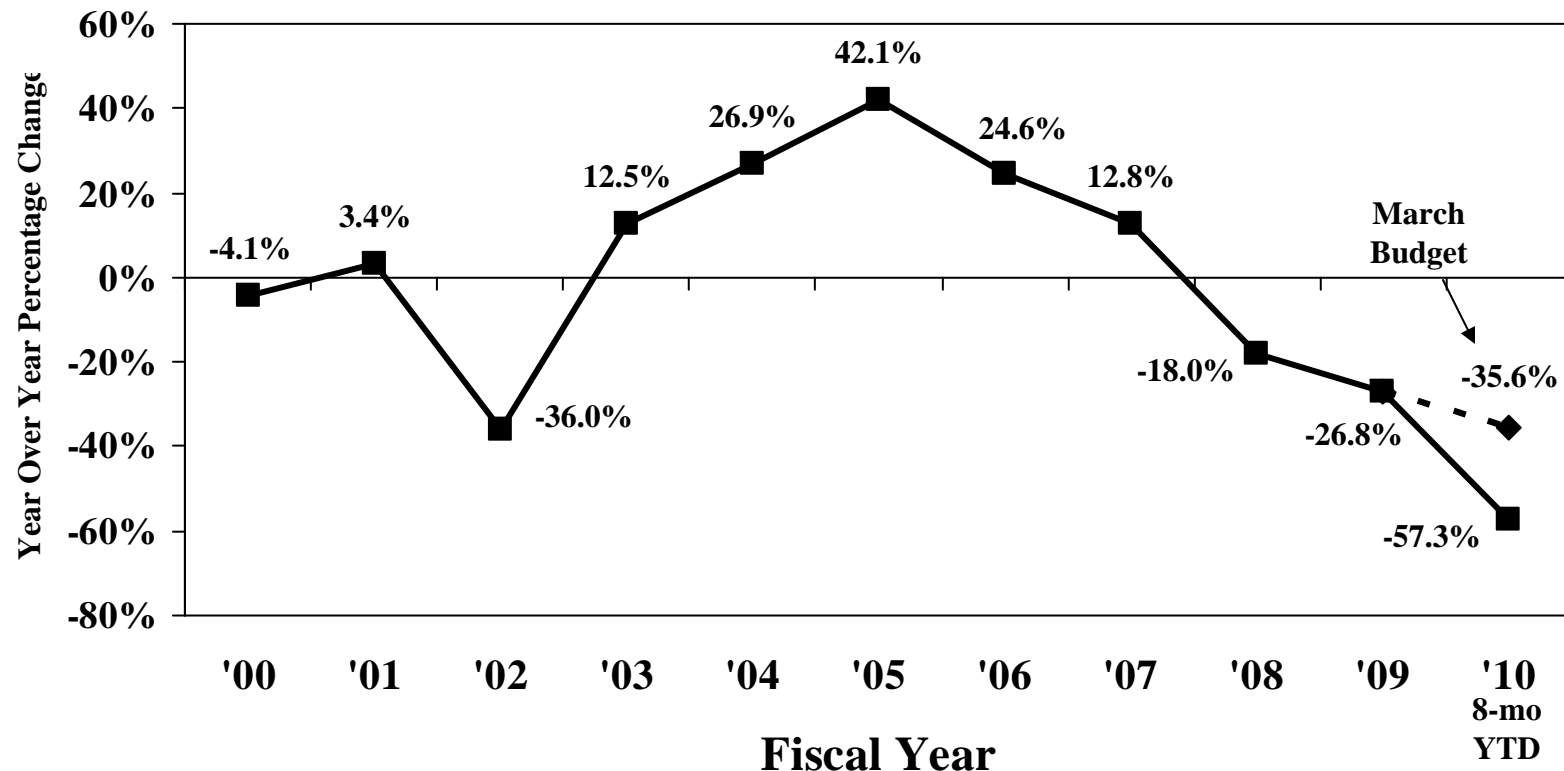
% Change From Prior Year

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

Actual Collections																
	FY2006			FY2007			FY2008			FY2009			FY2010			
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	
Jul	15,395,021	4,885,194	10,509,827	17,937,645	6,371,696	11,565,948	17,879,385	6,507,747	11,371,639	20,362,785	6,533,304	13,829,481	14,421,659	3,533,528	10,888,131	
Aug	25,713,368	7,683,379	18,029,988	23,419,716	7,456,858	15,962,858	25,938,503	5,666,480	20,272,023	14,090,255	5,827,130	8,263,125	11,402,939	2,901,362	8,501,577	
Sep	118,564,270	110,531,138	8,033,132	157,891,628	145,469,802	12,421,826	150,661,494	135,849,436	14,812,058	124,307,996	112,945,236	11,362,760	76,677,365	65,960,270	10,717,095	
Oct	27,206,826	7,685,799	19,521,027	65,184,764	11,339,308	53,845,457	68,191,868	10,396,440	57,795,428	53,444,533	7,821,163	45,623,371	35,790,908	5,226,487	30,564,421	
Nov	16,055,089	5,885,793	10,169,296	31,853,112	5,472,606	26,380,506	17,879,843	4,759,688	13,120,155	13,115,668	4,170,266	8,945,402	14,278,496	4,253,363	10,025,133	
Dec	111,812,195	104,933,642	6,878,553	90,557,275	80,299,660	10,257,616	62,901,960	55,908,594	6,993,366	62,643,686	53,127,242	9,516,444	46,197,669	37,826,999	8,370,670	
Jan	182,419,323	176,696,056	5,723,266	239,701,160	224,055,775	15,645,386	195,882,391	186,098,584	9,783,807	112,467,313	106,370,433	6,096,880	91,066,420	84,630,973	6,435,447	
Feb	18,041,261	3,446,602	14,594,659	18,072,039	3,192,180	14,879,859	17,557,877	2,689,455	14,868,423	18,024,012	2,892,677	15,131,335	17,153,243	1,850,301	15,302,942	
Mar	43,912,674	3,710,949	40,201,725	45,377,904	5,005,202	40,372,702	48,363,442	4,708,386	43,655,056	41,170,355	2,695,780	38,474,575	-	-	-	
Apr	618,672,832	76,814,795	541,858,037	642,965,695	56,965,976	585,999,719	675,341,552	68,112,029	607,229,523	380,676,278	36,311,877	344,364,402	-	-	-	
May	259,114,481	9,724,645	249,389,836	172,843,132	27,485,026	145,358,105	32,424,806	4,895,158	27,529,649	28,189,735	3,073,214	25,116,521	-	-	-	
Jun	145,568,069	127,531,819	18,036,250	138,268,468	125,906,046	12,362,422	119,010,089	108,562,477	10,447,612	74,985,704	60,902,615	14,083,089	-	-	-	
Total	1,582,475,408	639,529,812	942,945,597	1,644,072,537	699,020,134	945,052,403	1,432,033,211	594,154,473	837,878,738	943,478,320	402,670,935	540,807,385	306,988,699	206,183,283	100,805,416	
Percent Change																
	FY2006			FY2007			FY2008			FY2009			FY2010			
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	
Jul	92.9%	60.0%	113.3%	16.5%	30.4%	10.0%	-0.3%	2.1%	-1.7%	13.9%	0.4%	21.6%	-29.2%	-45.9%	-21.3%	
Aug	49.0%	84.6%	37.7%	-8.9%	-2.9%	-11.5%	10.8%	-24.0%	27.0%	-45.7%	2.8%	-59.2%	-19.1%	-50.2%	2.9%	
Sep	37.9%	41.2%	4.4%	33.2%	31.6%	54.6%	-4.6%	-6.6%	19.2%	-17.5%	-16.9%	-23.3%	-38.3%	-41.6%	-5.7%	
Oct	0.1%	53.0%	-11.9%	139.6%	47.5%	175.8%	4.6%	-8.3%	7.3%	-21.6%	-24.8%	-21.1%	-33.0%	-33.2%	-33.0%	
Nov	41.3%	95.3%	21.8%	98.4%	-7.0%	159.4%	-43.9%	-13.0%	-50.3%	-26.6%	-12.4%	-31.8%	8.9%	2.0%	12.1%	
Dec	37.7%	42.2%	-7.0%	-19.0%	-23.5%	49.1%	-30.5%	-30.4%	-31.8%	-0.4%	-5.0%	36.1%	-26.3%	-28.8%	-12.0%	
Jan	52.5%	55.3%	-1.3%	31.4%	26.8%	173.4%	-18.3%	-16.9%	-37.5%	-42.6%	-42.8%	-37.7%	-19.0%	-20.4%	5.6%	
Feb	44.4%	55.0%	42.2%	0.2%	-7.4%	2.0%	-2.8%	-15.7%	-0.1%	2.7%	7.6%	1.8%	-4.8%	-36.0%	1.1%	
Mar	12.3%	-14.1%	15.6%	3.3%	34.9%	0.4%	6.6%	-5.9%	8.1%	-14.9%	-42.7%	-11.9%				
Apr	20.8%	27.4%	19.9%	3.9%	-25.8%	8.1%	5.0%	19.6%	3.6%	-43.6%	-46.7%	-43.3%				
May	207.6%	117.8%	212.6%	-33.3%	182.6%	-41.7%	-81.2%	-82.2%	-81.1%	-13.1%	-37.2%	-8.8%				
Jun	36.3%	35.8%	39.8%	-5.0%	-1.3%	-31.5%	-13.9%	-13.8%	-15.5%	-37.0%	-43.9%	34.8%				
Total	43.2%	43.3%	43.1%	3.9%	9.3%	0.2%	-12.9%	-15.0%	-11.3%	-34.1%	-32.2%	-35.5%	-67.5%	-48.8%	-81.4%	
Percent to Total																
	FY2006			FY2007			FY2008			FY2009			FY2010			
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	
Jul	1.0%	0.8%	1.1%	1.1%	0.9%	1.2%	1.2%	1.1%	1.4%	2.2%	1.6%	2.6%				
Aug	1.6%	1.2%	1.9%	1.4%	1.1%	1.7%	1.8%	1.0%	2.4%	1.5%	1.4%	1.5%				
Sep	7.5%	17.3%	0.9%	9.6%	20.8%	1.3%	10.5%	22.9%	1.8%	13.2%	28.0%	2.1%				
Oct	1.7%	1.2%	2.1%	4.0%	1.6%	5.7%	4.8%	1.7%	6.9%	5.7%	1.9%	8.4%				
Nov	1.0%	0.9%	1.1%	1.9%	0.8%	2.8%	1.2%	0.8%	1.6%	1.4%	1.0%	1.7%				
Dec	7.1%	16.4%	0.7%	5.5%	11.5%	1.1%	4.4%	9.4%	0.8%	6.6%	13.2%	1.8%				
Jan	11.5%	27.6%	0.6%	14.6%	32.1%	1.7%	13.7%	31.3%	1.2%	11.9%	26.4%	1.1%				
Feb	1.1%	0.5%	1.5%	1.1%	0.5%	1.6%	1.2%	0.5%	1.8%	1.9%	0.7%	2.8%				
Mar	2.8%	0.6%	4.3%	2.8%	0.7%	4.3%	3.4%	0.8%	5.2%	4.4%	0.7%	7.1%				
Apr	39.1%	12.0%	57.5%	39.1%	8.1%	62.0%	47.2%	11.5%	72.5%	40.3%	9.0%	63.7%				
May	16.4%	1.5%	26.4%	10.5%	3.9%	15.4%	2.3%	0.8%	3.3%	3.0%	0.8%	4.6%				
Jun	9.2%	19.9%	1.9%	8.4%	18.0%	1.3%	8.3%	18.3%	1.2%	7.9%	15.1%	2.6%				
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%	100.0%	100.0%	100.0%	

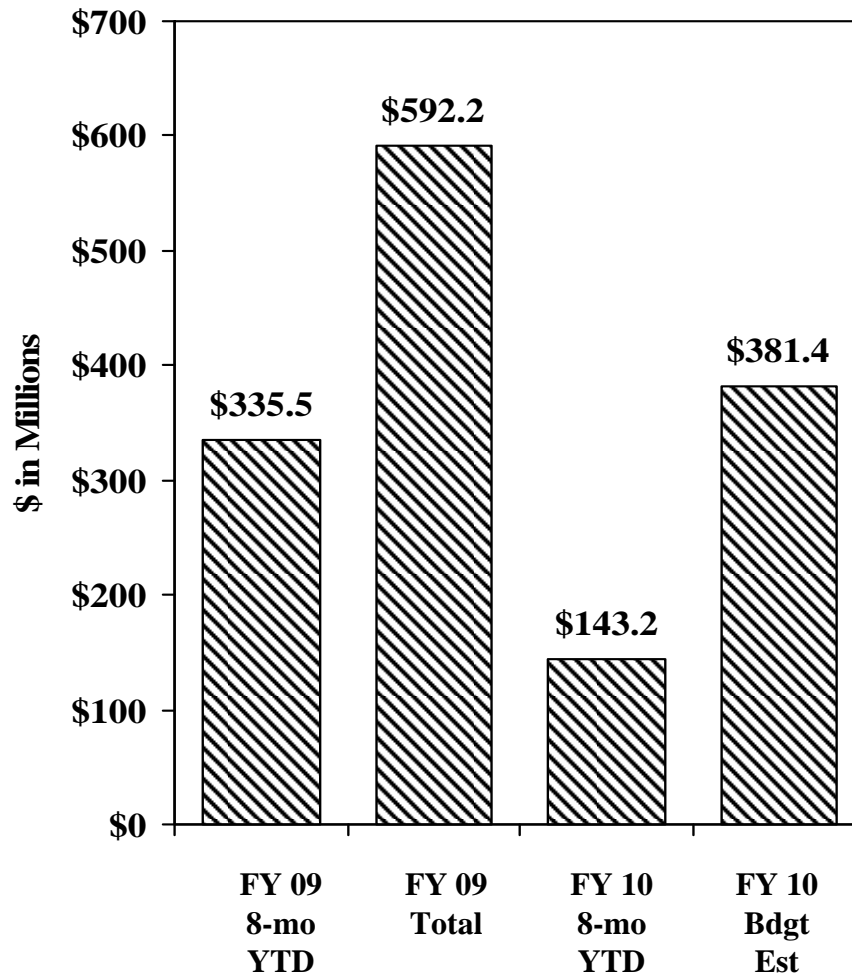
Corporate Income Tax

Corporate Income Tax Growth Rate



* The '07, '08, '09, and '10 percentages include the impact of tax law changes, including the consolidated reporting credit, and the phase-in of the corporate sales factor enacted in 2005. Excluding these tax law changes, baseline growth for '07 – '09 would be 14.1%, (17.2)%, and (20.7)% respectively.

Corporate Income Tax Collections



- July – February FY '09 collections totaled \$335.5 million.
- July – February FY '10 collections totaled \$143.2 million
- What is your estimate for total FY '10 collections?

General Fund Collections

		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 2006	July 2005	39,403,420	55.9%	55.9%	(4,125,396)	-3.8%	-3.8%	35,278,025	68.1%	68.1%
	Aug 2005	25,696,715	8.5%	33.0%	(2,266,943)	-6.7%	-4.8%	23,429,772	10.2%	39.0%
	Sept 2005	176,288,184	36.7%	35.7%	(5,907,796)	-10.1%	-7.4%	170,380,388	39.2%	39.2%
	Oct 2005	32,084,843	-22.0%	24.9%	(3,496,533)	-41.8%	-18.1%	28,588,309	-18.6%	29.0%
	Nov 2005	17,504,745	-0.5%	23.0%	(11,649,227)	-1.3%	-11.7%	5,855,519	1.1%	28.2%
	Dec 2005	148,830,193	0.1%	14.2%	(13,593,465)	19.0%	-3.5%	135,236,728	-1.5%	16.3%
	Jan 2006	40,013,321	51.1%	16.5%	(6,007,037)	40.6%	0.6%	34,006,284	53.1%	18.6%
	Feb 2006	29,206,362	58.4%	18.3%	(26,798,202)	125.0%	25.8%	2,408,160	-63.1%	17.2%
	Mar 2006	81,512,645	21.5%	18.8%	(6,684,270)	105.2%	30.0%	74,828,375	17.2%	17.2%
	Apr 2006	164,532,013	52.0%	24.7%	(2,648,528)	-63.0%	20.4%	161,883,485	60.1%	25.3%
	May 2006	56,587,649	-19.4%	20.1%	(3,743,958)	70.8%	21.9%	52,843,691	-22.3%	19.9%
	June 2006	152,469,682	37.5%	22.6%	(2,988,945)	-77.3%	6.4%	149,480,737	53.0%	24.5%
FY 2007	July 2006	43,353,146	10.0%	10.0%	(4,319,904)	4.7%	4.7%	39,033,242	10.6%	10.6%
	Aug 2006	36,550,203	42.2%	22.7%	(4,532,437)	99.9%	38.5%	32,017,766	36.7%	21.0%
	Sept 2006	191,640,170	8.7%	12.5%	(478,252)	-91.9%	-24.1%	191,161,918	12.2%	14.5%
	Oct 2006	59,655,446	85.9%	21.1%	(5,716,861)	63.5%	-4.7%	53,938,585	88.7%	22.7%
	Nov 2006	18,008,043	2.9%	20.0%	(12,842,981)	10.2%	1.6%	5,165,061	-11.8%	21.9%
	Dec 2006	199,892,212	34.3%	24.8%	(30,301,417)	122.9%	41.8%	169,590,795	25.4%	23.1%
	Jan 2007	40,561,661	1.4%	22.9%	(3,294,750)	-45.2%	30.7%	37,266,911	9.6%	22.0%
	Feb 2007	22,671,285	-22.4%	20.3%	(1,544,406)	-94.2%	-14.6%	21,126,878	777.3%	26.2%
	Mar 2007	81,308,195	-0.3%	17.5%	(2,647,466)	-60.4%	-18.4%	78,660,729	5.1%	23.1%
	Apr 2007	181,878,155	10.5%	16.0%	(4,248,464)	60.4%	-15.9%	177,629,692	9.7%	19.9%
	May 2007	53,261,647	-5.9%	14.4%	(5,508,206)	47.1%	-13.2%	47,753,442	-9.6%	17.7%
	June 2007	138,851,344	-8.9%	10.7%	(6,026,798)	101.6%	-9.4%	132,824,546	-11.1%	12.8%
FY 2008	July 2007	36,629,629	-15.5%	-15.5%	(2,826,419)	-34.6%	-34.6%	33,803,210	-13.4%	-13.4%
	Aug 2007	31,231,530	-14.6%	-15.1%	(2,130,868)	-53.0%	-44.0%	29,100,662	-9.1%	-11.5%
	Sept 2007	190,463,884	-0.6%	-4.9%	(12,876,823)	2592.5%	91.1%	177,587,061	-7.1%	-8.3%
	Oct 2007	66,882,299	12.1%	-1.8%	(10,751,410)	88.1%	90.0%	56,130,889	4.1%	-6.2%
	Nov 2007	20,550,859	14.1%	-1.0%	(23,194,074)	80.6%	85.7%	(2,643,215)	-151.2%	-8.5%
	Dec 2007	159,569,186	-20.2%	-8.0%	(39,476,416)	30.3%	56.8%	120,092,770	-29.2%	-15.7%
	Jan 2008	30,393,356	-25.1%	-9.1%	(44,896,658)	1262.7%	121.4%	(14,503,302)	-138.9%	-24.3%
	Feb 2008	30,326,605	33.8%	-7.6%	(8,934,899)	478.5%	130.2%	21,391,706	1.3%	-23.4%
	Mar 2008	77,714,008	-4.4%	-7.2%	(16,372,625)	518.4%	145.8%	61,341,383	-22.0%	-23.2%
	Apr 2008	132,091,079	-27.4%	-11.4%	(6,877,514)	61.9%	140.7%	125,213,565	-29.5%	-24.6%
	May 2008	49,477,589	-7.1%	-11.1%	(22,932,737)	316.3%	153.6%	26,544,852	-44.4%	-25.7%
	June 2008	156,770,836	12.9%	-8.0%	(6,319,532)	4.9%	142.6%	150,451,304	13.3%	-20.4%
FY 2009	July 2008	30,855,446	-15.8%	-15.8%	(7,560,667)	167.5%	167.5%	23,294,779	-31.1%	-31.1%
	Aug 2008	27,451,899	-12.1%	-14.1%	(8,301,008)	289.6%	220.0%	19,150,891	-34.2%	-32.5%
	Sept 2008	141,909,038	-25.5%	-22.5%	(9,825,536)	-23.7%	44.0%	132,083,502	-25.6%	-27.4%
	Oct 2008	38,739,976	-42.1%	-26.5%	(17,578,552)	63.5%	51.4%	21,161,424	-62.3%	-34.0%
	Nov 2008	19,710,774	-4.1%	-25.2%	(22,199,167)	-4.3%	26.4%	(2,488,393)	-5.9%	-34.3%
	Dec 2008	142,148,266	-10.9%	-20.7%	(30,686,844)	-22.3%	5.4%	111,461,422	-7.2%	-26.4%
	Jan 2009	24,401,184	-19.7%	-20.6%	(27,865,899)	-37.9%	-8.9%	(3,464,715)	-76.1%	-24.6%
	Feb 2009	44,210,646	45.8%	-17.1%	(9,879,797)	10.6%	-7.7%	34,330,849	60.5%	-20.3%
	Mar 2009	47,075,868	-39.4%	-19.8%	(2,253,816)	-86.2%	-15.7%	44,822,052	-26.9%	-21.1%
	Apr 2009	71,283,316	-46.0%	-24.2%	(4,946,992)	-28.1%	-16.2%	66,336,324	-47.0%	-26.5%
	May 2009	53,388,261	7.9%	-22.3%	(4,456,156)	-80.6%	-23.9%	48,932,104	84.3%	-21.8%
	June 2009	107,127,377	-31.7%	-23.8%	(10,590,361)	67.6%	-21.0%	96,537,016	-35.8%	-24.5%
FY 2010	July 2009	40,229,569	30.4%	30.4%	(6,588,858)	-12.9%	-12.9%	33,640,711	44.4%	44.4%
	Aug 2009	13,201,777	-51.9%	-8.4%	(7,345,503)	-11.5%	-12.2%	5,856,274	-69.4%	-6.9%
	Sept 2009	90,726,618	-36.1%	-28.0%	(22,780,171)	131.8%	42.9%	67,946,447	-48.6%	-38.4%
	Oct 2009	39,451,245	1.8%	-23.2%	(20,639,272)	17.4%	32.6%	18,811,973	-11.1%	-35.5%
	Nov 2009	16,805,252	-14.7%	-22.5%	(93,858,118)	322.8%	131.0%	(77,052,866)	2996.5%	-74.5%
	Dec 2009	98,450,482	-30.7%	-25.4%	(35,820,862)	16.7%	94.5%	62,629,620	-43.8%	-63.3%
	Jan 2010	40,858,296	67.4%	-20.1%	(4,841,954)	-82.6%	54.7%	36,016,342	-1139.5%	-50.9%
	Feb 2010	14,730,212	-66.7%	-24.5%	(19,376,637)	96.1%	57.8%	(4,646,425)	-113.5%	-57.3%
	Mar 2010									
	Apr 2010									
	May 2010									
	June 2010									

Economic Indicators

Economic Indicators

March

NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis (BEA), the third and final estimate of the **U.S. Real Gross Domestic Product (GDP)** for the 4th quarter of 2009 was revised down from 5.9% to 5.6%. The growth in real GDP was primarily driven by the inventory cycle. Final sales, which excludes inventories and is therefore an arguably better measure of the underlying path of the economy, increased by 1.7%, a downward revision of 0.2% from the previous estimate. Real GDP growth in the 1st quarter of 2010 has likely slowed due to the fading impact of the inventory cycle. Most analysts expect a growth rate in the 2.5% to 3.0% range.

In March, the Conference Board's **U.S. Consumer Confidence Index** increased to 52.5, up 6.1 points from a revised February level of 46.4. Since May 2009, this measure has been somewhat volatile month-to-month and has bounced between the mid 40's and the mid 50's. In March, the report suggests those surveyed had a less pessimistic view of current day conditions and a less negative view in the short-term. Views of business conditions and the labor market, however, continue to be unfavorable overall.

In February, the Conference Board's **U.S. Index of Leading Economic Indicators** increased to 107.6, which is 0.1% above the revised January level, and 9.6% above the index a year ago. The index, designed to anticipate economic activity 3 to 6 months in advance, has now increased for 11 consecutive months. In January, 4 of the 10 components that make up the composite index advanced, relative to the prior month, with interest rate spreads and real money supply having the greatest increase.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, were unchanged in February after 5 consecutive months of month-over-month increases of 0.2%. Compared to the same month in the prior year, the CPI was up by 2.2%. The core CPI, which excludes food and energy prices, rose by 0.1% in February and was 1.3% above last year's level.

The Semiconductor Industry Association (SIA) reported that **Semiconductor Billings** (3-month

moving average) in the U.S. were \$3.76 billion in January, a (1.9)% decrease from the prior month but a 48.2% improvement over January 2009 levels. According to SIA, the marked improvement in semiconductor sales reflects increased demand for a range of "demand drivers" of semiconductors, including personal computers, cell phones, automobiles, and industrial applications.

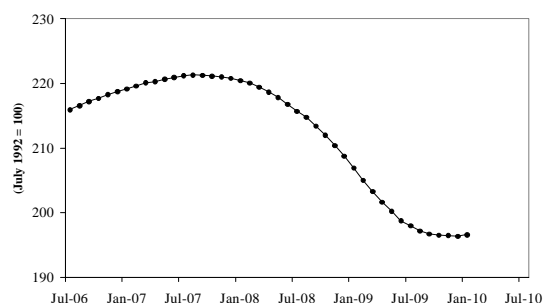
ARIZONA

The Federal Reserve Bank of Philadelphia's coincident index is a relatively new measure designed to gauge current economic activity in the nation's 50 states, including Arizona. The index combines four state-level indicators into a single statistic: nonfarm payroll employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

The January **state coincident index** for Arizona increased by 0.1% over the prior month's reading. The index was down by (5.0)% compared to same month last year and (11.2)% off its peak reading in August 2007. The national index also rose by 0.1% in January and was (2.8)% below last year's level. The Fed reported that the index increased in 19 states, decreased in 23 states, and remained unchanged in the remaining 8 states last month.

The graph below shows the history of the Arizona coincident index.

Arizona Coincident Economic Activity Index



The federal Bureau of Economic Analysis (BEA) recently reported that **Arizona personal income** was \$218.1 billion in the 4th quarter of 2009. This was a 1.1% increase over the prior quarter but a (1.8)% decline compared to the

"Real GDP growth in the 1st quarter of 2010 has likely slowed due to the fading impact of the inventory cycle. Most analysts expect a growth rate in the 2.5% to 3.0% range."

Economic Indicators (Continued)

"The state has shed (11.9)% of its workforce, or (323,700) jobs, since the recession started in December 2007."

same period in 2008. On a calendar year basis, Arizona personal income fell by (2.7)% in 2009. According to the BEA, only 8 states had a steeper decline in personal income growth in 2009. Arizona per capita personal income was \$32,935 in 2009, a (4.1)% decline over the prior year. The state's per capita personal income was ranked 43rd in the nation in 2009.

Employment

The annual revision of employment data was completed in the first week of March. By benchmarking the previous two years' employment estimates to actual unemployment insurance records, the Arizona Department of Commerce determined that job losses in 2009 were considerably worse than previously reported. The state lost on average (14,500) more jobs per month than originally reported. The most significant revisions occurred in the goods-producing sector of the economy (manufacturing, construction, and mining) where the state lost on average (21,400) more jobs per month than first believed. As a result of the benchmarking of employment data, the total loss of nonfarm jobs since the recession started in December 2007 to December 2009 was revised from (276,100) to (297,100).

According to latest release of employment data by Arizona Department of Commerce, the state added 19,900 **nonfarm payroll jobs** in February. This should be compared to the average increase of 29,400 jobs in the prior 10 years. Year over year, total nonfarm employment was down by (3.9)%, or (97,100) jobs. The state has shed (11.9)% of its workforce, or (323,700) jobs, since the recession started in December 2007.

The **construction sector** added 1,300 jobs in February, the first month-over-month job gain since August 2007. Year over year, construction employment is down by (20.1)%, or (28,200) jobs. With 112,200 construction workers on the payroll in February, the industry employed the fewest number of workers since July 1994. The industry has lost almost 55% of its workforce since the height of the housing boom in June 2006.

The **manufacturing sector** also added 1,300 jobs in February. This was the second time in the last two and a half years that the manufacturing sector experienced month-over-month job gains. Compared to the same month in 2009, manufacturing employment is

down by (8.0)%, or (12,700) jobs. Manufacturing employment made up 6.1% of all nonfarm jobs in February. The industry's importance as "job engine" has declined steadily over the last 4 decades. To provide some perspective, manufacturing employment comprised more than 18% of Arizona's workforce in 1969. The comparable figures in 1990 and 2000 were 12% and 9%, respectively.

The state's **unemployment rate** in February increased from 9.2% to 9.5%, the highest figure since August 2009. At 9.7%, the nation's unemployment rate was unchanged from the prior month.

The Department of Commerce reported that 23,411 **initial claims for unemployment insurance** were filed in February, the lowest number of claims since August 2008. Initial jobless claims in February fell by (25.8)% over the prior month. Much of this decline, however, can be attributed to seasonal factors (average decline for the same month in the prior 10 years was (14.4)%). February marked the fourth straight month with a year-over-year decline in claims. Initial jobless claims peaked in April when more than 41,000 individuals filed for benefits.

According to Department of Commerce, the state had a total of 92,691 **claimants receiving unemployment insurance benefits** in February. This figure was (5.6)% less than in the prior month but 18.9% above the February 2009 level. At the start of the recession in December 2007, the state reportedly had a total of 31,973 persons receiving unemployment insurance benefits. This figure rose to a record-high of 117,270 in August 2009. Since this time, the total number of claimants has declined in each successive month.

Housing

The level of the state's housing supply continues to draw interest. The seasonally adjusted MLS data suggests the **month's supply of housing** indicator increased by 0.5 months between January and February 2010 to 6.5 months. At this level, the supply of housing is (2.0) months less than it was a year ago. The indicator reached a high of 16.7 months in September 2007 but has averaged 5.2 months since January 1995.

However, the month's supply of housing indicator may not accurately capture actual

Economic Indicators (Continued)

activity. One drag on recovery for Arizona's housing market is an inventory of potential listings that could be listed for sale within the next year. A large inventory of potential listings could cause recovery to slow as houses flood the market, expanding supply and stunting any recovery in housing prices.

Several factors are contributing to growing concerns about the effects of Arizona's potential listings. There is an inventory of homes which have been foreclosed on by lenders but have not yet been listed for sale. If this inventory is large enough and lenders list these homes for sale rapidly enough, this influx of homes onto the market could stifle increases in home prices.

Many homeowners who purchased homes during the latest real estate bubble now require loan modifications in order to continue making payments. However, if loan modifications are not as effective as they were believed they would be, a higher number of homes may slip into foreclosure than was expected.

As a wave of adjustable rate mortgages and negative amortization loans are scheduled to reset between now and 2012, it is possible that a higher amount of homeowners will become delinquent on their payments or default on their loans in the near future. Additionally, there is some concern that investors who are unable to profitably rent homes may sell these homes for below market price.

Strategic defaults could also contribute to a change in the composition and size of the shadow inventory. Homeowners who owe more for their mortgage than their house is worth may choose to strategically default on their loan, meaning the homeowner would cease payments and allow the house to be repossessed. This can damage the credit rating of the homeowner but may be a financially sound decision when contrasted with fulfilling the loan obligation for a home with negative equity.

Uncertainty regarding Arizona's housing inventory is primarily due to 2 factors. The size of the inventory is inherently immeasurable because data on the number of homes that will fall into foreclosure in the future does not exist. Furthermore, it is not possible to determine how many of the homes that

compose the inventory will actually be listed for sale in the short term.

Other real estate indicators exhibit signs of stabilization and improvement. Specifically, the February 2010 data published by various sources reflects month-over-month improvements in all measures tracked; permitting activity, resale transactions, and resale prices. Further, each of these measures appears to have bounced off the lows experienced over the past year. With that said, concerns still loom given the current state of the economy and these measures are anticipated to remain volatile in the near term as the economy remains fragile.

With respect to new construction, it appears that the number of building permits being issued on a monthly basis has stabilized at levels above the February 2008 low (799) but well below the 3-month moving average over the past 10 years (4,772). According to data released by the U.S. Census Bureau, an average of 1,269 building permits were issued each month for the period between December 2009 and February 2010. This amount includes an average of 1,074 **single-family residential building permits** and 194 **multi-family permits**. Compared to the prior 3-month period, the number of single-family permits issued increased 4.4% while the number of multi-family permits fell slightly. Compared to the same period in the prior year, permitting activity in the single family segment increased 76.7%, while permits in the multi-family segment was up 1.6%.

In the Greater Phoenix area, the number of resale transactions as well as the median resale price continues to exhibit signs of stabilizing. According to ASU's February real estate report, the **single-family median resale home** price was \$145,000 based on a total of 7,925 **single-family existing home sales**. Month-over-month, the median resale price increased 1.4% while the total number of units bought and sold increased 2.6%. On a year-over-year basis, however, both measures were down (3.3)% and (6.9)%, respectively. Sales activity reached a high of 11,820 in June 2009 and the median resale price peaked in June 2006 at \$267,000.

In the multi-family segment, ASU's report indicates there were 1,300 **townhouse-condominium transactions** with a **median resale price** of \$103,500. Month-over-month,

Economic Indicators (Continued)

the total number of units bought and sold increased 13.0% while the resale price increased 4.0%. On a year-over-year basis the number of transactions increased 38.3% while the median resale price fell (17.2)%. The median resale price reached a high of \$189,990 in May 2007.

The **S&P/Case-Shiller Home Price Index** measures housing prices based on repeat sales. While the other housing measures reflect information from February, this measure has a 2 month lag. In January 2010, the index for the Phoenix metropolitan area totaled 111.76, down (0.6)% relative to the prior month and down (4.6)% on a year-over-year basis. The Phoenix index peaked in June 2006 at 227.42. The S&P/Case-Shiller composite index which measures housing prices in 20 metropolitan areas, is down (0.4)% and (0.7)% on a month-over-month and year-over-year basis, respectively.

State Agency Data

Participation in income driven programs saw slight declines, but remained significantly above last year.

In March, **AHCCCS caseloads** equaled 1,357,472 members, a (0.4)% decline over the prior month. AHCCCS caseloads are currently 16.5% above March 2009 levels. The FY 2010 budget funded a projected June caseload growth of 14.4%, for a total of 1,435,445 members.

There were a reported 81,198 **TANF recipients** in the state in January, a monthly caseload decrease of (5.6)%. Year-over-year, the number of TANF recipients has declined by (6.4)%. The FY 2010 budget assumed that the June 2010 TANF caseload would be 84,287.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In January, there were a total 1,024,659 food stamp recipients in the state, a decrease of (0.8)% over the prior month. Compared to the same month last year, food stamp participation was up by 31.8%. The number of food stamp recipients began increasing steadily in July 2007, after several years in the 550,000 to 575,000 range.

The **Department of Correction's (ADC) inmate population** 3-month average count totaled 40,476 inmates between December 2009 and February 2010. This equates to an average monthly decrease of (103) inmates and a year-over-year increase of 786 inmates. The department was funded for growth of 151 inmates per month in FY 2010. Fiscal year-to-date, however, population growth has decreased by an average of 4 inmates per month.

In counties other than Maricopa County (who funds all of their probation programs), the state and counties share the costs of **adult and juvenile probation programs**. Based on adult and juvenile probation data from November and January, respectively, the non-Maricopa probation caseload was 19,843 individuals – 122 more probationers than the prior month and 176 probationers less than a year ago. In Maricopa County, there were 29,519 probationers during the period, 455 more than the prior month and 418 less than a year ago.

Economic Indicators (Continued)

Table 7

ECONOMIC INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
- Unemployment Rate	February	9.5%	0.3%	1.2%
- Initial Unemployment Insurance Claims	February	23,411	(25.8)%	(33.0)%
- Unemployment Insurance Claimants	February	92,691	(5.6)%	18.9%
- Non-Farm Employment – Total	February	2.39 million	0.8%	(3.9)%
Manufacturing	February	146,800	0.9%	(8.0)%
Construction	February	112,200	1.2%	(20.1)%
- Average Weekly Hours, Manufacturing	January	39.0	0.5%	(1.3)%
- Contracting Tax Receipts (3-month average)	Dec-Feb	\$31.1 million	(9.4)%	(39.6)%
- Retail Sales Tax Receipts (3-month average)	Dec-Feb	\$143.2 million	(1.7)%	(3.0)%
- Residential Building Permits (3-month moving average)				
Single-unit	Dec-Feb	1,074	4.4%	76.7%
Multi-unit	Dec-Feb	194	(0.2)%	1.6%
- Greater Phoenix Existing Home Sales				
Single-Family	February	7,925	2.6%	(6.9)%
Townhouse/Condominium	February	1,300	13.0%	38.3%
- Greater Phoenix Median Home Sales Price				
Single-Family	January	\$145,000	1.4%	(3.3)%
Townhouse/Condominium	January	\$103,500	4.0%	(17.2)%
S&P/Case-Shiller Home Price Index (Jan. 2000 = 100)	January	111.76	(0.6)%	(4.6)%
- Months Supply of Housing, (ARMLS)	February	6.5 months	0.4 months	(2.0) months
- Phoenix Sky Harbor Air Passengers	January	3.07 million	(4.6)%	2.2%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	December	\$6.69	(10.1)%	(19.1)%
- Arizona Consumer Confidence Index (1985 = 100)	4 th Quarter 2009	50.2	(16.6)%	NA
- Arizona Coincident Index (July 1992 = 100)	January	196.61	0.1%	(5.0)%
- Arizona Personal Income	4 th Quarter 2009	\$218.1 billion	1.1%	(1.8)%
- Arizona Population	July 1, 2009	6.60 million	N/A	1.5%
- AHCCCS Recipients	March	1,357,472	(0.4)%	16.5%
- TANF Recipients	January	81,198	(5.6)%	(6.4)%
- SNAP (Food Stamps) Recipients	January	1,024,659	(0.8)%	31.8%
- ADC Inmate Growth (3-month average)	Dec-Feb	40,476	(103) inmates	786 inmates
- Probation Caseload (Adult/Juvenile)				
Non-Maricopa	Nov/Jan	19,843	(122)	(176)
Maricopa County	Nov/Jan	29,519	455	(418)
United States				
- Gross Domestic Product (Chained 2005 dollars, SAAR)	4th Quarter 2009 (Final Estimate)	\$13.2 trillion	5.6%	0.1%
- Consumer Confidence Index (1985 = 100)	March	52.5	6.1%	25.6%
- Leading Indicators Index (2004 = 100)	February	107.6	0.1%	9.6%
- U.S. Semiconductor Billings (3-month moving average)	Nov-Jan	\$3.76 billion	(1.9)%	48.2%
- Consumer Price Index, SA (1982-84 = 100)	February	217.59	0.0%	2.2%

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.

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.

Brian Cary is Corporate Economist for Salt River Project (SRP). Prior to joining SRP in September 2007, he served as Principal Economist on the JLBC staff for 4 years. Mr. Cary has been producing forecasts and analysis for more than 25 years, mostly focused on the energy and financial sectors. He joined the FAC in 1989.

Tracy L. Clark is Data Integrity Manager for the Arizona Department of Transportation. Previously, he was with Arizona State University as the Associate Director of the JPMorgan Chase Economic Outlook Center. He produced national and local economic forecasts, as well as, gathering forecasts from other economists for Center publications. Mr. Clark has been a member of the FAC since 1989.

Pete Ewen is Chief Economist and Manager, Revenue and Fuel Analysis and Forecast Group at Pinnacle West. He has been with Arizona Public Service/Pinnacle West for 17 years.

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.

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 2001.

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.

John Arnold is the Director of the Governor's Office of Strategic Planning and Budgeting (OSPB).