

# **Finance Advisory Committee**

## **Briefing Materials**

**October 12, 2017**

**JLBC**

# Finance Advisory Committee

## Briefing Materials

October 12, 2017

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# **Finance Advisory Committee**

## **Revenue and Budget Update**

**October 12, 2017**

**JLBC**

# Key Points

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- ❑ '17 revenue growth was below budget; consensus foresees trend continuing
- ❑ New forecast results in projected Baseline cash shortfalls:
  - '18 = \$(24) M
  - '19 = \$(80) M

## The Shortfall Could Be Eliminated if . . .

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- ☐ Projected revenue growth improves slightly (signals are mixed)

## The Shortfall Could Be Worse if . . .

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- ☐ We continue \$90 M of 1-time '18 spending in '19

# How Did We End Up with a Projected Shortfall?

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- ❑ '18 General Fund budget balance had little margin for error – 0.4%
- ❑ At that rate, small forecast shortfall easily pushes us negative
- ❑ 1% variance in forecast yields \$635 M over 3 years

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# Revenue Forecast



# '17 – Slowest Growth Since '10

	<u>'17 Actual</u>	<u>Forecast Error</u> <u>(\$ in M)</u>
Sales/TPT	4.5%	55
Individual Income	4.1%	12
Corporate Income	(35.5)%	(52)
Insurance Premium	2.8%	(11)
Unclaimed Property/Other	(2.9)%	(23)
Overall	1.5%	(19)

- ❑ '17 Revenues were \$(19) M below forecast; would have been positive \$33 M without Corporate
- ❑ Revenues exclude fund transfers and urban revenue sharing

# '18 – 1<sup>st</sup> Quarter 4.0% Growth

- Improvement over '17

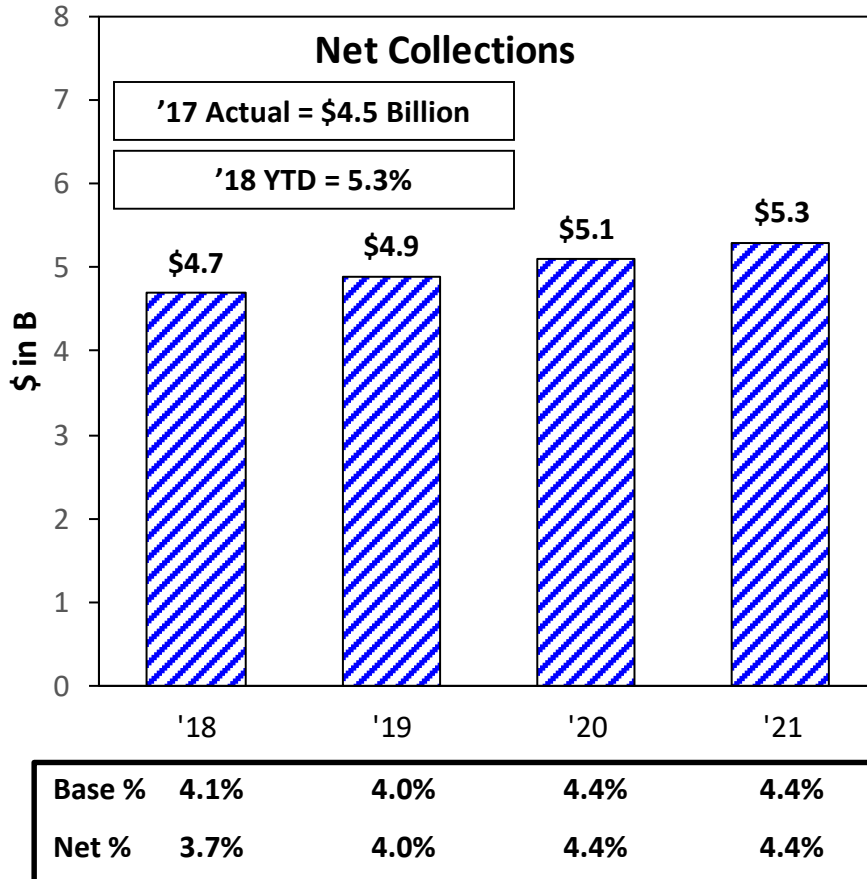
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	<u>'18 YTD</u>
Sales/TPT	5.3%
Individual Income	5.4%
Corporate	(5.1)%
Insurance Premium	4.2%

- ❑ 1<sup>st</sup> Quarter Revenue: \$17 M above forecast
- ❑ Individual income withholding up 5.3% year to date, continuing the trend from '17
- ❑ Corporate losses more moderate than '17

# Sales Tax

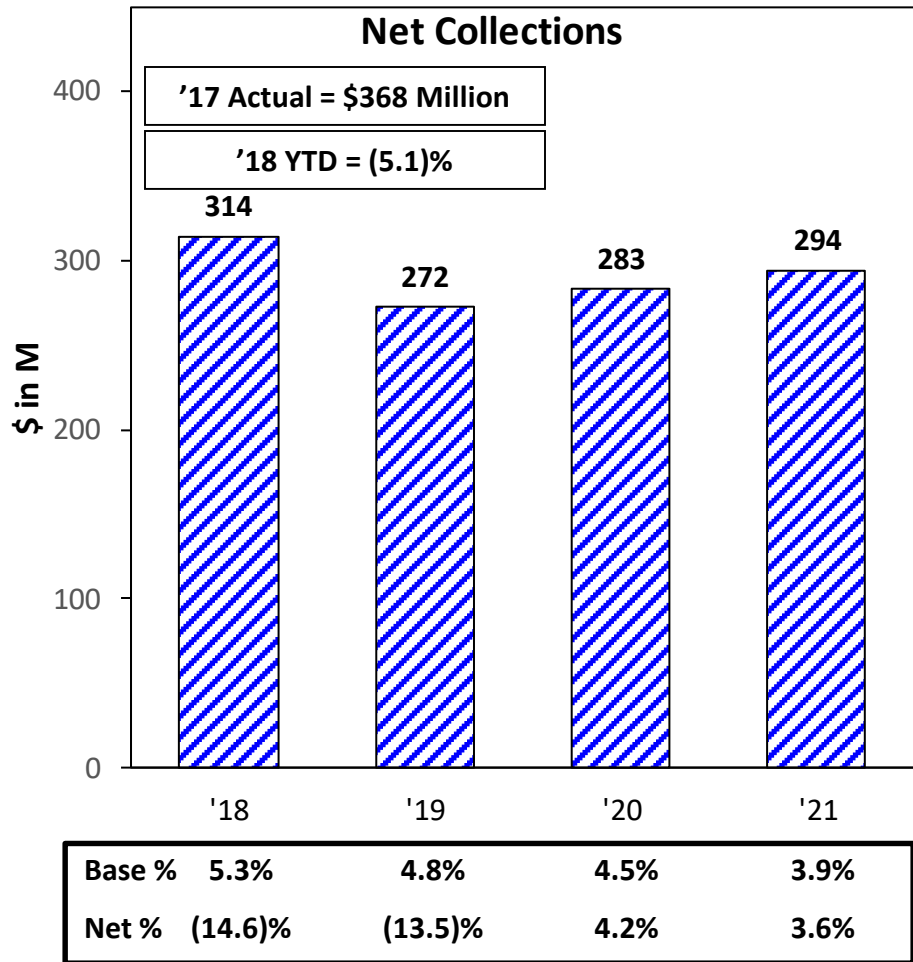
## - Continued Moderate Growth



- ❑ Retail grew by 3.7% in '17 compared to overall TPT growth of 4.5%
- ❑ Share of spending on non-taxed services is growing

# Corporate Income Tax

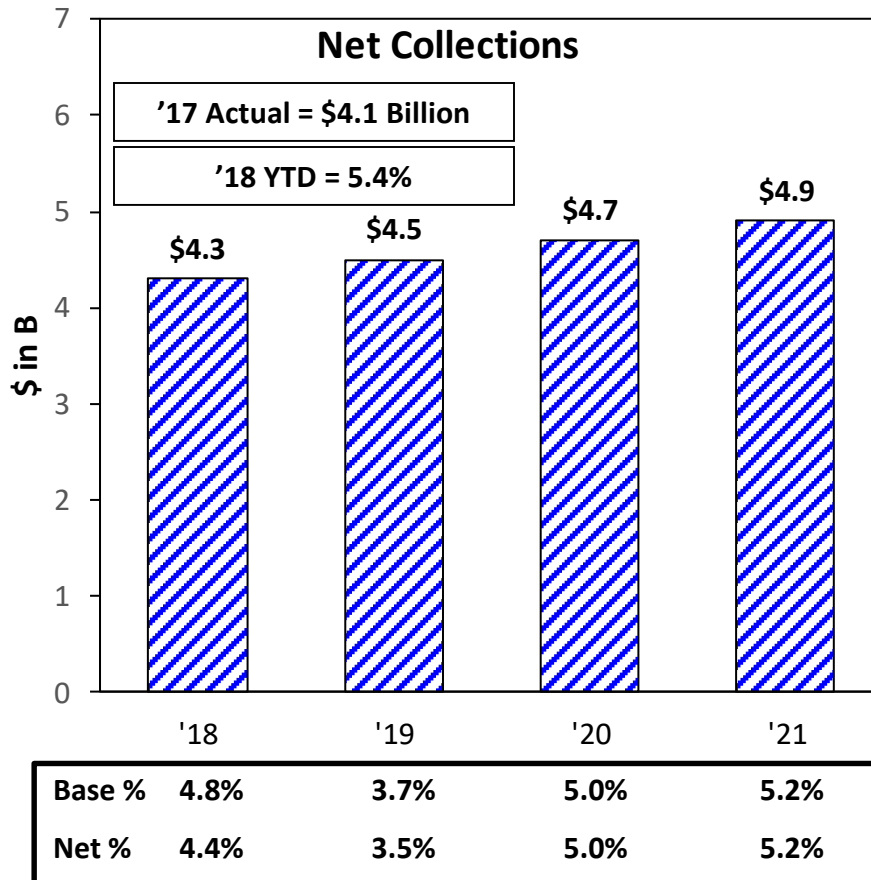
## - '17 Was \$(52) M Below Forecast



- ❑ '17 forecast error due to flat profit growth?
- ❑ US corporate profits forecast to improve
- ❑ Phase in of tax cuts mostly done by '19
- ❑ '18 collections lowest since '93

# Individual Income Tax

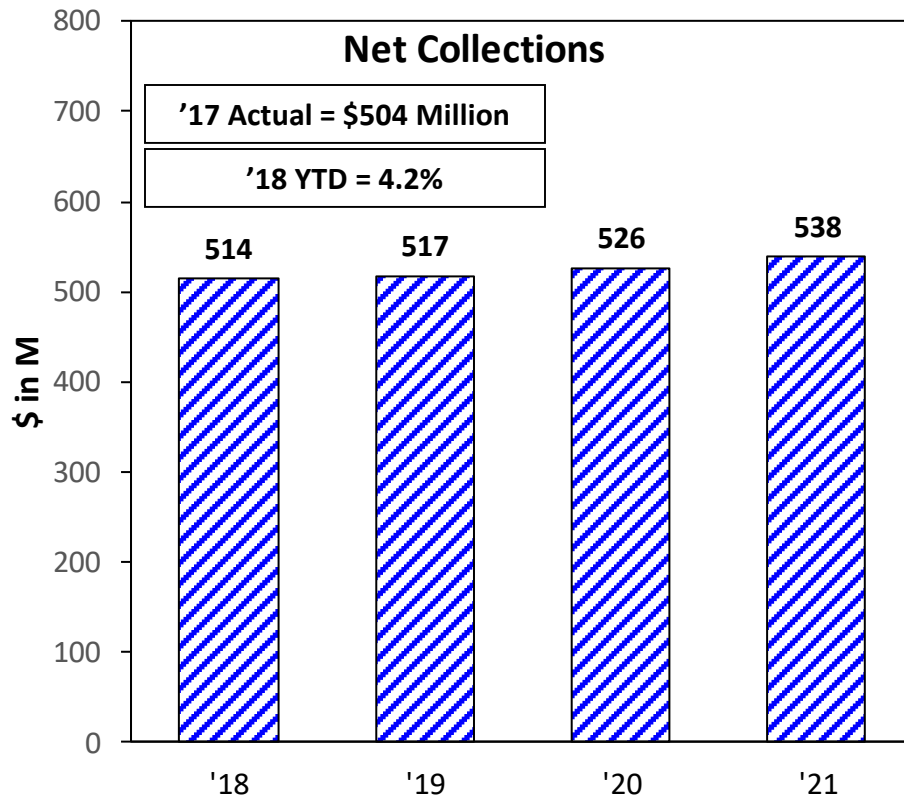
## - '17: Strong Withholding, Weak Payments



- ❑ Strong '17 withholding growth of 5.6%
- ❑ '17 aided by minimum wage hike, but more refunds?
- ❑ '17 payments declined (0.6)%
- ❑ May be due to investment income delays in hopes of federal tax cuts

# Insurance Premium Tax

## - Slow Growth After '14 - '16 Expansion



- ❑ '17 2.8% growth lowest since '13
- ❑ Federal health care changes could disrupt forecast
- ❑ Health care represents 62% of IPT

Base %	3.7%	2.6%	2.7%	3.2%
Net %	1.9%	0.5%	1.8%	2.3%

# Consensus: Modest Growth Through '21

## October Consensus Forecast

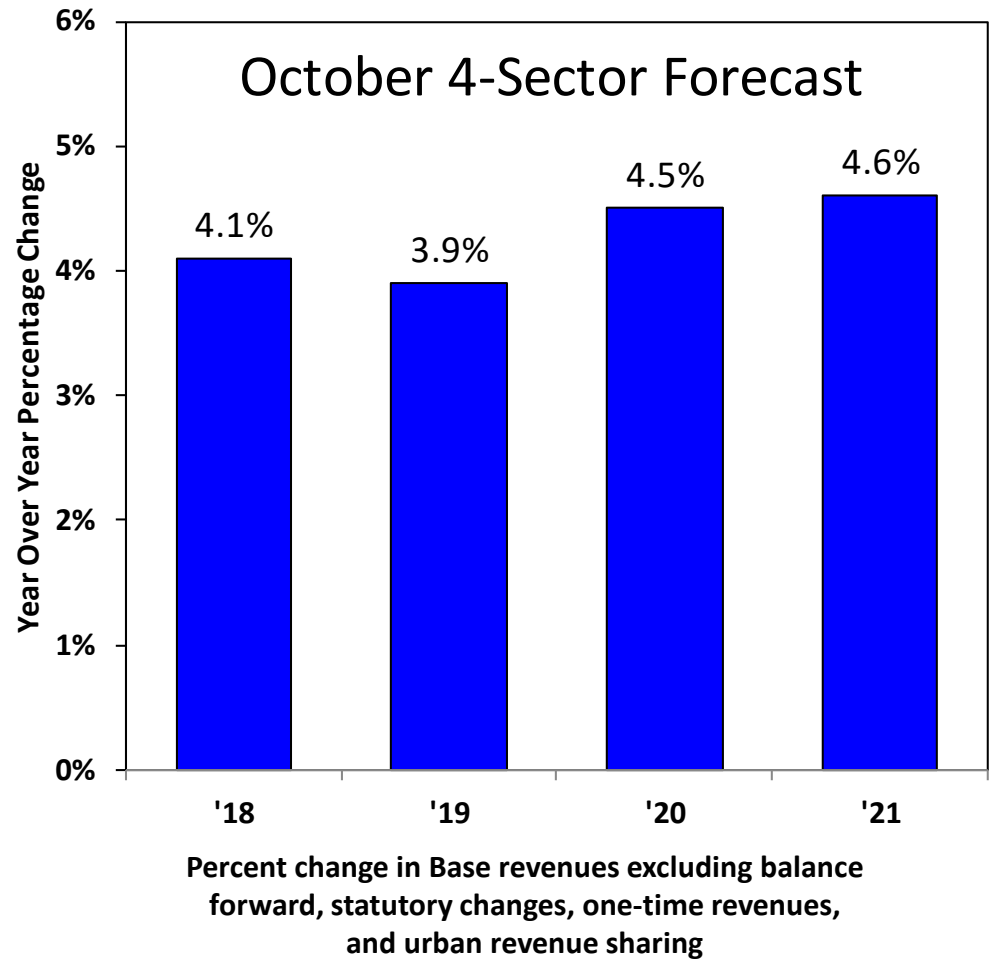
- ☐ Finance Advisory Committee
- ☐ UA model – base
- ☐ UA model – low
- ☐ JLBC Staff

## Chance of Exceeding Forecast

- ☐ 60%

## Long Run Average Growth

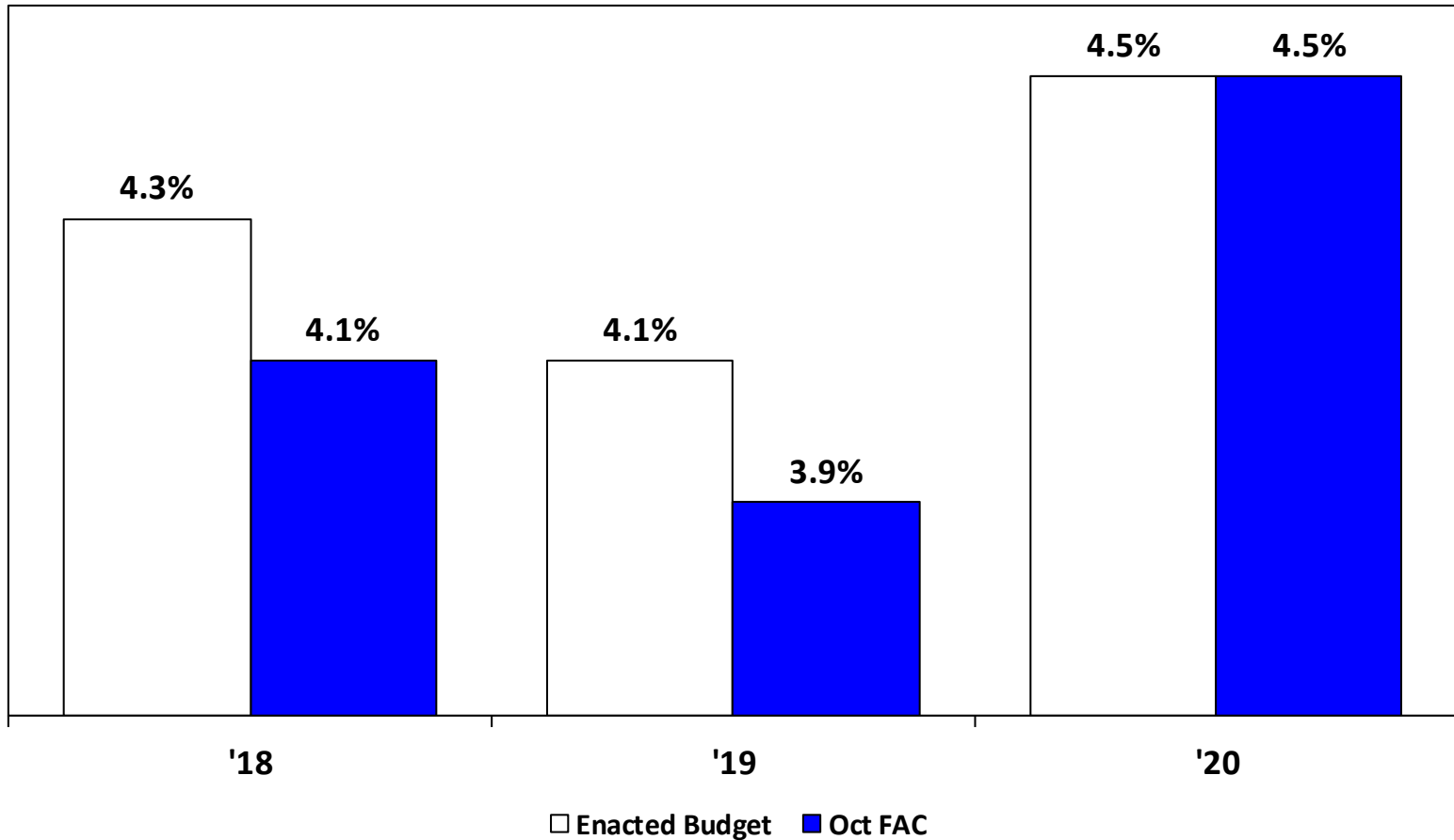
- ☐ 4.6%



# '18 & '19 Forecast Below Enacted Budget

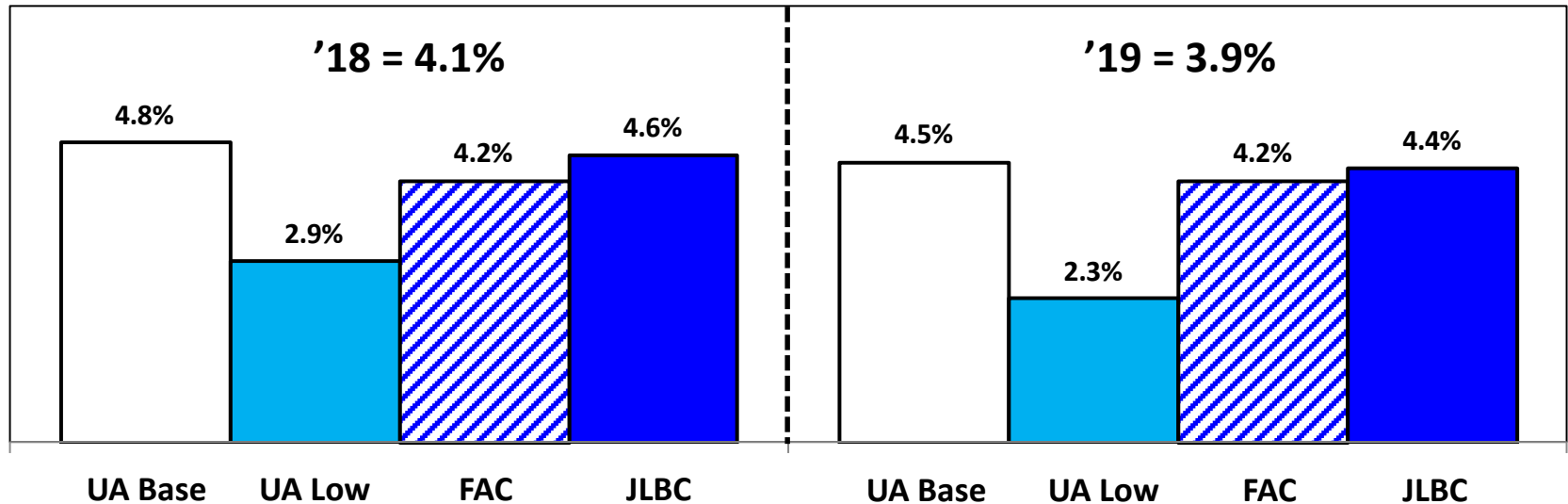
## - Primary Reason for Projected Shortfalls

Base Revenue Growth Rate \*





# “UA Low” Adds More Caution to Forecast



- ❑ “UA Low” is a slower growth scenario; not a recession
- ❑ ... but we are approaching historical length of expansion

Details in Appendix A

Base Revenue growth adjusted for small categories

# Forecasted Net '19 Revenue Growth is 3.3%

- Net Growth Adjusts Base for Transfers & Tax Cuts

	'18	'19	'20	'21
Base Revenue Growth (4.1%/3.9%/4.5%/4.6%)	414	397	482	514
Loss of 1-Time Fund Transfers	(137)	(8)	0	0
Previously Enacted Tax Legislation	(117)	(75)	(6)	(6)
Urban Revenue Sharing	(17)	6	(19)	(16)
Total	143	320	457	492
% Change	1.5%	3.3%	4.6%	4.7%

Excludes Change in Beginning Balance

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# **Spending Forecast**

# '18 – '21 Baseline Spending Projections

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- ❑ Baseline reflects changes to active statutory and other funding formulas - no discretionary additions
- ❑ Continues annual suspension of \$513 M of inactive statutory formulas
- ❑ Continues \$931 M in K-12 “rollover” payments
- ❑ Assumes spending classified as one-time or expiring in '18 budget does not continue
- ❑ Baseline excludes \$250 M in '19 discretionary increases requested by state agencies

# Projected Baseline Spending Increases by \$226 M

## - '19 Statutory Spending Offset by Elimination Of 1-Times

### Spending Above Prior Year

	\$ in M
	<u>'19</u>
ADE – K12 Formula	148
AHCCCS – Medicaid Formula	112
DES – Medicaid Formula	47
U's – Bonding Payment	27
Other	<u>17</u>
<b>Total</b>	<b>351</b>

### Spending Below Prior Year

	\$ in M
	<u>'19</u>
SFB Debt Service	(35)
<u>Loss of 1-Times</u>	
Counties – DJC/Other	(10)
DES – DD Prop 206	(12)
ADE IT	(7)
SFB Bldg Renewal	(17)
Universities	(15)
Employee Health	(25)
Other	<u>(4)</u>
<b>Total</b>	<b>(125)</b>

<b>Total Spending Changes</b>	<b>\$226 M</b>
<b>Total Spending</b>	<b>\$10,041</b>
<b>% Change</b>	<b>2.3%</b>

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# **Cash and Structural Balance Forecast**

# '19 – A Structural Balance But A Cash Shortfall

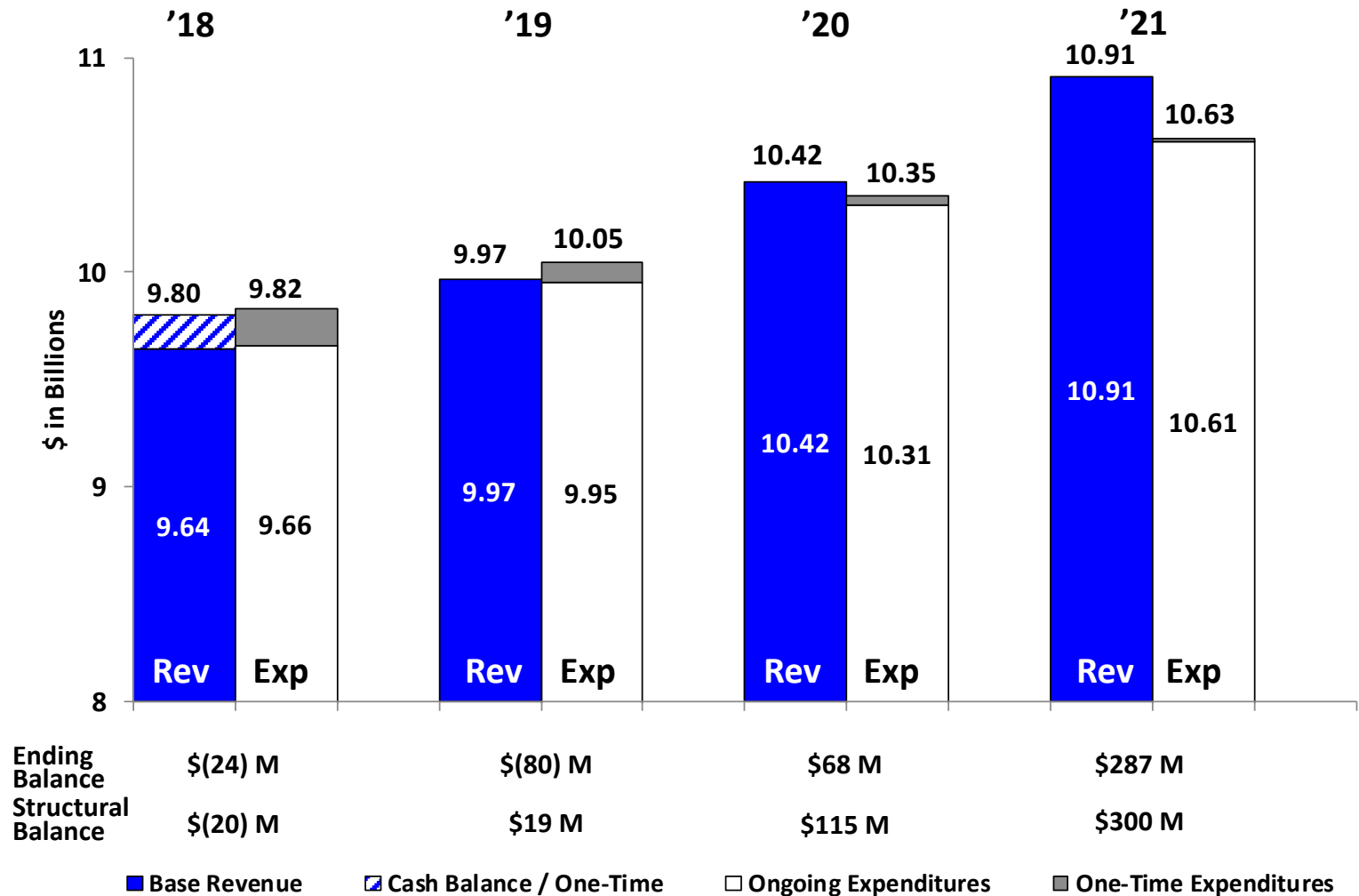
- ❑ Ongoing Revenues exceed ongoing Spending
- ❑ Not enough, however, to pay for \$99 M 1-time \$ — primarily SFB
- ❑ Excludes \$460 M Rainy Day Fund Balance

## FY 2019 Baseline Projection

	<u>(\$ in M)</u>	
Balance Forward	\$ 0	
Ongoing Revenues	9,965	} \$19 M Structural Balance
Ongoing Spending	(9,946)	
One-Time Spending	(99)	
Cash Balance	\$ (80)	

# Projected '21 Balance Grows to \$287 M

- Represents Unlikely Scenario



Projected cash shortfalls assumed to be solved  
as part of the budget process



# Forecast Risks

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- ❑ Estimates based on no discretionary changes in next 3 years
- ❑ Assumes no recession through '21; would be longest US expansion on record
- ❑ Impact of federal tax changes – could stimulate growth, but there are state conformity issues
- ❑ Federal health care changes could be revived – debate about \$ impact; likely a loss

# Litigation Could Impact the Bottom Line

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- ☐ Corrections Prison Health
- ☐ Hospital Assessment
- ☐ Rental Car Surcharge
- ☐ DCS Foster Care
- ☐ K-12 Capital

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# Appendix

# Appendix A: October 2017 FAC 4-Sector Consensus

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Sales Tax</b>				
JLBC Forecast (9/27/2017)	4.0%	4.2%	4.1%	4.0%
UA – Low (9/15/2017)	3.4%	2.7%	3.9%	4.7%
UA – Base (9/15/2017)	4.6%	5.0%	5.5%	4.9%
FAC (9/27/2017)	4.2%	4.1%	4.0%	4.1%
Average:	<b>4.1%</b>	<b>4.0%</b>	<b>4.4%</b>	<b>4.4%</b>
<b>Individual Income Tax</b>				
JLBC Forecast (9/27/2017)	5.9%	4.5%	5.4%	5.3%
UA – Low (9/15/2017)	2.8%	1.8%	4.8%	5.8%
UA – Base (9/15/2017)	6.1%	4.3%	5.9%	5.7%
FAC (9/27/2017)	4.4%	4.0%	3.9%	3.8%
Average:	<b>4.8%</b>	<b>3.7%</b>	<b>5.0%</b>	<b>5.2%</b>
<b>Corporate Income Tax</b>				
JLBC Forecast (9/27/2017)	6.4%	6.5%	5.6%	2.1%
UA – Low (9/15/2017)	2.5%	2.2%	5.9%	7.1%
UA – Base (9/15/2017)	3.6%	4.5%	4.3%	2.8%
FAC (9/27/2017)	8.9%	5.8%	2.3%	3.9%
Average:	<b>5.3%</b>	<b>4.8%</b>	<b>4.5%</b>	<b>3.9%</b>
<b>Insurance Premium Tax</b>				
JLBC Forecast (9/27/2017)	3.7%	4.5%	4.4%	4.4%
UA – Low (9/15/2017)	3.2%	0.6%	1.2%	1.9%
UA – Base (9/15/2017)	3.3%	1.1%	1.4%	2.5%
FAC (9/27/2017)	4.7%	4.0%	3.8%	4.0%
Average:	<b>3.7%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>3.2%</b>

JLBC Weighted Average	<b>4.9%</b>	<b>4.4%</b>	<b>4.7%</b>	<b>4.5%</b>
UA Low Weighted Average	<b>3.1%</b>	<b>2.2%</b>	<b>4.2%</b>	<b>5.1%</b>
UA Base Weighted Average	<b>5.1%</b>	<b>4.5%</b>	<b>5.4%</b>	<b>5.1%</b>
FAC Consensus Weighted Average	<b>4.5%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.0%</b>
“Big-4” Weighted Average	<b>4.4%</b>	<b>3.7%</b>	<b>4.5%</b>	<b>4.6%</b>
Consensus Weighted Average*	<b>4.1%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>4.6%</b>
Adjusted Consensus Weighted Average**	<b>3.0%</b>	<b>3.1%</b>	<b>4.5%</b>	<b>4.6%</b>

\* Represents ongoing revenue adjusted for small revenue categories.

\*\* Represents ongoing revenue adjusted for tax law changes; excludes urban revenue sharing.



## **JLBC Staff - October 2017 Revenue and Budget Update**

### **Summary of the General Fund Budget Outlook**

- The October Baseline estimate provides an updated forecast of General Fund revenues and statutory spending through Fiscal Year (FY) 2021.
- The preliminary FY 2018 beginning balance is projected to be \$150 million, compared to a budgeted level of \$171 million. The decline is due to slower than expected revenue growth in FY 2017.
- Over the next 2 years, gross revenue growth is projected to remain near 4%. After adjusting for tax reductions and one-time revenue, net growth would be 1.5% in FY 2018 and 3.3% in FY 2019.
- FY 2019 Baseline spending is expected to grow \$226 million. K-12 and Medicaid formula funding would increase by \$307 million and be offset by the elimination of \$(90) million in one-time spending.
- The FY 2018 ending cash balance is currently projected to be a shortfall of \$(24) million. The FY 2019 cash shortfall is expected to grow to \$(80) million.
- Year to date, the FY 2018 revenue signals have been mixed. A slight uptick in growth would eliminate these shortfall estimates.
- Even if that were to occur, the gains are unlikely to be significant enough to generate sufficient capacity for substantial discretionary initiatives in the FY 2019 budget.
- By FY 2021, the state's fiscal position is forecast to return to a positive cash balance approaching \$290 million. The underlying assumptions, however, make this scenario unlikely.

### **The State's Level of Reserves**

The projected FY 2018 shortfall is not surprising since the state only budgeted an ending balance of \$38 million. This balance represented approximately 0.4% of the state's projected revenues. Any small forecast error can easily push the state's budget into the red.

The state's reserves also include approximately \$460 million in the Budget Stabilization Fund (BSF). By itself, that level would be 4.6% of state revenues.

Financial analysts typically recommend that these balances be at least 5% and potentially higher than 10%. In rating financial capacity, Standard and Poor's (S&P) recommends that states strive for an 8% reserve. Moodys believes that reserves of at least 10% are a characteristic of an Aaa-rated entity (although achieving that reserve level does not in and of itself guarantee an Aaa rating).

The level of reserves should also be viewed in the context of a state's particular level of risk. In Arizona, there are uncertainties surrounding both the economic forecast as well as outstanding litigation.

## Forecast Risks

The October Update is associated with a number of forecast risks that could either increase or decrease the projected budget balances. Even small changes can have significant impacts on the budget as a 1% forecast error over 3 years would revise the ending balance by \$635 million.

### *Potential Gains*

- If implemented, lower federal taxes and fewer regulations could result in greater capital spending and stronger productivity gains.
- Stronger economic growth at the national level would also benefit the Arizona economy and revenue collections.

### *Potential Gain or Loss*

- Changes to federal tax policies have state conformity implications. As a result, depending on the specific federal tax changes that are adopted and the extent to which the state conforms to these changes, Arizona could either gain or lose state revenue.

### *Potential Losses*

- The current economic expansion has lasted for 100 months. The average post-1982 expansion is 95 months and the longest is 120 months. The 120-month mark would be reached at the end of FY 2019.
- Lack of progress in Washington with respect to tax and regulatory policies could harm business and consumer confidence.
- Monetary policy errors by the Federal Reserve Board could “derail” the U.S. economy.

## Forecast Risks – Litigation

In addition to economic factors, pending litigation may result in significant impacts to future budgets:

- If the Arizona Supreme Court rules that the Medicaid hospital assessment required a two-thirds vote, it would cost about \$290 million General Fund yearly to replace the assessment.
- A Superior Court judge has ruled that the Arizona Sports and Tourism Authority’s car rental tax should have been limited to transportation uses rather than for stadium subsidies and other purposes. The court also ruled that the state is liable for the repayment. The ruling, if upheld, would cost about \$150 million in one-time monies.
- The state is currently being sued in federal court over inadequate services to foster care children. No ruling has been issued, however, and it is too early to estimate a potential cost.
- School districts have sued the state to increase its level of K-12 capital funding. As this lawsuit was only filed in May 2017, it may take a considerable time to resolve.

## Reporting Requirements

The FY 2018 General Appropriation Act requires JLBC Staff to report by October 15, 2017 as to whether FY 2018's General Fund revenues and ending balance are projected to change by more than \$50 million from the budgeted levels. The FY 2018 projected ending balance is now \$(24) million, or \$(62) million lower than the budgeted \$38 million level.

In addition, A.R.S. § 35-125 requires the Legislature to provide 3-year estimates in each year's budget bill. In fulfilling these requirements, the JLBC Staff has reviewed the preliminary FY 2017 ending balance estimates and updated its 4-sector revenue projections in conjunction with the October 12<sup>th</sup> FAC meeting. (*See Attachment A*). In addition, the JLBC Staff has revised its spending projections through FY 2021 based on current statutory funding formulas.

## Updated FY 2017 Estimates

The enacted budget projected the FY 2017 ending balance to be \$171 million. Mostly due to lower than expected revenue collections, the FY 2017 ending balance is preliminarily estimated to be \$150 million. The \$(21) million net loss in the ending balance estimate was due to \$(19) million of lower than projected revenues, along with a \$2 million loss from higher than expected spending. The Arizona Department of Administration is required by law to publish a final FY 2017 ending balance figure by December 1.

Excluding the state's beginning cash balance and one-time revenues, FY 2017 net revenues grew by 1.5% rather than the budgeted increase of 1.7%, which translated into the revenue shortfall of \$(19) million.

While total FY 2017 revenue collections were just below the budget forecast, the results in the state's revenue categories varied significantly. Sales Tax posted the largest forecast gain, coming in at \$55 million above forecast. The state's revenue results were also helped by a \$12 million forecast overage in Individual Income Tax, along with gains in smaller categories such as Lottery collections.

In contrast, however, Corporate Income Tax collections fell by (36)% and were \$(52) million below forecast. The state also saw losses in the Insurance Premium Tax category (\$11 million) and in other miscellaneous revenue categories. *Table 1* displays the performance of these revenue categories as compared to the enacted forecast.

**Table 1**

### **FY 2017 Revenue Growth Rates by Category**

	<u><b>Budgeted</b></u>	<u><b>Actual</b></u>	<u><b>Above Forecast</b></u>
Sales/TPT	3.2%	4.5%	\$55 M
Individual Income	3.8%	4.1%	\$12 M
Corporate Income	(26.3)%	(35.5)%	\$(52) M
Insurance Premium	5.1%	2.8%	\$(11) M



### Sales Tax

The Sales Tax category increased by 4.5% in FY 2017 and ended up \$55 million above the enacted budget forecast. However, most of the FY 2017 forecast overage in this revenue category occurred for technical reasons. Large taxpayers are required to make an advance payment in June, which then is credited against their tax liability in July. The advance June payment (commonly referred to as “estimated payment”) was unexpectedly large this year, which resulted in a surge of collections at the end of FY 2017. The FY 2017 sales tax growth rate after adjusting for the June advance payments was 3.8%.

Although the state’s sales tax is levied under 16 different business classifications, approximately half of total tax revenue is collected from retail businesses. By historical standards, the retail category performed poorly in FY 2017. Collections from retail sales increased by 3.7% in FY 2017, the slowest growth rate since the end of the Great Recession.

According to a recent report by the Rockefeller Institute of Government (“Volatility in State Tax Revenues; Mounting Fiscal Uncertainties”), consumers have become more cautious in their discretionary spending habits in the period following the Great Recession. Lower wage growth and less reliance on debt-fueled spending are some of the factors behind this change. The closures of many department stores and other apparel stores across the country, including Arizona, have not only adversely affected retail employment, but likely also resulted in a further shift to online sales. The Rockefeller report suggests that the weakness in sales tax collections experienced in many states, including Arizona, “is at least partially attributable to tax dollars owed, but not collected, from online sales.”

Apart from the shift from traditional “brick-and-mortar” stores to online sales, individuals are increasingly spending more of their disposable income on services rather than goods. In Arizona like most other states, services are generally not subject to sales tax. To provide some perspective, 25.9% of Arizona personal income was spent on taxable retail goods in 2006. This figure has trended down over time and was 22.4% in 2016, the most recent year for which complete state personal income data is available. While the (3.5)% reduction of this ratio over the last decade may appear small, it has significant implications for sales tax collections as the following numerical exercise demonstrates. Taxable retail sales were \$62.8 billion in 2016. As noted above, this figure represented 22.4% of Arizona personal income that year. However, if the ratio of taxable goods to personal income had remained at 25.9% instead, the level of retail taxable sales would have been \$9.7 billion higher in 2016. In terms of sales tax collections, the state General Fund would have received an additional \$360 million that year.

To conclude, the slowdown in sales tax collections appears to be due to a combination of factors, including slower wage growth in the post-Great Recession era, a shift away from traditional retail sales to electronic commerce, as well as a long-term trend under which consumers are increasingly spending a larger share of their income on services rather than goods.

### Individual Income Tax

Individual Income Tax grew by 4.1% in FY 2017 and ended up \$12 million above the enacted budget forecast. Most of this forecast overage is related to Individual Income Tax withholding, which grew by 5.6%, the fastest growth rate since FY 2011.

A January 1, 2017 increase in the minimum wage to \$10 an hour under Proposition 206 may have served to increase FY 2017 withholding collections. A portion of added minimum wage revenues, though, may ultimately be refunded in FY 2018, depending on the extent that minimum wage workers can reduce taxes owed with exemptions, deductions and credits.

Individual Income Tax payments decreased (0.6)% during FY 2017, including a (3.0)% decrease in final payments. Another report from the Rockefeller Institute found that most states experienced reductions in final payments collections in the second half of FY 2017. Changes to final payments are often driven by investment income, including capital gains.

The Rockefeller report suggests that a portion of the nationwide negative trend in payments reflects taxpayers deferring investment income, in anticipation of future federal income tax reductions. This may have served to lower payments associated with Tax Year (TY) 2016 income, which were due by April 2017. This explanation appears to be consistent with a (4.1)% year-over-year decrease in the state's April 2017 final payments. Capital gains were likely also affected by poor stock market performance during calendar year (CY) 2016. Growth in the S&P 500 slowed to 1.5% in CY 2016, from 6.8% in CY 2015.

#### Corporate Income Tax

The state collected \$368 million in corporate income taxes in FY 2017, which was a decline of (36)% over the prior year and the lowest amount collected since FY 2003. Net revenue came in \$(52) million below forecast.

State corporate income tax collections depend on several different factors, including underlying profitability, strategic taxpayer behavior, and changes to federal and state tax policy. Without access to corporate tax return data, however, it is difficult to determine the exact reasons for the large revenue decline in FY 2017.

One of the reasons for the large decline in FY 2017 net collections was previously-enacted corporate tax reductions, most notably the 4-year phase-in rate reduction. However, recent data from the Rockefeller Institute suggests that lower corporate profits could also help to explain some of the revenue decline. Nationwide, state corporate income tax collections declined year-over-year for 6 consecutive quarters, beginning in the fourth quarter of CY 2015. Since many states did not provide corporate tax reductions during that time, the data suggests that underlying profitability may have been weak. Therefore, the (36)% decline in Arizona corporate income tax revenue was likely due to both previously-enacted tax reductions as well as lower corporate profits.

#### Insurance Premium Tax

Insurance Premium Tax revenues grew 2.8% in FY 2017 and were \$(11) million below the enacted budget forecast. The FY 2017 rate of growth was the lowest since FY 2013 and represented a significant slowdown from rates of 6.5% in FY 2014, 9.2% in FY 2015, and 9.1% in FY 2016. Collections from Medicaid contractors was the primary boost to revenues during those years, averaging annual growth of 17.1% from FY 2014 to FY 2016. Growth in Medicaid-related collections during those years was largely driven by the January 1, 2014 expansion of Medicaid coverage.

The FY 2017 slowdown in insurance premium tax collections was primarily driven by low growth of 1.2% in collections from Medicaid contractors. A reduction in the tax rate for most non-health insurance premiums, from 2.0% CY 2015 to 1.95% in CY 2016, also contributed to the low growth of collections in FY 2017.

### **FY 2018 - 1<sup>st</sup> Quarter**

The enacted FY 2018 budget assumed base revenue growth of 4.3% prior to tax law changes, urban revenue sharing and one-time adjustments. After adjusting for the new tax laws, the budgeted FY 2018 net revenue growth rate is 1.7%. Based on preliminary September projections, first quarter FY 2018 revenues are growing at a rate of 4.0% over last year (excluding urban revenue sharing and fund transfers). Collections through September are \$17 million above the enacted FY 2018 budget forecast. Preliminary collections were as follows:

	<u>% Change</u>
• Sales Tax	5.3%
• Individual Income Tax	5.4%
• Corporate Income Tax	(5.1)%
• Insurance Premium Tax	4.2%
• Other Revenues	(33.9)%

Overall revenue growth was moderate during the first quarter of FY 2018, though, results have been mixed across categories. Sales tax growth of 5.3% year to date (YTD) represents a slight acceleration from growth of 4.5% in FY 2017. Withholding collections continue the FY 2017 trend of bolstering overall individual income tax revenues, having grown 5.3% YTD. Following its lowest year of growth since FY 2013, insurance premium tax collection growth has improved to 4.2% YTD.

Corporate income tax collections declined (5.1)% YTD, though, this decrease is more moderate than in FY 2016 and FY 2017. The continued reductions in this category have likely been driven by the previously enacted phase-in of tax reductions. Reduced collections in other revenue categories have also limited statewide collections, though, this is partly due to timing issues.

### **FY 2018 – FY 2021 Revenue Projections**

The FY 2018 – FY 2021 forecast is based on input from the following 4 sectors (each equally weighted): members of the Finance Advisory Committee (FAC) panel, University of Arizona’s “base” and “low” econometric revenue models, and JLBC Staff.

The 4-sector forecast includes the 4 largest General Fund revenue categories, which are Sales Tax, Individual and Corporate Income Tax, and Insurance Premium Tax. The JLBC Staff forecasts the remaining small revenue categories, which make up 5% of General Fund revenue.

Under the October 4-sector forecast, gross General Fund revenues are projected to grow by 4.1% in FY 2018. This rate is slightly lower than the 4.3% growth rate assumed in the FY 2018

budget. The FY 2018 revenue forecast under the October 4-sector update is \$(36) million lower than in the enacted budget.

In FY 2019, the projected 4-sector gross revenue growth rate is 3.9%. The growth rate improves to 4.5% in FY 2020 and 4.6% in FY 2021. Details of the October 2017 4-sector forecast are summarized in *Attachment B*.

In addition to the consensus forecast for base revenues, the budget projections also include adjustments for previously-enacted tax legislation. As shown in *Attachment D*, an estimated \$(87.5) million in tax reductions will occur between FY 2019 and FY 2021. Most of these reductions are from the final phase-in of the corporate rate reductions and sales factor increase that began in TY 2014.

Excluding the state's beginning cash balance, total net General Fund revenue is expected to increase from \$9.64 billion in FY 2018 to \$9.96 billion in FY 2019. The projected FY 2020 and FY 2021 revenue estimates are \$10.39 billion and \$10.86 billion, respectively.

### **Future Year Spending Estimates**

As part of the October FAC process, JLBC Staff has updated its FY 2018 – FY 2021 projection of Baseline spending. (*See Attachment E*). The Baseline reflects the projected spending changes associated with statutory and other active funding formulas. In addition, it reflects changes that were assumed in the FY 2018 enacted budget's 3-year spending plan.

Overall state spending is projected to increase by \$226 million in FY 2019, or an increase of 2.3% over the prior year. This includes \$351 million of caseload/statutory spending increases, which are partially offset by the elimination of one-time spending items and a reduction in School Facilities Board debt service requirements.

Under the Baseline projections, spending is projected to grow by \$309 million in FY 2020 (3.1% growth) and \$273 million in FY 2021 (2.6% growth).

FY 2018 spending remains close to the level of the enacted budget.

The estimates incorporate the following specific adjustments:

#### **Statutory Formula Spending**

- K-12 state aid spending is projected to increase by \$147 million in FY 2019, \$162 million in FY 2020 and \$190 million in FY 2021. The growth reflects the following components: 1) 1.3% annual student growth each year; 2) new annual inflation adjustments of 1.76% for FY 2019 and 2.0% in both FY 2020 and FY 2021; and 3) additional property taxes from new construction.
- AHCCCS funding is projected to grow by \$112 million in FY 2019. This adjustment is primarily based on 1.5% enrollment growth and 3.5% capitation rate growth. The increase

also includes \$22 million in state General Fund money to resume a federal health insurer fee in FY 2019, following a 1-year moratorium in FY 2018. In future years, AHCCCS spending is estimated to increase by \$128 million in FY 2020 and \$136 million in FY 2021.

- University spending is projected to grow by \$27 million in FY 2019 as the state pays the first installment on a 25-year plan to support capital projects on all campuses.
- Department of Economic Security (DES) spending for the Developmental Disabilities (DD) program is projected to increase by \$34 million in FY 2019, followed by increases of \$46 million in FY 2020 and \$47 million in FY 2021. These increases are based on: 1) formula assumptions of 4.5% enrollment growth and 3.5% capitation growth; 2) the transfer of funding for DD behavioral health services from AHCCCS to DES in anticipation of plans to fully integrate DD services in FY 2019; 3) the backfill of shortfalls in the DD state-only program for Medicaid-eligible clients to reflect the elimination of one-time DD equity monies from FY 2018; 4) funding for Proposition 206 rate adjustments to address scheduled increases in the minimum wage in calendar years 2018, 2019, and 2020; and 5) elimination of one-time funding for Proposition 206 costs and DD Room and Board from the FY 2018 budget.
- The Department of Corrections budget does not include an increase for FY 2019. The flat budget reflects the prison population having declined by (1.1)% in the last year. The department, however, is in the process of selecting a new vendor for a new inmate health care contract to start June 1, 2018. If the department agrees to a higher daily per diem for inmate health care under the new contract, there could be a need for additional monies.
- The Baseline projections assume the continued annual suspension of any inactive formulas. Each year, the Legislature enacts certain provisions that only suspend, not repeal, certain statutory formulas. If those inactive formulas were counted, spending would increase by approximately \$513 million. K-12 accounts for most of the inactive formulas.

#### One-Time Spending/Expiring Statutory Provisions

- As part of the FY 2018 budget 3-year spending plan, certain spending items were designated as one-time and would not be funded in the FY 2019 Baseline. This one-time spending totaled \$180 million, and with the exception of SFB new construction funding and several miscellaneous items, this spending is not continued in the FY 2019 Baseline estimates.
- The FY 2019 Baseline eliminates \$90 million of the following one-time FY 2018 spending items:
  - \$25 million for employer contributions to the State Employee Health Insurance Trust Fund (HITF), which has declining reserves.
  - \$17 million of School Facilities Board Building Renewal Grant funding.
  - \$15 million of funding to the Universities, which was designed for use as either operating or capital funding.
  - \$12 million of DES funding for the Developmentally Disabled program, most of which was used to offset the costs of Proposition 206.

- \$10 million of funding distributed to the counties. This funding was mostly designated to partially offset county contributions to the Department of Juvenile Corrections, along with a smaller portion allocated directly to Pinal, Yavapai and Mohave Counties.
- \$7 million of funding to ADE for continued development of its computer system.

### Future Year Balance Projections

As reported by the Department of Administration, the state ended FY 2017 with a \$150 million cash balance. Combining this \$150 million reserve, \$8 million Moody's settlement and projected FY 2018 revenues of \$9.64 billion, results in total available resources of \$9.80 billion. Compared to the FY 2018 estimated spending level of \$9.82 billion translates into a projected FY 2018 cash shortfall of \$(24) million.

Based on the current FY 2019 projections of \$9.97 billion of revenues and \$10.05 billion of spending, FY 2019 is estimated to have a cash shortfall of \$(80) million.

Beginning in FY 2020, the state is projected to have a cash balance of \$68 million. This balance is then expected to increase to \$287 million in FY 2021. *(See Table 2 and Attachment A.)* These long-term estimates, however, represent an unlikely scenario due to several assumptions, including that no additional discretionary changes are made by the Legislature over the next 3 years (such as tax reductions or spending increases beyond the Baseline).

<b>Table 2</b>				
<b>Baseline Ending Balance Projections</b>				
	<b>Fiscal Year</b>			
	<b><u>18</u></b>	<b><u>19</u></b>	<b><u>20</u></b>	<b><u>21</u></b>
Balance Forward/Other	\$ 0.16 B	\$ 0.00 B	\$ 0.00 B	\$ 0.00 B
Ongoing Baseline Revenues	9.64 B	9.97 B	10.42 B	10.91 B
Less:				
Ongoing Baseline Spending	9.66 B	9.95 B	10.31 B	10.61 B
One-Time Spending	<u>0.16 B</u>	<u>0.10 B</u>	<u>0.05 B</u>	<u>0.01 B</u>
<b>Cash Balance</b>	<b>\$(24) M*</b>	<b>\$(80) M*</b>	<b>\$68 M</b>	<b>\$287 M</b>
<b>Structural Balance</b>	<b>\$(20) M</b>	<b>\$19 M</b>	<b>\$115 M</b>	<b>\$300 M</b>

\* The projected cash shortfalls are presumed to be solved as part of the FY 2019 budget process.

The long-term projections only account for statutory and funding formula growth. Over the last decade, the statutory share of state spending has remained near 67%. In other words, the state has historically spent one new discretionary dollar for every 2 new dollars of statutory growth. The Baseline also does not account for any new tax reductions beyond those already enacted.

In addition, the Baseline makes no assumption about higher spending connected with pending litigation. On page 2, we outlined at least 4 different lawsuits that could have a notable effect if the plaintiffs are successful.

Potential federal policy changes could also have state spending implications. For example, the recent proposed Graham-Cassidy health care legislation would have eliminated the federal funding formulas for both the Medicaid expansion and health insurance exchange populations. In return, the state would have received a block grant no longer linked to the number of recipients. While AHCCCS has a lower forecast of the impact, JLBC Staff's preliminary FY 2020 estimate of the legislation would have been an annual loss in excess of \$(1) billion in federal funding. If the efforts to "repeal and replace" the Affordable Care Act are successfully revived in the form of Graham-Cassidy, the state would have to decide how to address these issues.

# STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES 1/ WITH ONE-TIME FINANCING SOURCES

	FY 2018 October FAC	FY 2019 October FAC	FY 2020 October FAC	FY 2021 October FAC
<b>REVENUES</b>				
Ongoing Revenues	\$10,318,324,600	\$10,715,864,000	\$11,123,057,200	\$11,631,219,200
Previously Enacted Changes		(75,296,200)	(6,433,300)	(5,800,000)
Urban Revenue Sharing	(680,770,100)	(674,804,400)	(694,239,000)	(710,536,800)
Net Ongoing Revenues	\$9,637,554,500	\$9,965,763,400	\$10,422,384,900	\$10,914,882,400
One-time Financing Sources				
Balance Forward	\$149,955,000			
Moody's Settlement Fund Transfer	8,172,700			
Subtotal One-time Revenues	\$158,127,700	\$0	\$0	\$0
<b>Total Revenues</b>	<b>\$9,795,682,200</b>	<b>\$9,965,763,400</b>	<b>\$10,422,384,900</b>	<b>\$10,914,882,400</b>
<b>EXPENDITURES</b>				
Operating Budget Appropriations	\$9,698,061,800	\$9,987,127,200	\$10,347,997,700	\$10,655,469,400
FY 2018 Ongoing Supplementals	449,100			
Administrative Adjustments	100,000,000	100,000,000	100,000,000	100,000,000
Revertments	(140,682,500)	(140,682,500)	(140,682,500)	(140,682,500)
Subtotal Ongoing Expenditures	\$9,657,828,400	\$9,946,444,700	\$10,307,315,200	\$10,614,786,900
One-time Expenditures				
Capital Outlay	\$5,700,000	\$5,700,000		
Operating One-Time Spending	180,142,500	93,457,500	47,517,700	12,841,800
AHCCCS One-Time Savings	(24,130,900)			
Subtotal One-time Expenditures	\$161,711,600	\$99,157,500	\$47,517,700	\$12,841,800
<b>Total Expenditures</b>	<b>\$9,819,540,000</b>	<b>\$10,045,602,200</b>	<b>\$10,354,832,900</b>	<b>\$10,627,628,700</b>
<b>Ending Balance <u>2/</u></b>	<b>(\$23,857,800) <u>4/</u></b>	<b>(\$79,838,800) <u>4/</u></b>	<b>\$67,552,000</b>	<b>\$287,253,700</b>
<b>Structural Balance <u>3/</u></b>	<b>(\$20,273,900)</b>	<b>\$19,318,700</b>	<b>\$115,069,700</b>	<b>\$300,095,500</b>

- 1/ Significant one-time revenues and expenditures are separately detailed so as to permit the calculation of ongoing revenue and expenditures.
- 2/ This calculation reflects the difference between total revenues and total expenditures. Excludes any Budget Stabilization Fund balance.
- 3/ This calculation reflects the difference between ongoing revenues and expenditures and excludes one-time adjustments. Excludes any Budget Stabilization Fund balance.
- 4/ The projected FY 2018 and FY 2019 cash shortfalls are presumed to be solved as part of the FY 2019 budget process.



## October 12, 2017 FAC 4-Sector Consensus

	FY 2018	FY 2019	FY 2020	FY 2021
<b><u>Sales Tax</u></b>				
JLBC Forecast (9/27/2017)	4.0%	4.2%	4.1%	4.0%
UA - Low (9/15/2017)	3.4%	2.7%	3.9%	4.7%
UA - Base (9/15/2017)	4.6%	5.0%	5.5%	4.9%
FAC (9/27/2017)	4.2%	4.1%	4.0%	4.1%
<b>Average:</b>	<b>4.1%</b>	<b>4.0%</b>	<b>4.4%</b>	<b>4.4%</b>
<b><u>Individual Income Tax</u></b>				
JLBC Forecast (9/27/2017)	5.9%	4.5%	5.4%	5.3%
UA - Low (9/15/2017)	2.8%	1.8%	4.8%	5.8%
UA - Base (9/15/2017)	6.1%	4.3%	5.9%	5.7%
FAC (9/27/2017)	4.4%	4.0%	3.9%	3.8%
<b>Average:</b>	<b>4.8%</b>	<b>3.7%</b>	<b>5.0%</b>	<b>5.2%</b>
<b><u>Corporate Income Tax</u></b>				
JLBC Forecast (9/27/2017)	6.4%	6.5%	5.6%	2.1%
UA - Low (9/15/2017)	2.5%	2.2%	5.9%	7.1%
UA - Base (9/15/2017)	3.6%	4.5%	4.3%	2.8%
FAC (9/27/2017)	8.9%	5.8%	2.3%	3.9%
<b>Average:</b>	<b>5.3%</b>	<b>4.8%</b>	<b>4.5%</b>	<b>3.9%</b>
<b><u>Insurance Premium Tax</u></b>				
JLBC Forecast (9/27/2017)	3.7%	4.5%	4.4%	4.4%
UA - Low (9/15/2017)	3.2%	0.6%	1.2%	1.9%
UA - Base (9/15/2017)	3.3%	1.1%	1.4%	2.5%
FAC (9/27/2017)	4.7%	4.0%	3.8%	4.0%
<b>Average:</b>	<b>3.7%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>3.2%</b>
<b>JLBC Weighted Average:</b>	<b>4.9%</b>	<b>4.4%</b>	<b>4.7%</b>	<b>4.5%</b>
<b>UA Low Weighted Average:</b>	<b>3.1%</b>	<b>2.2%</b>	<b>4.2%</b>	<b>5.1%</b>
<b>UA Base Weighted Average:</b>	<b>5.1%</b>	<b>4.5%</b>	<b>5.4%</b>	<b>5.1%</b>
<b>FAC Consensus Weighted Average:</b>	<b>4.5%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.0%</b>
<b>"Big-4" Weighted Average:</b>	<b>4.4%</b>	<b>3.7%</b>	<b>4.5%</b>	<b>4.6%</b>
<b>Consensus Weighted Average: *</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.5%</b>	<b>4.6%</b>
<b>Adj. Consensus Weighted Average: **</b>	<b>3.0%</b>	<b>3.1%</b>	<b>4.5%</b>	<b>4.6%</b>

\* Represents ongoing revenue adjusted for small revenue categories

\*\* Represents ongoing revenue adjusted for tax law changes; excludes Urban Revenue Sharing

# October 2017 Revenue and Budget Update

## 4-Sector Consensus Forecast

Table 1

### GENERAL FUND REVENUE - FY 2017 - FY 2019

FORECAST REVENUE GROWTH								
	(\$ in Thousands)							
	ACTUAL FY 2017	% CHANGE PRIOR YR	FORECAST FY 2018	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2019	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	4,506,161.1	4.5%	4,674,705.1	3.7%	168,544.0	4,861,954.6	4.0%	187,249.5
Income - Individual	4,130,898.7	4.1%	4,313,871.4	4.4%	182,972.7	4,472,322.3	3.7%	158,450.9
- Corporate	368,136.4	-35.5%	314,388.8	-14.6%	(53,747.6)	329,386.0	4.8%	14,997.2
Property	32,538.5	-15.4%	32,409.4	-0.4%	(129.1)	33,712.1	4.0%	1,302.7
Luxury - Tobacco	22,935.1	-8.1%	23,155.5	1.0%	220.3	22,933.9	-1.0%	(221.6)
- Liquor	34,703.2	1.8%	35,314.4	1.8%	611.2	35,885.6	1.6%	571.2
Insurance Premium	504,339.3	2.8%	513,889.0	1.9%	9,549.7	527,061.4	2.6%	13,172.4
Other Taxes (Includes MV Tax)	2,740.7	-65.6%	941.7	-65.6%	(1,799.0)	988.8	5.0%	47.1
Subtotal - Taxes	9,602,453.1	1.6%	9,908,675.2	3.2%	306,222.1	10,284,244.6	3.8%	375,569.4
Other Non-Tax Revenues:								
Lottery	78,690.4	21.1%	83,174.2	5.7%	4,483.7	90,648.5	9.0%	7,474.3
Licenses, Fees and Permits	38,436.5	24.8%	40,989.6	6.6%	2,553.1	42,130.8	2.8%	1,141.2
Interest	17,001.0	26.0%	19,036.0	12.0%	2,035.0	21,799.0	14.5%	2,763.0
Sales and Services	42,062.1	-1.5%	41,867.9	-0.5%	(194.2)	41,142.3	-1.7%	(725.6)
Other Miscellaneous	83,890.5	-9.4%	85,241.1	1.6%	1,350.5	83,183.7	-2.4%	(2,057.3)
Transfers and Reimbursements	64,129.5	-22.4%	44,094.1	-31.2%	(20,035.4)	57,141.2	29.6%	13,047.1
Disproportionate Share Revenue	94,321.7	0.5%	95,246.5	1.0%	924.9	95,573.8	0.3%	327.3
Subtotal - Other Non-Tax	418,531.7	-0.6%	409,649.4	-2.1%	(8,882.3)	431,619.4	5.4%	21,970.0
Subtotal On-Going Revenue	10,020,984.8	1.5% <u>1/</u>	10,318,324.6	3.0% <u>2/</u>	297,339.8	10,715,864.0	3.9%	397,539.4
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(75,296.2)	N/A	(75,296.2)
Subtotal w/Tax Law Changes	10,020,984.8	1.5%	10,318,324.6	3.0%	297,339.8	10,640,567.8	3.1%	322,243.2
Urban Revenue Sharing (URS)	(663,582.2)	N/A	(680,770.1)	N/A	(17,187.9)	(674,804.4)	N/A	5,965.6
Subtotal w/Tax Law Changes/URS	9,357,402.6	1.0%	9,637,554.5	3.0%	280,151.9	9,965,763.4	3.4%	328,208.8
One-Time Financing Sources:								
Fund Transfers	145,091.5	-34.1%	8,172.7	-94.4%	(136,918.8)	0.0	-100.0%	(8,172.7)
Subtotal - One-Time Financing Sources	145,091.5	-34.1%	8,172.7	-94.4%	(136,918.8)	0.0	-100.0%	(8,172.7)
Subtotal - Revenues	9,502,494.1	0.2%	9,645,727.2	1.5%	143,233.1	9,965,763.4	3.3%	320,036.1
Balance Forward	284,015.0	-9.1%	149,955.0	-47.2%	(134,060.0)		-100.0%	(149,955.0)
Total - Resources	9,786,509.1	-0.1%	9,795,682.2	0.1%	9,173.1	9,965,763.4	1.7%	170,081.1

<sup>1/</sup> The 1.5% FY 2017 increase includes \$(127.4) million in tax law changes. Adjusting for these changes and one-time tax amnesty monies of \$47 million in FY 2016, the base FY 2017 increase is 3.3%.

<sup>2/</sup> The 3.0% FY 2018 increase includes \$(117.2) million in tax law changes. Adjusting for these changes, the base FY 2018 increase is 4.1%.

# October 2017 Revenue and Budget Update

## 4-Sector Consensus Forecast

Table 2

### GENERAL FUND REVENUE - FY 2020 - FY 2021

FORECAST REVENUE GROWTH						
(\$ in Thousands)						
	FORECAST FY 2020	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR	FORECAST FY 2021	% CHANGE PRIOR YR	\$ CHANGE PRIOR YR
Sales and Use	5,075,425.9	4.4%	213,471.3	5,299,838.5	4.4%	224,412.5
Income - Individual	4,688,835.4	4.8%	216,513.1	4,929,607.4	5.1%	240,772.0
- Corporate	284,280.5	-13.7%	(45,105.5)	294,481.0	3.6%	10,200.5
Property	35,074.6	4.0%	1,362.5	36,499.7	4.1%	1,425.1
Luxury - Tobacco	22,718.1	-0.9%	(215.8)	22,508.2	-0.9%	(209.9)
- Liquor	36,632.7	2.1%	747.1	37,401.4	2.1%	768.7
Insurance Premium	530,671.0	0.7%	3,609.7	543,001.4	2.3%	12,330.4
Other Taxes (Includes MV Tax)	1,038.2	5.0%	49.4	1,090.1	5.0%	51.9
Subtotal - Taxes	10,674,676.5	3.8%	390,431.8	11,164,427.7	4.6%	489,751.2
<b>Other Non-Tax Revenues:</b>						
Lottery	102,174.6	12.7%	11,526.1	112,141.9	9.8%	9,967.3
Licenses, Fees and Permits	43,604.2	3.5%	1,473.4	45,142.0	3.5%	1,537.9
Interest	27,575.7	26.5%	5,776.7	27,906.6	1.2%	330.9
Sales and Services	41,709.2	1.4%	566.9	41,979.5	0.6%	270.3
Other Miscellaneous	80,401.9	-3.3%	(2,781.9)	82,167.2	2.2%	1,765.4
Transfers and Reimbursements	57,092.2	-0.1%	(49.1)	61,564.1	7.8%	4,471.9
Disproportionate Share Revenue	95,823.0	0.3%	249.2	95,890.1	0.1%	67.1
Subtotal - Other Non-Tax	448,380.8	3.9%	16,761.4	466,791.5	4.1%	18,410.7
<b>Subtotal On-Going Revenue</b>	<b>11,123,057.2</b>	<b>3.8% 3/</b>	<b>407,193.2</b>	<b>11,631,219.2</b>	<b>4.6% 4/</b>	<b>508,161.9</b>
Previously Enacted Tax Law Changes	(6,433.3)	N/A	68,862.9	(5,800.0)	N/A	633.3
<b>Subtotal w/Tax Law Changes</b>	<b>11,116,623.9</b>	<b>4.5%</b>	<b>476,056.1</b>	<b>11,625,419.2</b>	<b>4.6%</b>	<b>508,795.2</b>
Urban Revenue Sharing (URS)	(694,239.0)	N/A	(19,434.6)	(710,536.8)	N/A	(16,297.8)
<b>Subtotal w/Tax Law Changes/URS</b>	<b>10,422,384.9</b>	<b>4.6%</b>	<b>456,621.5</b>	<b>10,914,882.4</b>	<b>4.7%</b>	<b>492,497.5</b>
<b>One-Time Financing Sources:</b>						
Fund Transfers	0.0	N/A	0.0	0.0	N/A	0.0
Subtotal - One-Time Financing Sources	0.0	N/A	0.0	0.0	N/A	0.0
<b>Subtotal - Revenues</b>	<b>10,422,384.9</b>	<b>4.6%</b>	<b>456,621.5</b>	<b>10,914,882.4</b>	<b>4.7%</b>	<b>492,497.5</b>
Balance Forward		N/A	0.0		N/A	0.0
<b>Total - Resources</b>	<b>10,422,384.9</b>	<b>4.6%</b>	<b>456,621.5</b>	<b>10,914,882.4</b>	<b>4.7%</b>	<b>492,497.5</b>

3/ Adjusting for the \$(75.3) million in tax law changes in FY 2019, the base FY 2020 increase is 4.5%.

4/ Adjusting for the \$(6.4) million in tax law changes in FY 2020, the base FY 2021 increase is 4.6%.

**October 2017 Revenue and Budget Update**  
**Marginal Dollar Impact of Enacted Tax Law Changes <sup>1/</sup>**  
**(\$ in millions)**

<b>Legislation</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
<b><u>Laws 2006, Chapters 14 &amp; 325</u></b>				
STO Credit for Low-Income Students	(12.4)	(14.9)	0.0	0.0
<b><u>Laws 2011, 2nd Special Session, Chapter 1</u></b>				
Phases down corporate tax rate from 6.968% to 4.9% over 4 years, beginning in TY 2014	(43.5)	(32.1)	0.0	0.0
Phases in corporate sales factor from 80% to 100% over 4 years, beginning in TY 2014	(18.7)	(11.6)	0.0	0.0
<b>Sub-Total</b>	<b>(62.2)</b>	<b>(43.7)</b>	<b>0.0</b>	<b>0.0</b>
<b><u>Laws 2012, Chapter 343</u></b>				
Creates a new income tax credit for capital investments in new or expanded manufacturing facilities, commercial headquarters, or research facilities (TY 2013)	(4.0)	(2.8)	0.0	0.0
<b><u>Laws 2015, Chapter 8 &amp; Laws 2016, Chapter 117</u></b>				
Ongoing Judiciary Fund Transfer to General Fund	(2.0)	0.0	0.0	0.0
<b><u>Laws 2015, Chapter 220 &amp; Laws 2016, Chapter 358</u></b>				
Phases Down Insurance Premium Tax Rate from 2.0% to 1.7% over 6 Years	(4.1)	(4.3)	(4.7)	(5.0)
<b><u>Laws 2016, Chapter 118</u></b>				
Increases state income tax deduction from 10% to 100% of federal bonus depreciation over 2 years, beginning in TY 2016	(8.0)	0.0	0.0	0.0
<b><u>Laws 2016, Chapter 367</u></b>				
Exempts aircraft and aircraft equipment operated by charter airlines from TPT	(2.3)	0.0	0.0	0.0
<b><u>Laws 2016, Chapter 374</u></b>				
Modifies existing TPT exemption for electricity and natural gas purchased by manufacturing and smelting facilities	(12.2)	0.0	0.0	0.0
<b><u>Laws 2017, Chapter 43</u></b>				
Diverts NEMF assessment from General Fund to Other Funds	(2.5)	0.0	0.0	0.0
<b><u>Laws 2017, Chapter 278</u></b>				
Provides income tax subtraction for ADA retrofits	0.0	(1.3)	0.0	0.0
<b><u>Laws 2017, Chapter 281</u></b>				
Increases year-end transfer cap of Captive Insurance Fund to General Fund	(0.1)	0.0	0.0	0.0
<b><u>Laws 2017, Chapter 299</u></b>				
Increases personal exemption amount followed by inflation indexing	(6.8)	(6.7)	0.0	0.0
<b><u>Laws 2017, Chapter 305</u></b>				
Reduces ongoing Judiciary transfers	(0.4)	0.0	0.0	0.0
<b><u>Laws 2017, Chapter 319</u></b>				
Authorizes an additional \$10 million in angel investment credits from FY 2018 to FY 2021	(0.8)	(0.8)	(0.8)	0.0
<b><u>Laws 2017, Chapter 334</u></b>				
Diverts real estate appraisal fee revenue from Board of Appraisals to General Fund	0.7	0.0	0.0	0.0
<b><u>Laws 2017, Chapter 319</u></b>				
Modifies eligibility requirements for the new jobs tax credit and extends credit through FY 2025	0.0	(0.8)	(0.9)	(0.8)
<b>Total General Fund Revenue Impact over Prior Year</b>	<b>(117.2)</b>	<b>(75.3)</b>	<b>(6.4)</b>	<b>(5.8)</b>

<sup>1/</sup> Each year represents the dollar value of the provision compared to the prior year.

# **OCTOBER FAC - GENERAL FUND SPENDING BY MAJOR BUDGET UNITS 1/**

	<u>FY 2018</u> <u>October FAC</u>	<u>FY 2019</u> <u>\$ Above FY 2018</u>	<u>FY 2019</u> <u>October FAC</u>	<u>FY 2020</u> <u>\$ Above FY 2019</u>	<u>FY 2020</u> <u>October FAC</u>	<u>FY 2021</u> <u>\$ Above FY 2020</u>	<u>FY 2021</u> <u>October FAC</u>
<b>EXPENDITURES</b>							
Operating Budget							
-- Department of Administration	\$10,264,500		\$10,264,500		\$10,264,500		\$10,264,500
-- ADOA - Automation Projects Fund	5,000,000		5,000,000		5,000,000		5,000,000
-- AHCCCS	1,798,998,200	88,268,800	1,887,267,000	128,235,100	2,015,502,100	135,653,700	2,151,155,800
-- Attorney General	24,568,500		24,568,500		24,568,500		24,568,500
-- Department of Child Safety	379,374,800		379,374,800		379,374,800		379,374,800
-- Commerce Authority	21,800,000		21,800,000		21,800,000		21,800,000
-- Community Colleges	55,086,500	(50,000)	55,036,500		55,036,500		55,036,500
-- Department of Corrections	1,055,305,000		1,055,305,000		1,055,305,000		1,055,305,000
-- County Funding	6,000,500		6,000,500		6,000,500		6,000,500
-- Department of Economic Security	573,551,400	46,836,100	620,387,500	45,606,900	665,994,400	46,560,500	712,554,900
-- Department of Education	4,226,403,500	147,576,000	4,373,979,500	162,424,900	4,536,404,400	189,917,300	4,726,321,700
-- Department of Environmental Quality	2,823,600		2,823,600		2,823,600		2,823,600
-- Department of Health Services	86,650,800		86,650,800		86,650,800		86,650,800
-- Judiciary	110,215,400	474,600	110,690,000		110,690,000		110,690,000
-- Department of Juvenile Corrections	19,155,700		19,155,700		19,155,700		19,155,700
-- State Land Department	12,222,500	449,100	12,671,600		12,671,600		12,671,600
-- Department of Public Safety	108,654,600		108,654,600	30,000,000	138,654,600		138,654,600
-- Public Safety Personnel Retirement System	6,000,000		6,000,000	(1,000,000)	5,000,000		5,000,000
-- Department of Revenue	30,507,700		30,507,700		30,507,700		30,507,700
-- School Facilities Board	188,096,300	(35,474,500)	152,621,800	(2,416,700)	150,205,100	(64,692,800)	85,512,300
-- Office of Tourism	7,112,000		7,112,000		7,112,000		7,112,000
-- Universities	685,130,700	26,999,100	712,129,800	(2,479,900)	709,649,900	(465,500)	709,184,400
-- Department of Water Resources	13,854,200		13,854,200		13,854,200		13,854,200
-- All Other Budgets	160,671,300	3,492,000	164,163,300		164,163,300		164,163,300
-- Civic Center Payment	22,499,000	497,300	22,996,300	503,700	23,500,000	497,900	23,997,900
-- Rio Nuevo Payment	14,000,000		14,000,000		14,000,000		14,000,000
-- Asset Sale/Lease-Back Debt Service	84,115,100	(3,100)	84,112,000	(3,500)	84,108,500	600	84,109,100
-- Efficiency Savings	(10,000,000)	10,000,000					
Total - Operating Budget	<u>\$9,698,061,800</u>	<u>\$289,065,400</u>	<u>\$9,987,127,200</u>	<u>\$360,870,500</u>	<u>\$10,347,997,700</u>	<u>\$307,471,700</u>	<u>\$10,655,469,400</u>
-- Capital Outlay	5,700,000		5,700,000	(5,700,000)			
-- Operating One-Time Spending	180,142,500	(86,685,000)	93,457,500	(45,939,800)	47,517,700	(34,675,900)	12,841,800
-- AHCCCS One-Time Savings	(24,130,900)	24,130,900					
-- FY 2018 Ongoing Supplementals	449,100	(449,100)					
-- Administrative Adjustments	100,000,000		100,000,000		100,000,000		100,000,000
-- Revertments	(140,682,500)		(140,682,500)		(140,682,500)		(140,682,500)
Total Spending	<u>\$9,819,540,000</u>	<u>\$226,062,200</u>	<u>\$10,045,602,200</u>	<u>\$309,230,700</u>	<u>\$10,354,832,900</u>	<u>\$272,795,800</u>	<u>\$10,627,628,700</u>

1/ Individual agency spending amounts listed above exclude Operating One-Time spending amounts. These amounts are accounted for in the "Operating One-Time Spending" line and are summarized in Attachment F.

## OCTOBER FAC - SUMMARY OF ONE-TIME SPENDING AND ONE-TIME SAVINGS

	October FAC FY 2018	October FAC FY 2019	October FAC FY 2020	October FAC FY 2021
<b>Operating</b>				
ADOA/Automation Projects Fund - ADE IT	\$ 7,300,000	\$ -	\$ -	\$ -
Agriculture - Equipment	61,000			
Attorney General - Criminal Division	1,500,000	1,500,000	1,500,000	
Counties - DJC Local Cost Sharing Offset	8,000,000			
Counties - \$550k Distribution (Pinal/Yavapai/Mohave)	1,650,200			
DES - One-Time Prop 206 Funding	10,000,000			
DES - One-Time DD Room and Board	2,000,000			
ADE - Geographic Literacy	100,000			
ADE - Professional Development Pilot	300,000			
Forester - Fire Safety Communications	139,900			
Forester - Post Release Firefighting Crew	465,100			
Governor - Youth Success Fund Deposit	1,500,000			
Governor - School Leadership Training	250,000			
Governor - Computer Science Initiative	200,000			
SFB - Building Renewal Grants	17,167,900			
SFB - New School Construction (FY 17 Authorization)	23,078,600			
SFB - New School Construction (FY 18 Authorization)	63,929,800	37,989,800		
SFB - New School Construction (FY 19 Authorization)		51,967,700	44,017,700	
SFB - New School Construction (FY 21 Authorization)				12,841,800
SOS - One-Time Operating Funding	500,000			
Universities - ASU	7,639,500			
Universities - NAU	3,202,800			
Universities - UA	4,157,700			
DWR - Drought Contingency Plan	2,000,000	2,000,000	2,000,000	
Other - HITF Deposit	25,000,000			
<b>Subtotal - Operating Funding</b>	<b>\$ 180,142,500</b>	<b>\$ 93,457,500</b>	<b>\$ 47,517,700</b>	<b>\$ 12,841,800</b>
<b>AHCCCS - One-time Health Insurer Fee Savings</b>	<b>\$ (24,130,900)</b>			
<b>Capital Outlay</b>				
Capital - ADOA - Projects	5,700,000	5,700,000		
<b>Subtotal - Capital Outlay</b>	<b>\$ 5,700,000</b>	<b>\$ 5,700,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total - One-time Spending</b>	<b>\$ 161,711,600</b>	<b>\$ 99,157,500</b>	<b>\$ 47,517,700</b>	<b>\$ 12,841,800</b>



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## Economic Forecast and Policy Discussion

FAC – October 2017

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JIM ROUNDS, PRESIDENT  
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## What Matters in Growing the Economy?

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- Tax Rates?
- Econ Development Programs?
- Workforce (quality/avail/cost)?
- Transportation Infrastructure?
- Marketing?
- Responsible Regulations?
- Balanced Budget?

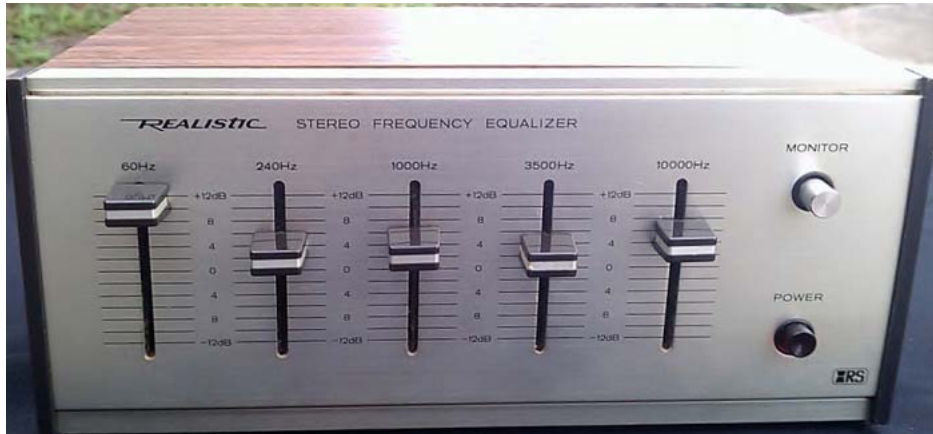


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## Finding the Right Balance – ROI/Choices



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## U.S. Conditions...



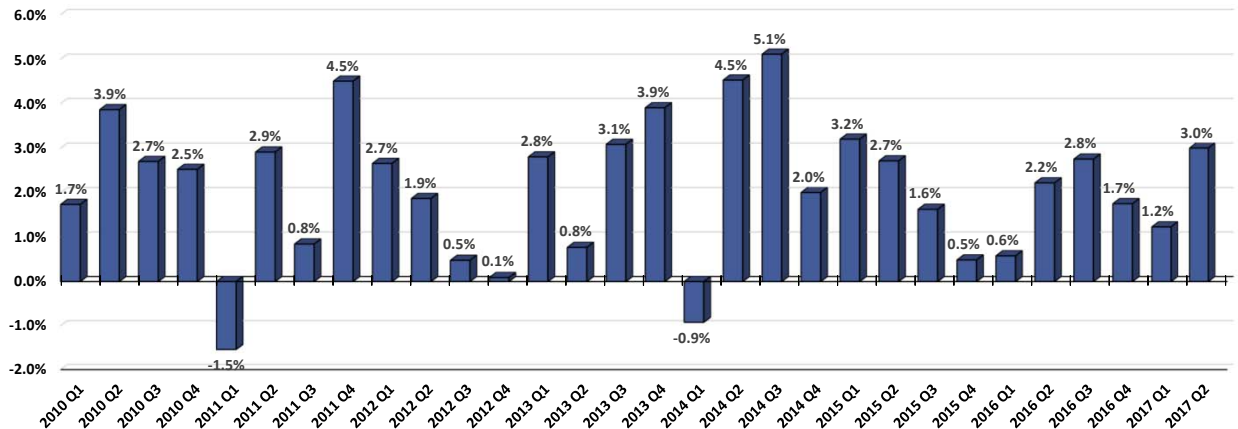
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## U.S. Real GDP

Annualized Percent Change 2010 - 2017\*

Source: U.S. Bureau of Economic Analysis



\*Data through Q2 2017

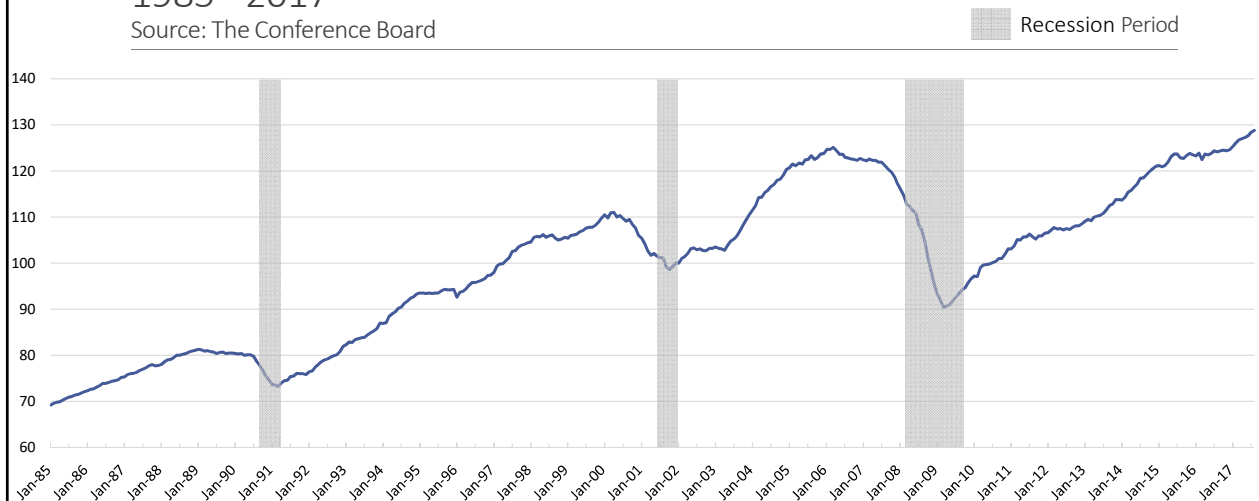
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## U.S. Leading Indicators

1985 - 2017\*

Source: The Conference Board



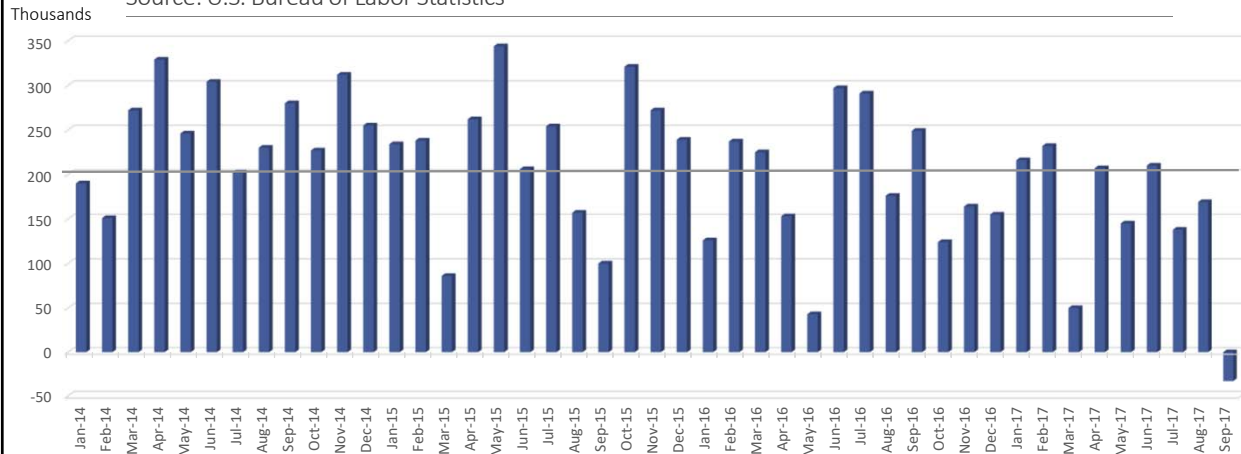
\*Through August 2017

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## U.S. Employment Net Change

2014 - 2017\*

Source: U.S. Bureau of Labor Statistics



\*Through September 2017

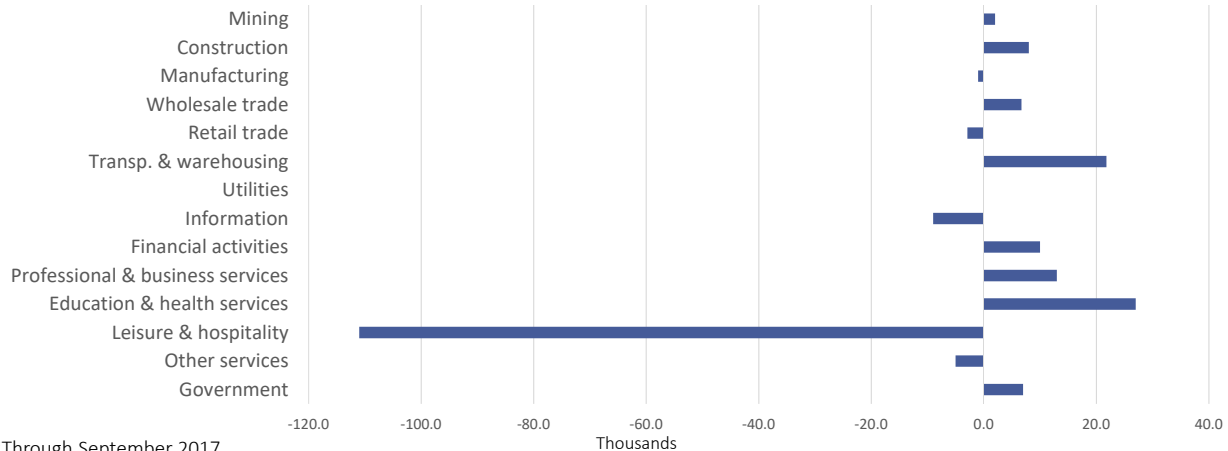
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## U.S. Employment Net Change by Industry

September 1-Month Net Change

Source: U.S. Bureau of Labor Statistics

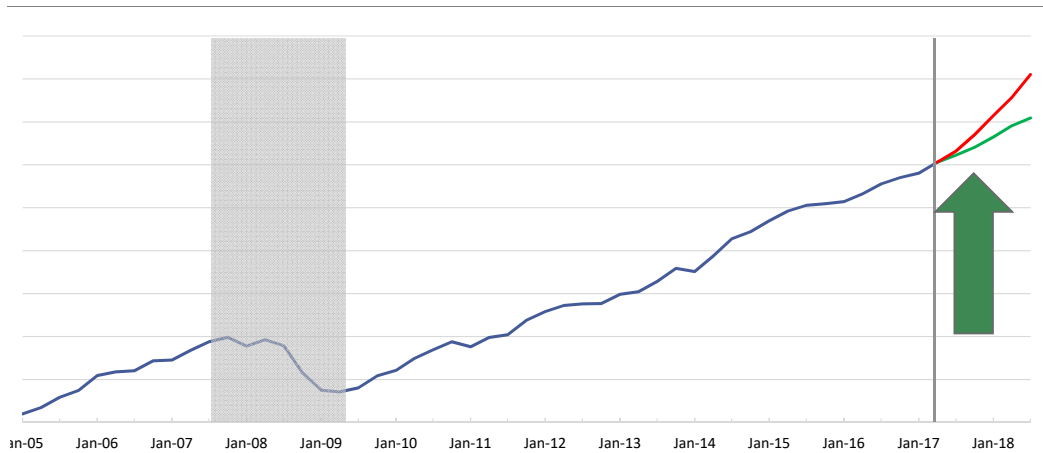


\*Through September 2017

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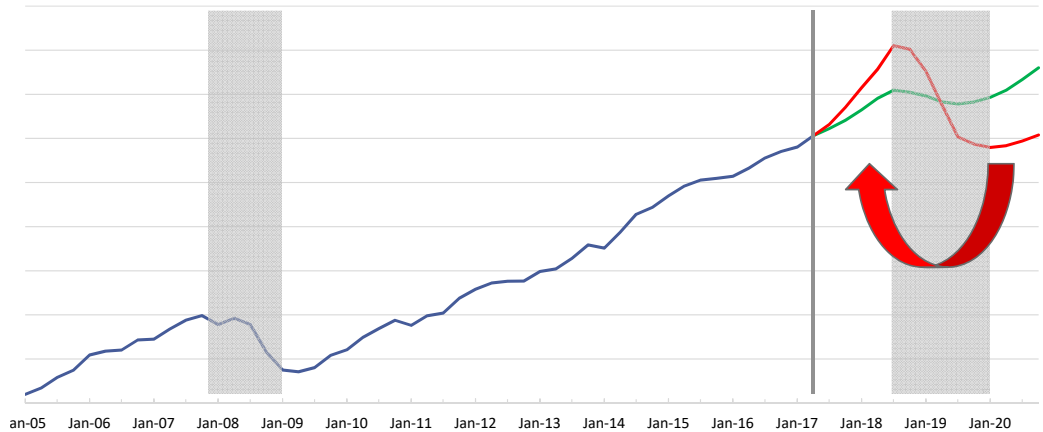
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## U.S. Real GDP – Good Policy Impact



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## U.S. Real GDP – Bad Policy Impact



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## Are Homes Affordable?

Share of U.S. Homes Sold Affordable to a Family Earning the Median Income 1992-2017\*

Source: NAHB/Wells Fargo; Housing Opportunity Index



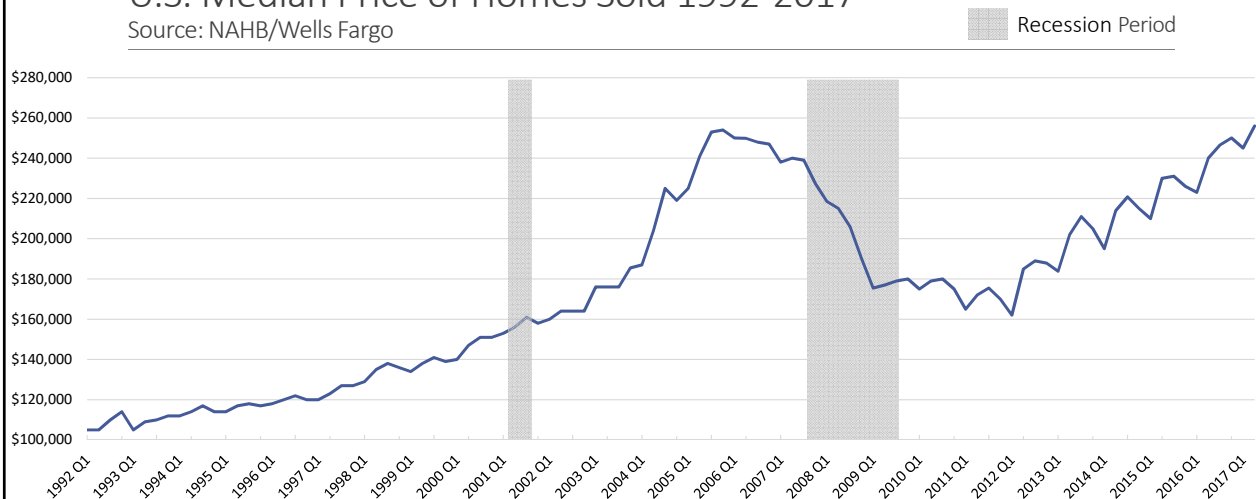
\*Through Q2 2017

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## Home Prices Escalating...

U.S. Median Price of Homes Sold 1992-2017\*

Source: NAHB/Wells Fargo



\*Through Q2 2017

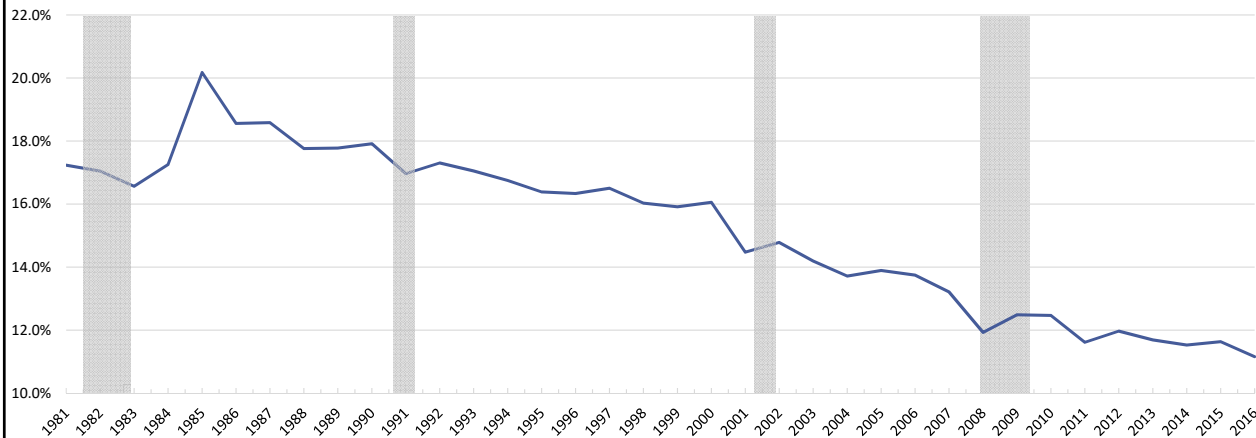
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## People *Still* Not Moving...

Percent of U.S. Pop. Living in a Different Residence 1981-2016

Source: U.S. Census Bureau

Recession Period



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## Thoughts:

- Incomes moving up, people moving out.
- Economic vs social changes.
- Might be safe next year or two unless major new shock.
- Sweet spot will be next expansion.

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## Arizona...



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## U.S. Job Growth 2017\* - AZ Rank

### State Ranking

Source: U.S. Bureau of Labor Statistics

Rank	%	State	Rank	%	State
1	3.19%	Nevada	11	1.88%	Maryland
2	3.05%	Utah	12	1.83%	New Hampshire
3	2.83%	Florida	13	1.81%	Arizona
4	2.68%	Idaho	14	1.74%	California
5	2.67%	Georgia	15	1.73%	Montana
6	2.55%	Washington	16	1.69%	Michigan
7	2.40%	Oregon	17	1.69%	Arkansas
8	2.24%	Texas	18	1.69%	Minnesota
9	1.97%	Tennessee	19	1.69%	Missouri
10	1.94%	Colorado	20	1.59%	North Carolina

\*YTD through August 2017

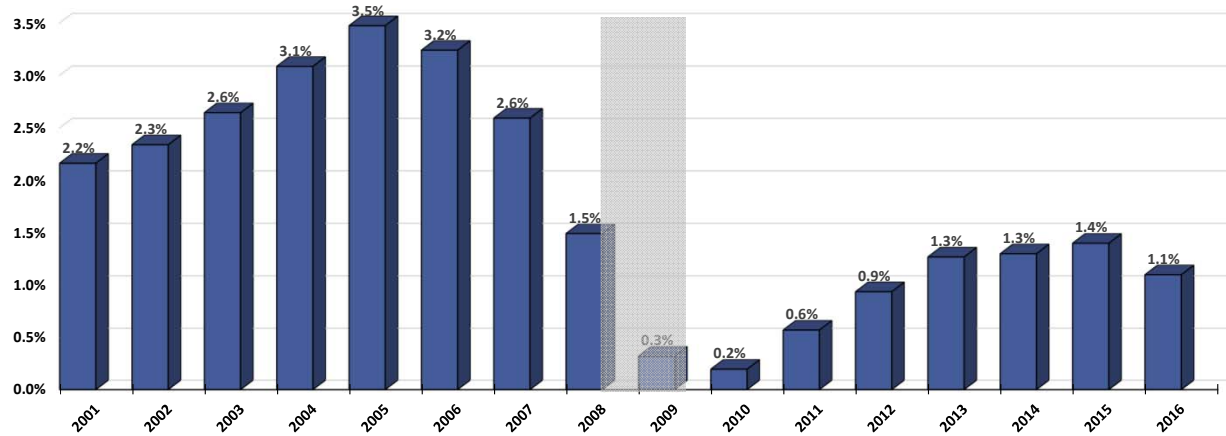
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## Arizona Population

### Annual Percent Change 2001 - 2016

Source: Arizona Department of Administration; Arizona Office of Economic Opportunity

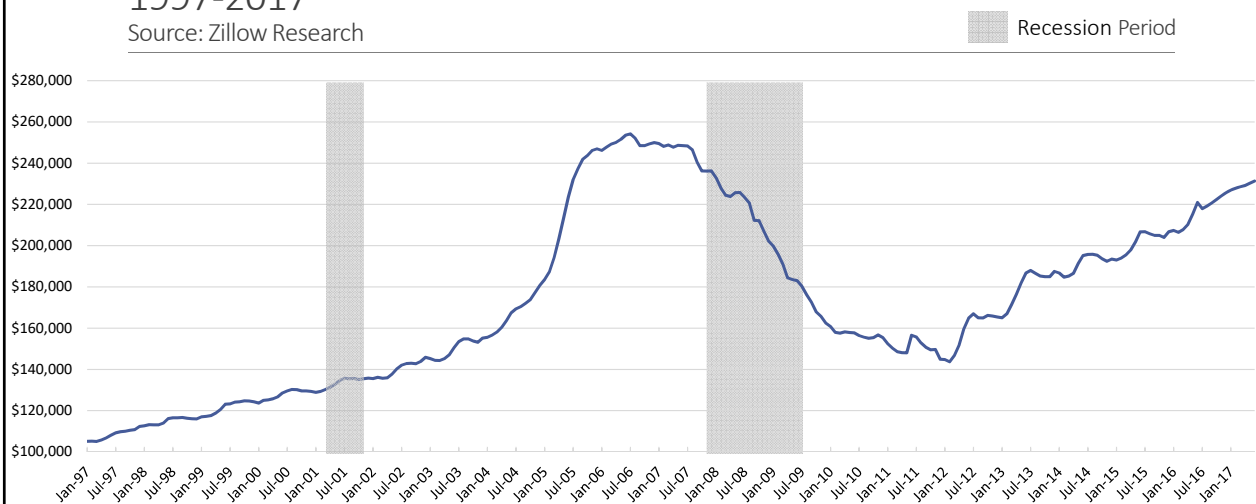


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## Arizona Median Price of Homes Sold

### 1997-2017\*

Source: Zillow Research



\*Through June 2017

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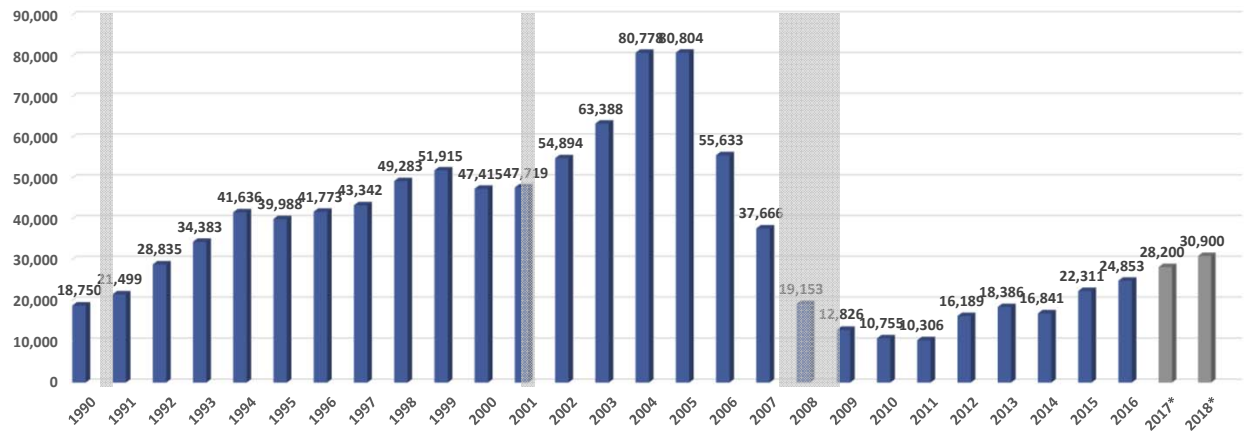


## Arizona Single Family Home Permits

1990-2018\*

Source: U.S. Census Bureau

Recession Period



\*2017 & 2018 Forecast

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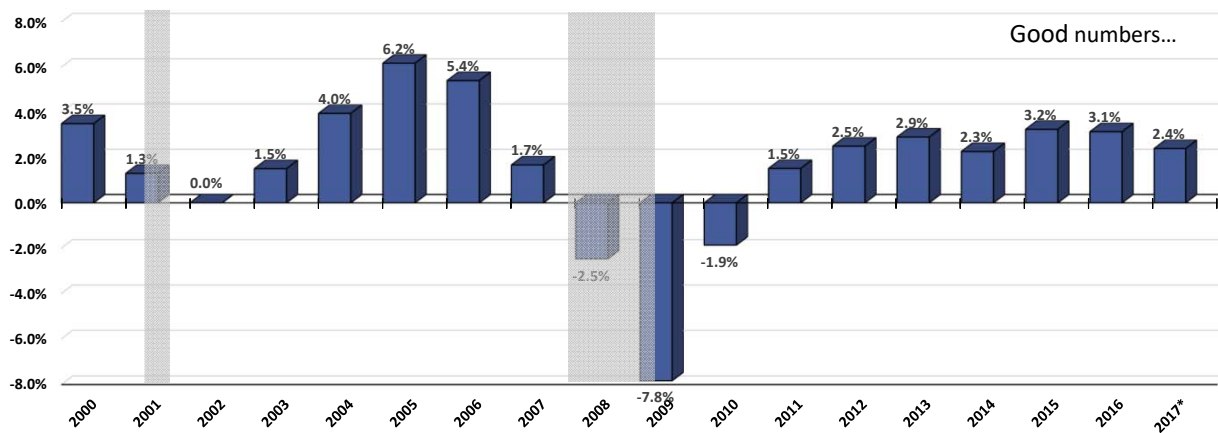
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## Greater Phoenix Employment

Annual Percent Change 2000 - 2017\*

Source: Arizona Department of Administration/Arizona Office of Economic Opportunity

Recession Period



\*YTD through August 2017

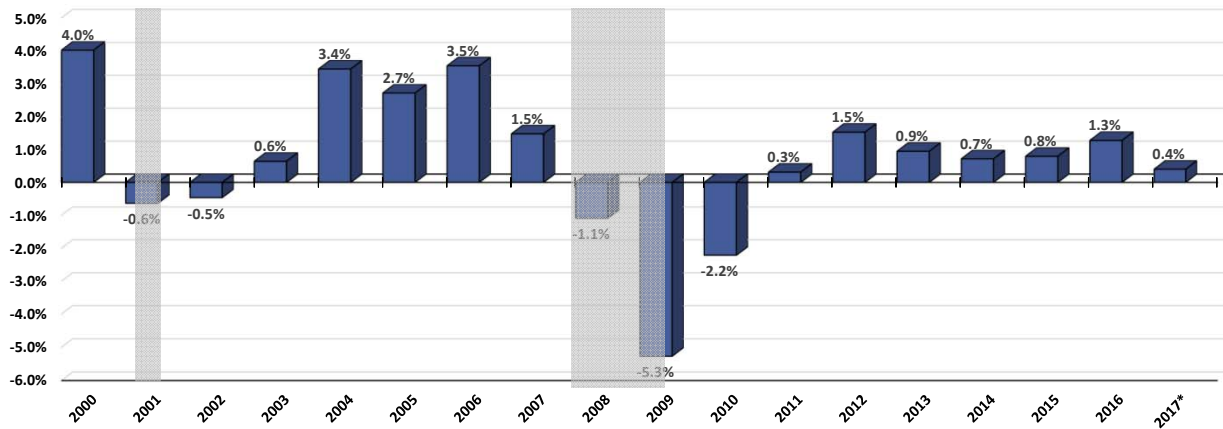
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## Greater Tucson Employment

Annual Percent Change 2000 - 2017\*

Source: Arizona Department of Administration/Arizona Office of Opportunity

Recession Period



\*YTD through August 2017

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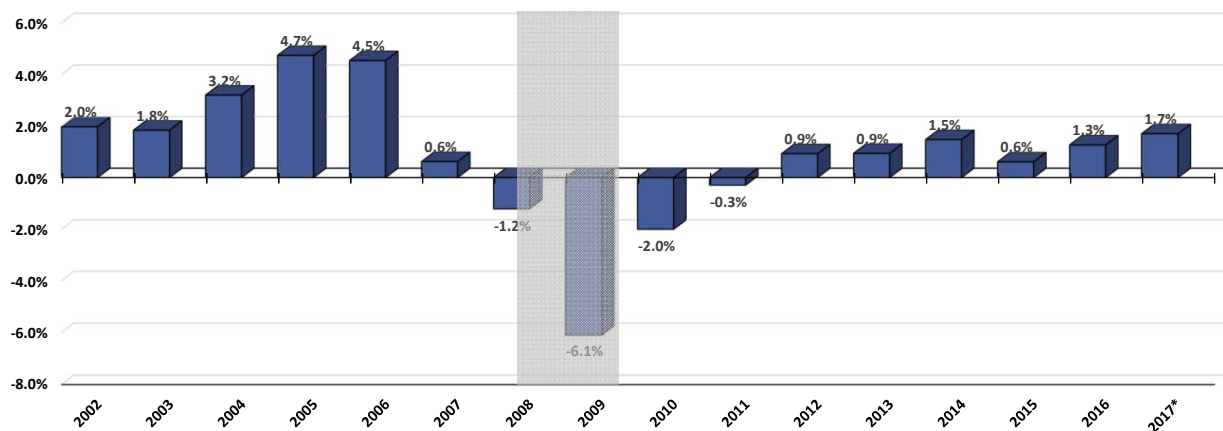
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## Balance of State Employment

Annual Percent Change 2002 - 2017\*

Source: Arizona Department of Administration

Recession Period



\*YTD through August 2017

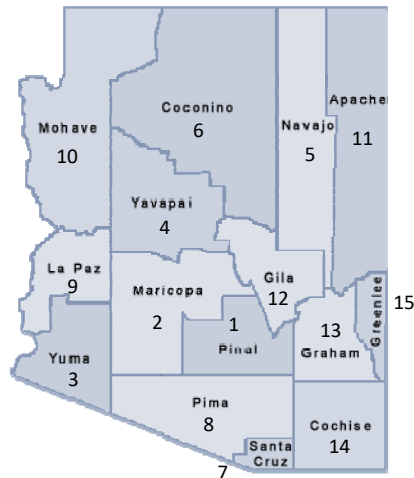
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# Population Growth

## 2016 Ranking by County

Source: Arizona Department of Administration/Arizona Office of Economic Opportunity



Arizona Counties		
Rank	% Growth	County
1	1.7%	Pinal County
2	1.5%	Maricopa County
3	1.3%	Yuma County
4	1.1%	Yavapai County
5	0.7%	Navajo County
6	0.7%	Coconino County
7	0.6%	Santa Cruz County
8	0.4%	Pima County
9	0.3%	La Paz County
10	0.0%	Mohave County
11	-0.1%	Apache County
12	-0.1%	Gila County
13	-0.4%	Graham County
14	-0.6%	Cochise County
15	-1.2%	Greenlee County

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## Where to Focus...How to Impact Growth?

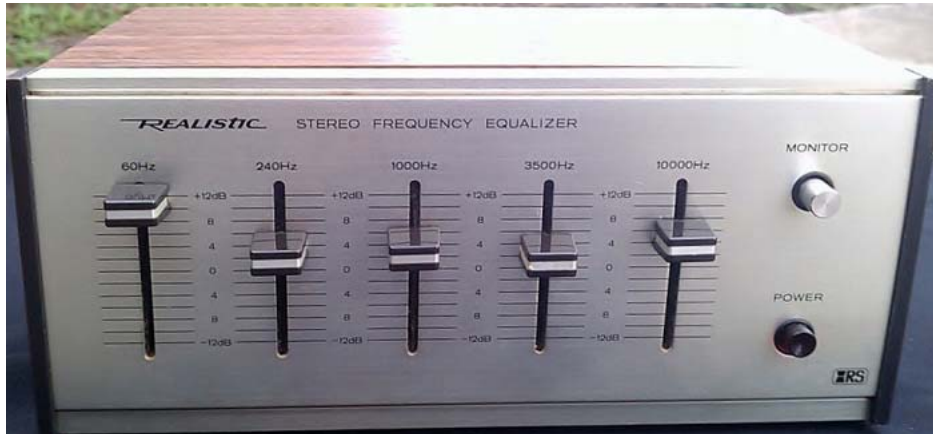
- Recruit businesses?
- Grow from within?



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AGAIN: Look for balance in data/policy.



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# FINANCE ADVISORY COMMITTEE CASH FLOW UPDATE

October 2017

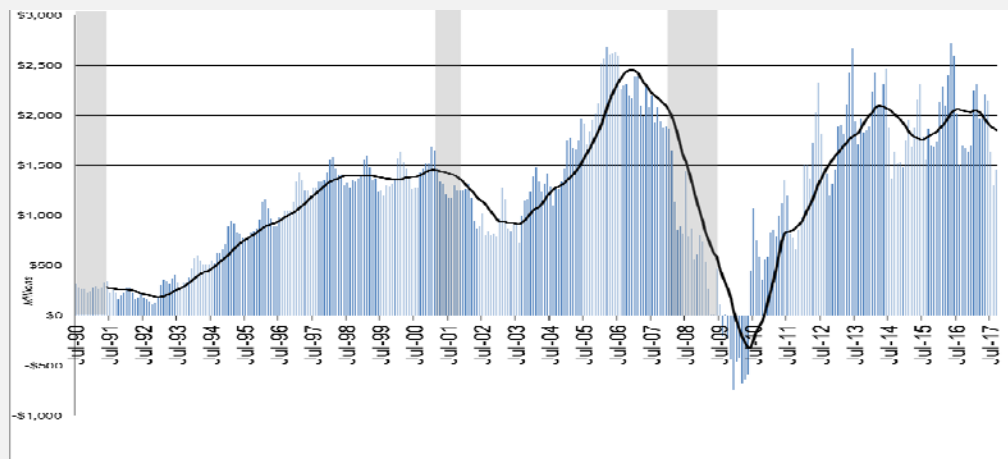
OFFICE OF THE STATE  
TREASURER

THE HONORABLE JEFF DEWIT



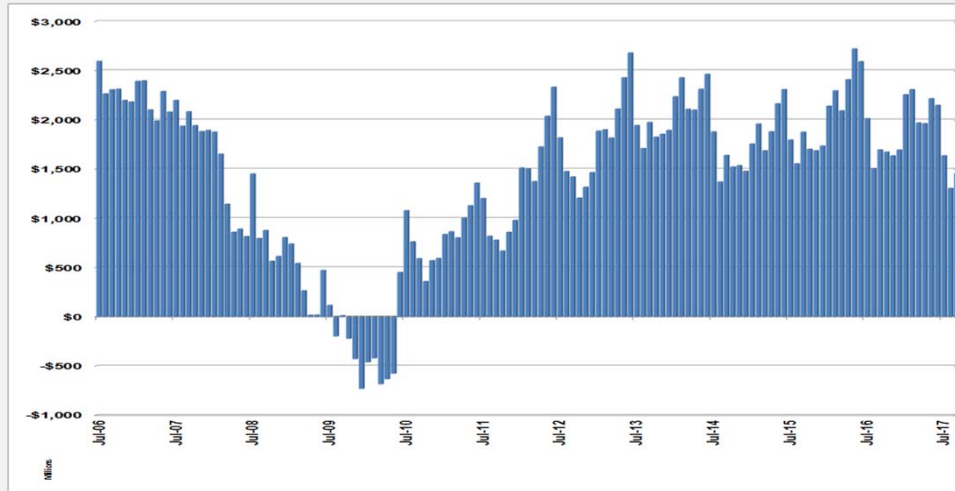
## STATE CASH FLOW

TOTAL OPERATING ACCOUNT AVERAGE MONTHLY BALANCE  
**Down -15% in FY 2018 YTD**



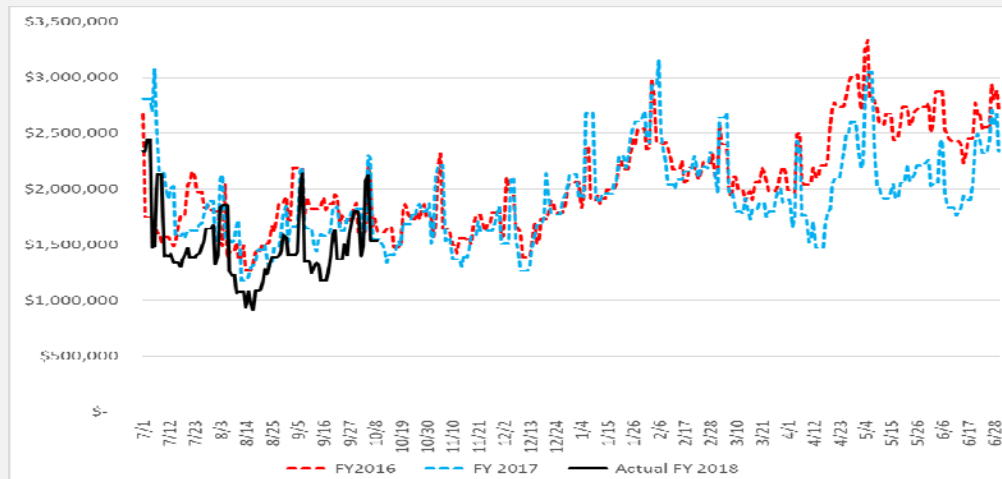
## STATE CASH FLOW

State Operating Balance FY 2007 - FY 2018 YTD



## STATE CASH FLOW

YTD FY 2018 Cash Flow vs. Last Two Fiscal Years







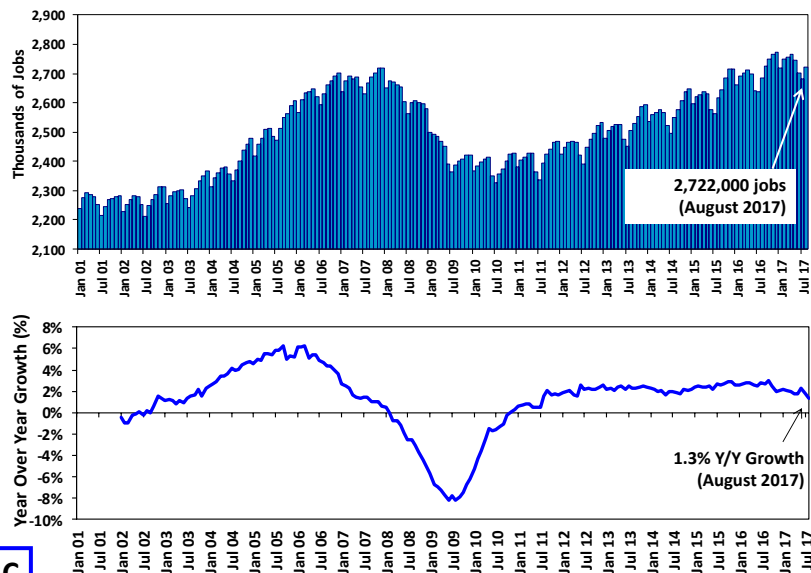
# Arizona Economic Trends

September 2017

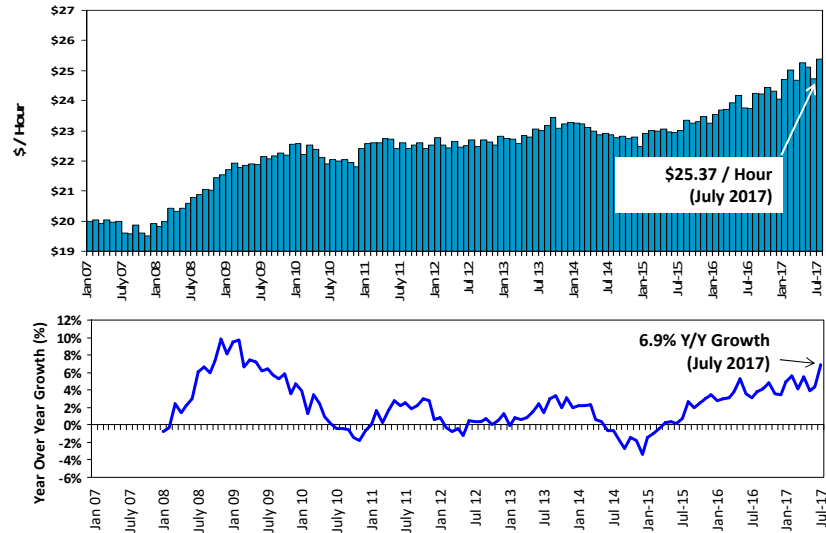
Page:

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

## Total Non-Farm Employment



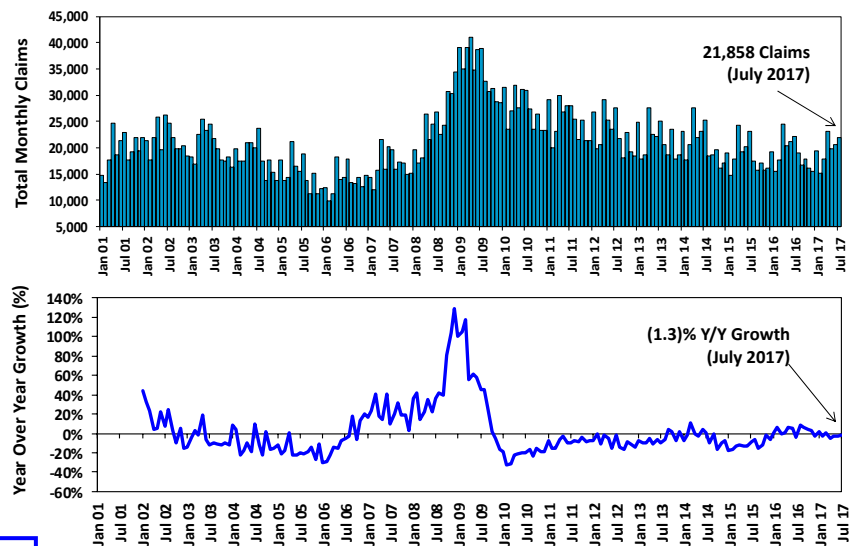
## Average Hourly Earnings – Private Sector



JLBC

3

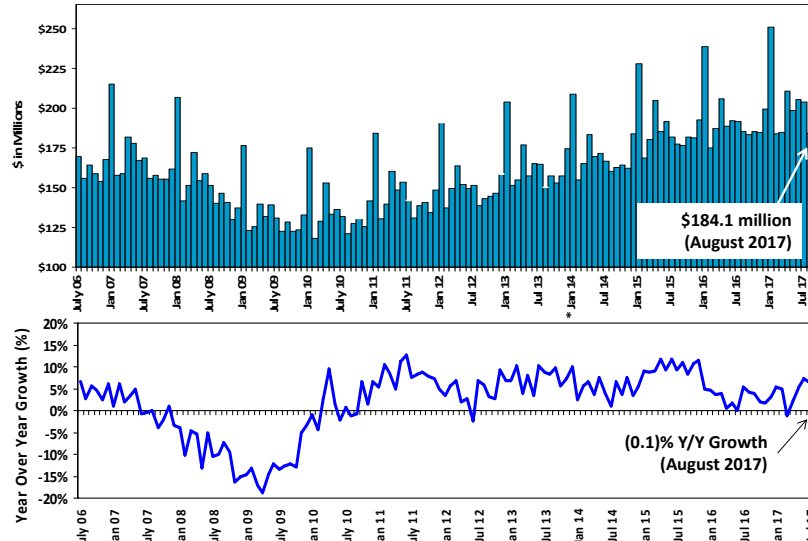
## Initial Claims for Unemployment Insurance



JLBC

4

## State Sales Tax Collections – Retail Category



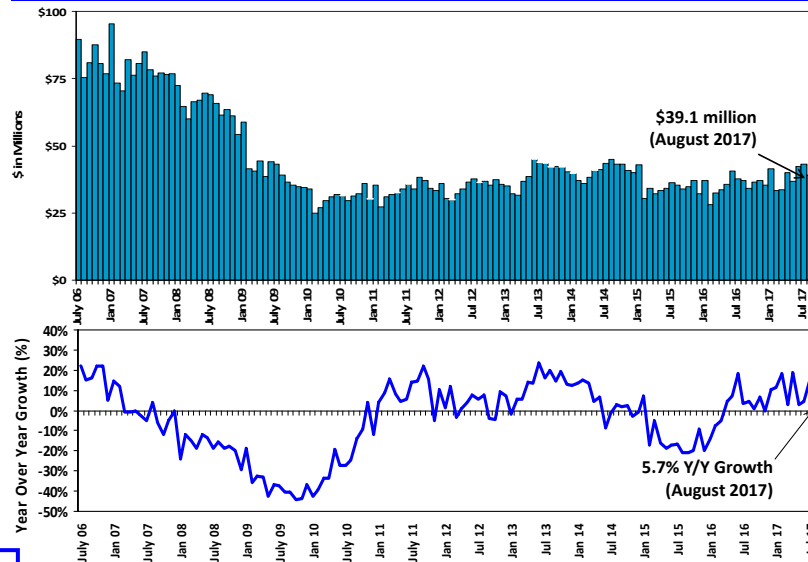
JLBC

Excludes temporary 1 ¢ sales tax

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

5

## State Sales Tax Collections – Contracting Category

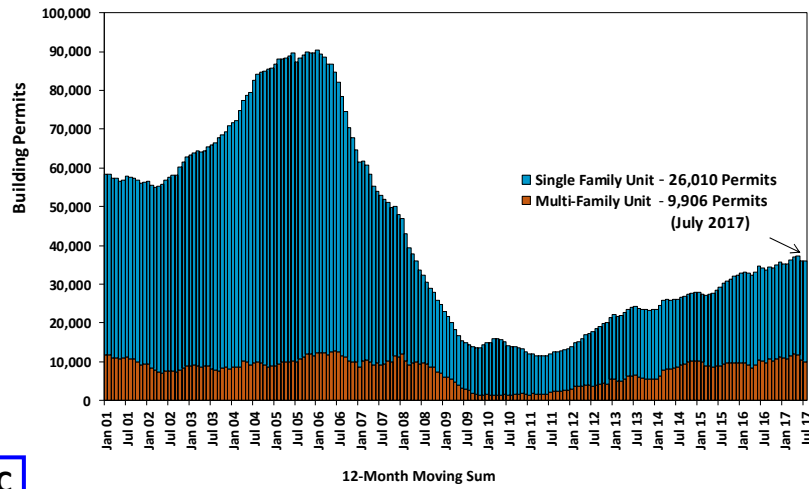


JLBC

Excludes temporary 1 ¢ sales tax

6

## Residential Building Permits



JLBC



# **Sales Tax**

# Arizona Sales Tax - Total (excl. 1% Tax)

## General Fund Collections

		Year-to-Year %		Year-to-Date	
		Collections (\$)	Change	Collections (\$)	Change
FY 2013	July 2012	321,889,184	4.9%	321,889,184	4.9%
	Aug 2012	302,649,584	3.1%	624,538,768	4.0%
	Sep 2012	314,805,532	5.1%	939,344,300	4.4%
	Oct 2012	304,390,327	0.4%	1,243,734,627	3.4%
	Nov 2012	308,743,822	7.8%	1,552,478,449	4.2%
	Dec 2012	308,624,715	4.9%	1,861,103,164	4.3%
	Jan 2013	358,061,324	3.1%	2,219,164,488	4.1%
	Feb 2013	308,634,610	7.2%	2,527,799,098	4.5%
	Mar 2013	298,125,466	0.3%	2,825,924,564	4.0%
	Apr 2013	341,689,456	5.2%	3,167,614,020	4.2%
	May 2013	322,843,958	5.2%	3,490,457,978	4.3%
	June 2013	288,405,767	-5.3%	3,778,863,745	3.5%
FY 2014	July 2013	339,218,789	5.4%	339,218,789	5.4%
	Aug 2013	330,453,883	9.2%	669,672,672	7.2%
	Sep 2013	335,831,770	6.7%	1,005,504,442	7.0%
	Oct 2013	328,875,700	8.0%	1,334,380,142	7.3%
	Nov 2013	323,933,003	4.9%	1,658,313,145	6.8%
	Dec 2013	327,109,813	6.0%	1,985,422,958	6.7%
	Jan 2014	367,609,390	2.7%	2,353,032,348	6.0%
	Feb 2014	314,441,338	1.9%	2,667,473,686	5.5%
	Mar 2014	325,993,542	9.3%	2,993,467,228	5.9%
	Apr 2014	358,451,112	4.9%	3,351,918,340	5.8%
	May 2014	336,552,864	4.2%	3,688,471,204	5.7%
	June 2014	297,410,376	3.1%	3,985,881,580	5.5%
FY 2015	July 2014	338,895,000	-0.1%	338,895,000	-0.1%
	Aug 2014	345,173,344	4.5%	684,068,344	2.1%
	Sep 2014	344,660,464	2.6%	1,028,728,808	2.3%
	Oct 2014	346,093,136	5.2%	1,374,821,944	3.0%
	Nov 2014	334,326,797	3.2%	1,709,148,741	3.1%
	Dec 2014	344,265,049	5.2%	2,053,413,790	3.4%
	Jan 2015	399,861,665	8.8%	2,453,275,455	4.3%
	Feb 2015	325,308,761	3.5%	2,778,584,216	4.2%
	Mar 2015	347,376,257	6.6%	3,125,960,473	4.4%
	Apr 2015	373,027,607	4.1%	3,498,988,080	4.4%
	May 2015	345,591,019	2.7%	3,844,579,099	4.2%
	June 2015	344,684,398	15.9%	4,189,263,497	5.1%
FY 2016	July 2015	348,679,583	2.9%	348,679,583	2.9%
	Aug 2015	353,211,446	2.3%	701,891,029	2.6%
	Sep 2015	354,610,905	2.9%	1,056,501,934	2.7%
	Oct 2015	353,108,793	2.0%	1,409,610,727	2.5%
	Nov 2015	358,253,367	7.2%	1,767,864,094	3.4%
	Dec 2015	348,345,894	1.2%	2,116,209,988	3.1%
	Jan 2016	402,238,930	0.6%	2,518,448,918	2.7%
	Feb 2016	337,829,144	3.8%	2,856,278,062	2.8%
	Mar 2016	353,054,649	1.6%	3,209,332,711	2.7%
	Apr 2016	379,860,032	1.8%	3,589,192,743	2.6%
	May 2016	357,578,877	3.5%	3,946,771,620	2.7%
	June 2016	367,170,974	6.5%	4,313,942,594	3.0%
FY 2017	July 2016	366,675,509	5.2%	366,675,509	5.2%
	Aug 2016	363,146,878	2.8%	729,822,387	4.0%
	Sep 2016	360,723,516	1.7%	1,090,545,904	3.2%
	Oct 2016	368,502,768	4.4%	1,459,048,672	3.5%
	Nov 2016	357,852,204	-0.1%	1,816,900,876	2.8%
	Dec 2016	360,968,976	3.6%	2,177,869,852	2.9%
	Jan 2017	428,398,354	6.5%	2,606,268,206	3.5%
	Feb 2017	351,241,547	4.0%	2,957,509,752	3.5%
	Mar 2017	353,154,234	0.0%	3,310,663,986	3.2%
	Apr 2017	400,318,128	5.4%	3,710,982,114	3.4%
	May 2017	375,941,460	5.1%	4,086,923,573	3.6%
	June 2017	419,483,784	14.2%	4,506,407,358	4.5%
FY 2018	July 2017	391,718,305	6.8%	391,718,305	6.8%
	Aug 2017	373,970,308	3.0%	765,688,613	4.9%
	Sep 2017	382,500,000	6.0%	1,148,188,613	5.3%
	Oct 2017	*** September figure is a preliminary estimate.			
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				

## Arizona Sales Tax - Retail General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date Collections (\$)	Year-to-Date % Change
FY 2013	July 2012	151,463,092	6.8%	151,463,092	6.8%
	Aug 2012	138,759,047	5.9%	290,222,139	6.4%
	Sep 2012	143,091,966	3.1%	433,314,105	5.3%
	Oct 2012	144,377,418	2.6%	577,691,523	4.6%
	Nov 2012	146,630,896	9.2%	724,322,419	5.5%
	Dec 2012	158,506,351	6.8%	882,828,770	5.7%
	Jan 2013	203,719,359	6.8%	1,086,548,129	5.9%
	Feb 2013	151,345,992	10.2%	1,237,894,121	6.4%
	Mar 2013	154,953,692	3.8%	1,392,847,813	6.1%
	Apr 2013	176,752,554	8.1%	1,569,600,367	6.3%
	May 2013	157,321,133	3.4%	1,726,921,500	6.1%
	June 2013	165,064,316	10.3%	1,891,985,816	6.4%
FY 2014	July 2013	164,753,436	8.8%	164,753,436	8.8%
	Aug 2013	150,159,878	8.2%	314,913,314	8.5%
	Sep 2013	157,089,858	9.8%	472,003,172	8.9%
	Oct 2013	152,652,197	5.7%	624,655,369	8.1%
	Nov 2013	157,213,539	7.2%	781,868,908	7.9%
	Dec 2013	174,512,641	10.1%	956,381,549	8.3%
	Jan 2014	238,163,840	16.9%	1,194,545,389	9.9%
	Feb 2014	154,943,150	2.4%	1,349,488,539	9.0%
	Mar 2014	165,184,759	6.6%	1,514,673,298	8.7%
	Apr 2014	183,203,353	3.6%	1,697,876,651	8.2%
	May 2014	169,355,304	7.6%	1,867,231,955	8.1%
	June 2014	171,659,444	4.0%	2,038,891,399	7.8%
FY 2015	July 2014	166,500,721	1.1%	166,500,721	1.1%
	Aug 2014	160,123,060	6.6%	326,623,781	3.7%
	Sep 2014	162,832,950	3.7%	489,456,731	3.7%
	Oct 2014	164,102,161	7.5%	653,558,892	4.6%
	Nov 2014	162,348,834	3.3%	815,907,726	4.4%
	Dec 2014	183,953,206	5.4%	999,860,932	4.5%
	Jan 2015	227,712,434	-4.4%	1,227,573,366	2.8%
	Feb 2015	168,761,459	8.9%	1,396,334,825	3.5%
	Mar 2015	180,268,868	9.1%	1,576,603,693	4.1%
	Apr 2015	204,887,908	11.8%	1,781,491,601	4.9%
	May 2015	185,048,795	9.3%	1,966,540,396	5.3%
	June 2015	191,636,921	11.6%	2,158,177,317	5.9%
FY 2016	July 2015	181,983,659	9.3%	181,983,659	9.3%
	Aug 2015	177,572,945	10.9%	359,556,604	10.1%
	Sep 2015	176,407,614	8.3%	535,964,218	9.5%
	Oct 2015	181,672,247	10.7%	717,636,465	9.8%
	Nov 2015	181,414,557	11.7%	899,051,022	10.2%
	Dec 2015	193,199,628	5.0%	1,092,250,650	9.2%
	Jan 2016	238,324,426	4.7%	1,330,575,076	8.4%
	Feb 2016	175,073,310	3.7%	1,505,648,386	7.8%
	Mar 2016	187,103,137	3.8%	1,692,751,523	7.4%
	Apr 2016	206,371,088	0.7%	1,899,122,611	6.6%
	May 2016	188,457,429	1.8%	2,087,580,040	6.2%
	June 2016	191,829,949	0.1%	2,279,409,989	5.6%
FY 2017	July 2016	192,271,338	5.7%	192,271,338	5.7%
	Aug 2016	184,969,877	4.2%	377,241,216	4.9%
	Sep 2016	183,071,966	3.8%	560,313,182	4.5%
	Oct 2016	185,380,550	2.0%	745,693,731	3.9%
	Nov 2016	184,673,309	1.8%	930,367,040	3.5%
	Dec 2016	199,296,939	3.2%	1,129,663,978	3.4%
	Jan 2017	250,969,574	5.3%	1,380,633,552	3.8%
	Feb 2017	183,569,201	4.9%	1,564,202,754	3.9%
	Mar 2017	184,709,030	-1.3%	1,748,911,783	3.3%
	Apr 2017	211,026,155	2.3%	1,959,937,939	3.2%
	May 2017	198,742,336	5.5%	2,158,680,274	3.4%
	June 2017	205,613,933	7.2%	2,364,294,207	3.7%
FY 2018	July 2017	204,434,615	6.3%	204,434,615	6.3%
	Aug 2017	184,786,403	-0.1%	389,221,018	3.2%
	Sep 2017	*** September estimate is not yet available.			
	Oct 2017				
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				



# **Arizona Sales Tax - Contracting** **General Fund Collections**

		Year-to-Year %		Year-to-Date	
		Collections (\$)	Change	Collections (\$)	Change
FY 2013	July 2012	37,753,076	5.5%	37,753,076	5.5%
	Aug 2012	36,341,199	7.5%	74,094,275	6.5%
	Sep 2012	36,839,194	-3.7%	110,933,469	2.8%
	Oct 2012	35,393,045	-4.6%	146,326,514	0.9%
	Nov 2012	37,312,920	9.2%	183,639,434	2.5%
	Dec 2012	35,713,978	7.0%	219,353,412	3.2%
	Jan 2013	35,124,507	-2.0%	254,477,919	2.4%
	Feb 2013	32,158,384	5.6%	286,636,303	2.8%
	Mar 2013	31,657,711	5.7%	318,294,014	3.1%
	Apr 2013	36,740,970	14.0%	355,034,984	4.1%
	May 2013	38,500,752	13.4%	393,535,736	4.9%
	June 2013	45,057,304	23.7%	438,593,040	6.6%
FY 2014	July 2013	43,907,390	16.3%	43,907,390	16.3%
	Aug 2013	43,618,684	20.0%	87,526,074	18.1%
	Sep 2013	42,416,407	15.1%	129,942,481	17.1%
	Oct 2013	42,304,040	19.5%	172,246,521	17.7%
	Nov 2013	42,121,860	12.9%	214,368,381	16.7%
	Dec 2013	40,208,342	12.6%	254,576,723	16.1%
	Jan 2014	39,820,300	13.4%	294,397,023	15.7%
	Feb 2014	36,970,395	15.0%	331,367,418	15.6%
	Mar 2014	35,930,174	13.5%	367,297,592	15.4%
	Apr 2014	38,358,105	4.4%	405,655,697	14.3%
	May 2014	40,976,805	6.4%	446,632,502	13.5%
	June 2014	41,235,619	-8.5%	487,868,121	11.2%
FY 2015	July 2014	43,352,211	-1.3%	43,352,211	-1.3%
	Aug 2014	44,742,964	2.6%	88,095,175	0.7%
	Sep 2014	42,952,525	1.3%	131,047,700	0.9%
	Oct 2014	43,244,905	2.2%	174,292,605	1.2%
	Nov 2014	40,986,820	-2.7%	215,279,425	0.4%
	Dec 2014	39,871,833	-0.8%	255,151,258	0.2%
	Jan 2015	42,972,458	7.9%	298,123,716	1.3%
	Feb 2015	30,554,137	-17.4%	328,677,853	-0.8%
	Mar 2015	34,360,251	-4.4%	363,038,104	-1.2%
	Apr 2015	32,942,126	-14.1%	395,980,230	-2.4%
	May 2015	33,214,280	-18.9%	429,194,510	-3.9%
	June 2015	34,170,202	-17.1%	463,364,712	-5.0%
FY 2016	July 2015	36,244,878	-16.4%	36,244,878	-16.4%
	Aug 2015	35,425,169	-20.8%	71,670,047	-18.6%
	Sep 2015	33,896,253	-21.1%	105,566,300	-19.4%
	Oct 2015	34,716,856	-19.7%	140,283,156	-19.5%
	Nov 2015	37,175,735	-9.3%	177,458,891	-17.6%
	Dec 2015	32,070,329	-19.6%	209,529,220	-17.9%
	Jan 2016	37,035,354	-13.8%	246,564,574	-17.3%
	Feb 2016	28,219,746	-7.6%	274,784,320	-16.4%
	Mar 2016	32,563,862	-5.2%	307,348,182	-15.3%
	Apr 2016	33,730,627	2.4%	341,078,808	-13.9%
	May 2016	35,593,205	7.2%	376,672,014	-12.2%
	June 2016	40,503,059	18.5%	417,175,073	-10.0%
FY 2017	July 2016	37,587,296	3.7%	37,587,296	3.7%
	Aug 2016	36,989,247	4.4%	74,576,543	4.1%
	Sep 2016	34,220,384	1.0%	108,796,927	3.1%
	Oct 2016	37,018,388	6.6%	145,815,315	3.9%
	Nov 2016	37,153,467	-0.1%	182,968,781	3.1%
	Dec 2016	35,360,992	10.3%	218,329,773	4.2%
	Jan 2017	41,320,676	11.6%	259,650,449	5.3%
	Feb 2017	33,417,768	18.4%	293,068,217	6.7%
	Mar 2017	33,542,622	3.0%	326,610,839	6.3%
	Apr 2017	40,000,539	18.6%	366,611,379	7.5%
	May 2017	36,718,067	3.2%	403,329,445	7.1%
	June 2017	42,242,772	4.3%	445,572,218	6.8%
FY 2018	July 2017	43,303,966	15.2%	43,303,966	15.2%
	Aug 2017	39,095,554	5.7%	82,399,520	10.5%
	Sep 2017	*** September estimate is not yet available.			
	Oct 2017				
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				

## Arizona Sales Tax - Utilities

### General Fund Collections

		Year-to-Year %		Year-to-Date	
		Collections (\$)	Change	Collections (\$)	Change
FY 2013	July 2012	40,616,330	1.3%	40,616,330	1.3%
	Aug 2012	49,307,716	20.6%	89,924,046	11.0%
	Sep 2012	47,859,208	2.6%	137,783,254	8.0%
	Oct 2012	42,673,986	-6.9%	180,457,240	4.0%
	Nov 2012	36,906,904	8.1%	217,364,144	4.7%
	Dec 2012	28,508,254	-3.5%	245,872,398	3.7%
	Jan 2013	28,206,985	-4.0%	274,079,383	2.8%
	Feb 2013	32,772,398	6.9%	306,851,781	3.3%
	Mar 2013	26,578,715	-11.6%	333,430,496	1.9%
	Apr 2013	28,651,138	5.2%	362,081,634	2.1%
	May 2013	33,388,984	21.5%	395,470,618	3.5%
	June 2013	35,131,617	16.7%	430,602,235	4.5%
FY 2014	July 2013	41,253,785	1.6%	41,253,785	1.6%
	Aug 2013	51,118,922	3.7%	92,372,707	2.7%
	Sep 2013	48,310,422	0.9%	140,683,129	2.1%
	Oct 2013	45,404,017	6.4%	186,087,146	3.1%
	Nov 2013	36,096,400	-2.2%	222,183,546	2.2%
	Dec 2013	27,804,876	-2.5%	249,988,422	1.7%
	Jan 2014	31,282,441	10.9%	281,270,863	2.6%
	Feb 2014	32,556,099	-0.7%	313,826,962	2.3%
	Mar 2014	29,363,515	10.5%	343,190,477	2.9%
	Apr 2014	27,967,873	-2.4%	371,158,350	2.5%
	May 2014	28,121,488	-15.8%	399,279,838	1.0%
	June 2014	34,601,911	-1.5%	433,881,749	0.8%
FY 2015	July 2014	41,601,907	0.8%	41,601,907	0.8%
	Aug 2014	49,989,617	-2.2%	91,591,524	-0.8%
	Sep 2014	48,229,626	-0.2%	139,821,150	-0.6%
	Oct 2014	44,471,489	-2.1%	184,292,639	-1.0%
	Nov 2014	37,725,941	4.5%	222,018,580	-0.1%
	Dec 2014	28,145,342	1.2%	250,163,922	0.1%
	Jan 2015	30,408,913	-2.8%	280,572,835	-0.2%
	Feb 2015	32,737,055	0.6%	313,309,890	-0.2%
	Mar 2015	28,943,534	-1.4%	342,253,424	-0.3%
	Apr 2015	27,649,839	-1.1%	369,903,263	-0.3%
	May 2015	28,456,871	1.2%	398,360,134	-0.2%
	June 2015	31,971,972	-7.6%	430,332,106	-0.8%
FY 2016	July 2015	39,027,451	-6.2%	39,027,451	-6.2%
	Aug 2015	50,033,607	0.1%	89,061,058	-2.8%
	Sep 2015	50,425,149	4.6%	139,486,207	-0.2%
	Oct 2015	46,253,806	4.0%	185,740,013	0.8%
	Nov 2015	39,930,072	5.8%	225,670,085	1.6%
	Dec 2015	29,220,557	3.8%	254,890,642	1.9%
	Jan 2016	31,225,862	2.7%	286,116,504	2.0%
	Feb 2016	33,549,225	2.5%	319,665,729	2.0%
	Mar 2016	30,311,776	4.7%	349,977,505	2.3%
	Apr 2016	27,673,120	0.1%	377,650,625	2.1%
	May 2016	27,958,125	-1.8%	405,608,750	1.8%
	June 2016	31,963,250	0.0%	437,572,001	1.7%
FY 2017	July 2016	40,572,348	4.0%	40,572,348	4.0%
	Aug 2016	50,470,385	0.9%	91,042,733	2.2%
	Sep 2016	51,249,249	1.6%	142,291,982	2.0%
	Oct 2016	45,149,089	-2.4%	187,441,071	0.9%
	Nov 2016	36,948,354	-7.5%	224,389,425	-0.6%
	Dec 2016	30,947,802	5.9%	255,337,227	0.2%
	Jan 2017	29,014,541	-7.1%	284,351,768	-0.6%
	Feb 2017	31,432,074	-6.3%	315,783,842	-1.2%
	Mar 2017	28,470,454	-6.1%	344,254,296	-1.6%
	Apr 2017	27,916,909	0.9%	372,171,205	-1.5%
	May 2017	28,083,167	0.4%	400,254,373	-1.3%
	June 2017	32,282,606	1.0%	432,536,979	-1.2%
FY 2018	July 2017	40,220,498	-0.9%	40,220,498	-0.9%
	Aug 2017	54,019,726	7.0%	94,240,224	3.5%
	Sep 2017	*** September estimate is not yet available.			
	Oct 2017				
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				

# Arizona Sales Tax - Restaurants and Bars

## General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date Collections (\$)	Year-to-Date % Change
FY 2013	July 2012	30,991,504	8.5%	30,991,504	8.5%
	Aug 2012	28,325,088	1.0%	59,316,592	4.8%
	Sep 2012	30,672,616	14.2%	89,989,208	7.8%
	Oct 2012	29,940,956	7.0%	119,930,164	7.6%
	Nov 2012	31,090,860	5.8%	151,021,024	7.2%
	Dec 2012	30,148,220	4.2%	181,169,244	6.7%
	Jan 2013	34,217,130	6.3%	215,386,374	6.6%
	Feb 2013	32,491,480	4.9%	247,877,854	6.4%
	Mar 2013	33,615,420	0.7%	281,493,274	5.7%
	Apr 2013	38,809,996	4.4%	320,303,270	5.5%
	May 2013	34,819,505	4.7%	355,122,775	5.5%
	June 2013	33,945,211	5.7%	389,067,986	5.5%
FY 2014	July 2013	31,505,076	1.7%	31,505,076	1.7%
	Aug 2013	29,178,727	3.0%	60,683,803	2.3%
	Sep 2013	30,873,488	0.7%	91,557,291	1.7%
	Oct 2013	31,126,606	4.0%	122,683,897	2.3%
	Nov 2013	32,648,090	5.0%	155,331,987	2.9%
	Dec 2013	32,901,765	9.1%	188,233,752	3.9%
	Jan 2014	34,330,457	0.3%	222,564,209	3.3%
	Feb 2014	34,099,887	5.0%	256,664,096	3.5%
	Mar 2014	36,748,460	9.3%	293,412,556	4.2%
	Apr 2014	41,454,544	6.8%	334,867,100	4.5%
	May 2014	36,761,375	5.6%	371,628,475	4.6%
	June 2014	37,409,895	10.2%	409,038,370	5.1%
FY 2015	July 2014	33,177,148	5.3%	33,177,148	5.3%
	Aug 2014	30,626,101	5.0%	63,803,249	5.1%
	Sep 2014	35,433,944	14.8%	99,237,193	8.4%
	Oct 2014	34,065,936	9.4%	133,303,129	8.7%
	Nov 2014	34,295,091	5.0%	167,598,220	7.9%
	Dec 2014	37,300,003	13.4%	204,898,223	8.9%
	Jan 2015	40,253,761	17.3%	245,151,984	10.1%
	Feb 2015	34,897,943	2.3%	280,049,927	9.1%
	Mar 2015	40,367,437	9.8%	320,417,364	9.2%
	Apr 2015	42,793,319	3.2%	363,210,683	8.5%
	May 2015	40,616,830	10.5%	403,827,513	8.7%
	June 2015	40,921,999	9.4%	444,749,512	8.7%
FY 2016	July 2015	34,696,347	4.6%	34,696,347	4.6%
	Aug 2015	34,101,403	11.3%	68,797,750	7.8%
	Sep 2015	34,560,586	-2.5%	103,358,336	4.2%
	Oct 2015	34,887,605	2.4%	138,245,941	3.7%
	Nov 2015	38,478,451	12.2%	176,724,392	5.4%
	Dec 2015	38,160,598	2.3%	214,884,990	4.9%
	Jan 2016	39,570,273	-1.7%	254,455,263	3.8%
	Feb 2016	40,972,671	17.4%	295,427,934	5.5%
	Mar 2016	42,914,197	6.3%	338,342,131	5.6%
	Apr 2016	45,975,299	7.4%	384,317,430	5.8%
	May 2016	43,247,827	6.5%	427,565,257	5.9%
	June 2016	41,602,194	1.7%	469,167,451	5.5%
FY 2017	July 2016	37,820,186	9.0%	37,820,186	9.0%
	Aug 2016	38,024,269	11.5%	75,844,454	10.2%
	Sep 2016	36,851,641	6.6%	112,696,096	9.0%
	Oct 2016	38,037,733	9.0%	150,733,828	9.0%
	Nov 2016	40,873,010	6.2%	191,606,838	8.4%
	Dec 2016	39,001,074	2.2%	230,607,912	7.3%
	Jan 2017	42,981,910	8.6%	273,589,822	7.5%
	Feb 2017	41,848,150	2.1%	315,437,972	6.8%
	Mar 2017	43,726,596	1.9%	359,164,568	6.2%
	Apr 2017	49,438,005	7.5%	408,602,572	6.3%
	May 2017	47,408,741	9.6%	456,011,314	6.7%
	June 2017	44,752,375	7.6%	500,763,688	6.7%
FY 2018	July 2017	39,947,222	5.6%	39,947,222	5.6%
	Aug 2017	37,853,693	-0.4%	77,800,915	2.6%
	Sep 2017	*** September estimate is not yet available.			
	Oct 2017				
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				

## Arizona Use Tax General Fund Collections

		Year-to-Year %		Year-to-Date	
		Collections (\$)	Change	Collections (\$)	Change
FY 2013	July 2012	26,218,405	-2.2%	26,218,405	-2.2%
	Aug 2012	21,982,606	-17.1%	48,201,011	-9.6%
	Sep 2012	23,898,844	21.9%	72,099,855	-1.1%
	Oct 2012	18,897,488	-9.6%	90,997,343	-3.0%
	Nov 2012	22,730,129	14.4%	113,727,472	0.0%
	Dec 2012	20,981,295	-2.5%	134,708,767	-0.4%
	Jan 2013	22,119,839	-15.6%	156,828,606	-2.8%
	Feb 2013	22,758,853	8.2%	179,587,459	-1.6%
	Mar 2013	15,893,011	-12.3%	195,480,470	-2.5%
	Apr 2013	19,896,328	-10.2%	215,376,798	-3.3%
	May 2013	23,040,151	2.8%	238,416,949	-2.7%
	June 2013	19,482,364	4.9%	257,899,313	-2.2%
FY 2014	July 2013	26,397,599	0.7%	26,397,599	0.7%
	Aug 2013	24,203,511	10.1%	50,601,110	5.0%
	Sep 2013	26,287,246	10.0%	76,888,356	6.6%
	Oct 2013	24,821,300	31.3%	101,709,656	11.8%
	Nov 2013	21,943,914	-3.5%	123,653,570	8.7%
	Dec 2013	18,718,007	-10.8%	142,371,577	5.7%
	Jan 2014	(9,552,488)	-143.2%	132,819,089	-15.3%
	Feb 2014	19,752,297	-13.2%	152,571,386	-15.0%
	Mar 2014	17,749,979	11.7%	170,321,365	-12.9%
	Apr 2014	23,853,143	19.9%	194,174,508	-9.8%
	May 2014	22,918,205	-0.5%	217,092,713	-8.9%
	June 2014	18,892,220	-3.0%	235,984,933	-8.5%
FY 2015	July 2014	23,695,049	-10.2%	23,695,049	-10.2%
	Aug 2014	26,617,042	10.0%	50,312,091	-0.6%
	Sep 2014	24,458,282	-7.0%	74,770,373	-2.8%
	Oct 2014	28,121,689	13.3%	102,892,062	1.2%
	Nov 2014	23,980,614	9.3%	126,872,676	2.6%
	Dec 2014	22,181,223	18.5%	149,053,899	4.7%
	Jan 2015	25,217,821	N/A	174,271,720	31.2%
	Feb 2015	21,325,444	8.0%	195,597,164	28.2%
	Mar 2015	21,142,410	19.1%	216,739,574	27.3%
	Apr 2015	21,079,611	-11.6%	237,819,185	22.5%
	May 2015	22,368,346	-2.4%	260,187,531	19.9%
	June 2015	20,956,202	10.9%	281,143,733	19.1%
FY 2016	July 2015	24,622,847	3.9%	24,622,847	3.9%
	Aug 2015	22,022,588	-17.3%	46,645,435	-7.3%
	Sep 2015	28,693,187	17.3%	75,338,622	0.8%
	Oct 2015	23,728,706	-15.6%	99,067,328	-3.7%
	Nov 2015	26,167,390	9.1%	125,234,718	-1.3%
	Dec 2015	22,114,197	-0.3%	147,348,915	-1.1%
	Jan 2016	24,173,367	-4.1%	171,522,282	-1.6%
	Feb 2016	22,047,800	3.4%	193,570,082	-1.0%
	Mar 2016	22,534,763	6.6%	216,104,845	-0.3%
	Apr 2016	21,261,858	0.9%	237,366,703	-0.2%
	May 2016	24,657,632	10.2%	262,024,335	0.7%
	June 2016	21,327,736	1.8%	283,352,071	0.8%
FY 2017	July 2016	25,897,373	5.2%	25,897,373	5.2%
	Aug 2016	20,601,846	-6.5%	46,499,220	-0.3%
	Sep 2016	22,740,511	-20.7%	69,239,731	-8.1%
	Oct 2016	29,687,843	25.1%	98,927,574	-0.1%
	Nov 2016	25,134,229	-3.9%	124,061,803	-0.9%
	Dec 2016	23,498,581	6.3%	147,560,384	0.1%
	Jan 2017	30,398,627	25.8%	177,959,011	3.8%
	Feb 2017	24,828,129	12.6%	202,787,140	4.8%
	Mar 2017	24,100,359	6.9%	226,887,499	5.0%
	Apr 2017	25,560,798	20.2%	252,448,296	6.4%
	May 2017	24,222,309	-1.8%	276,670,606	5.6%
	June 2017	24,204,848	13.5%	300,875,454	6.2%
FY 2018	July 2017	27,670,923	6.8%	27,670,923	6.8%
	Aug 2017	24,308,694	18.0%	51,979,617	11.8%
	Sep 2017	*** September estimate is not yet available.			
	Oct 2017				
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				

# **Individual Income Tax**

# Arizona Individual Income Tax General Fund Collections

	Total	Y/Y Chg.	Year-to-Date Total	YTD Chg.	Withholding	Y/Y Chg.	Year-to-Date Withholding	YTD Chg.	Payments	Y/Y Chg.	Year-to-Date Payments	YTD Chg.	Refunds	Y/Y Chg.	Year-to-Date Refunds	YTD Chg.	
FY 2013	Jul-12	287,855,519	11.5%	287,855,519	11.5%	284,466,614	9.8%	284,466,614	9.8%	14,974,662	7.0%	14,974,662	7.0%	(11,585,757)	-22.5%	(11,585,757)	-22.5%
	Aug	274,914,437	-1.7%	562,769,956	4.7%	271,669,187	-3.0%	556,135,801	3.1%	17,096,635	3.2%	32,071,297	5.0%	(13,851,385)	-19.2%	(25,437,142)	-20.7%
	Sep	330,473,379	4.4%	893,243,335	4.6%	248,348,191	0.2%	804,483,992	2.2%	95,989,949	13.2%	128,061,246	11.0%	(13,864,761)	-13.9%	(39,301,903)	-18.5%
	Oct	275,896,569	5.0%	1,169,139,904	4.7%	308,266,817	9.0%	1,112,750,809	4.0%	46,536,943	5.9%	174,598,189	9.6%	(78,907,191)	23.2%	(118,209,094)	5.3%
	Nov	277,808,005	8.3%	1,446,947,909	5.3%	267,761,759	1.9%	1,380,512,568	3.6%	14,844,599	-3.2%	189,442,788	8.5%	(4,798,353)	-77.8%	(123,007,447)	-8.1%
	Dec	410,181,568	16.4%	1,857,129,477	7.6%	339,842,366	13.6%	1,720,354,934	5.4%	72,572,642	30.2%	262,015,430	13.7%	(2,233,440)	-9.0%	(125,240,887)	-8.1%
	Jan-13	441,613,843	4.2%	2,298,743,320	6.9%	311,036,015	1.8%	2,031,390,949	4.8%	136,860,873	-13.4%	398,876,303	2.7%	(6,283,045)	-84.3%	(131,523,932)	-25.4%
	Feb	(46,521,111)	N/A	2,252,222,209	8.4%	275,040,693	-4.2%	2,306,431,642	3.7%	16,973,052	-13.6%	415,849,355	1.9%	(338,534,856)	-10.8%	(470,058,788)	-15.4%
	Mar	65,790,080	-9.0%	2,318,012,289	7.9%	294,703,420	4.3%	2,601,135,062	3.7%	52,690,755	12.3%	468,540,110	3.0%	(281,604,095)	9.5%	(751,662,883)	-7.5%
	Apr	519,783,007	37.9%	2,837,795,296	12.3%	301,485,031	6.6%	2,902,620,093	4.0%	558,676,700	28.3%	1,027,216,810	15.3%	(340,378,724)	-0.3%	(1,092,041,607)	-5.4%
	May	229,188,191	-1.1%	3,066,983,487	11.2%	296,381,110	4.4%	3,199,001,203	4.1%	27,141,047	54.7%	1,054,357,857	16.1%	(94,333,966)	35.6%	(1,186,375,573)	-3.1%
	Jun	330,561,646	0.7%	3,397,545,133	10.1%	251,495,781	-2.8%	3,450,496,984	3.5%	103,594,739	18.1%	1,157,952,596	16.3%	(24,528,874)	34.8%	(1,210,904,447)	-2.5%
FY 2014	Jul-13	306,584,861	6.5%	306,584,861	6.5%	306,632,890	7.8%	306,632,890	7.8%	19,029,100	27.1%	19,029,100	27.1%	(19,077,129)	64.7%	(19,077,129)	64.7%
	Aug	274,573,097	-0.1%	581,157,958	3.3%	267,905,132	-1.4%	574,538,022	3.3%	19,245,061	12.6%	38,274,161	19.3%	(12,577,096)	-9.2%	(31,654,225)	24.4%
	Sep	371,782,566	12.5%	952,940,524	6.7%	275,796,364	11.1%	850,334,386	5.7%	111,317,014	16.0%	149,591,175	16.8%	(15,330,812)	10.6%	(46,985,037)	19.5%
	Oct	300,662,202	9.0%	1,253,602,726	7.2%	302,374,318	-1.9%	1,152,708,704	3.8%	66,530,526	43.0%	216,121,701	23.8%	(68,242,642)	-13.5%	(115,227,679)	-2.5%
	Nov	281,831,479	1.4%	1,535,434,205	6.1%	280,378,107	4.7%	1,433,086,811	3.8%	16,737,041	12.7%	232,858,742	22.9%	(15,283,669)	218.5%	(130,511,348)	6.1%
	Dec	384,210,008	-6.3%	1,919,644,213	3.4%	317,295,026	-6.6%	1,750,381,837	1.7%	69,847,905	-3.8%	302,706,647	15.5%	(2,932,923)	31.3%	(133,444,271)	6.6%
	Jan-14	434,280,368	-1.7%	2,353,924,581	2.4%	324,311,016	4.3%	2,074,692,853	2.1%	112,567,170	-17.8%	415,273,817	4.1%	(2,597,818)	-58.7%	(136,042,089)	3.4%
	Feb	(31,870,667)	N/A	2,322,053,914	3.1%	294,065,551	6.9%	2,368,758,404	2.7%	20,498,934	20.8%	435,772,751	4.8%	(346,435,152)	2.3%	(482,477,241)	2.6%
	Mar	118,392,716	80.0%	2,440,446,630	5.3%	323,134,788	9.6%	2,691,893,192	3.5%	57,035,644	8.2%	492,808,395	5.2%	(261,777,716)	-7.0%	(744,254,957)	-1.0%
	Apr	394,440,392	-24.1%	2,834,887,022	-0.1%	302,096,159	0.2%	2,993,989,351	3.1%	500,356,470	-10.4%	993,164,865	-3.3%	(408,012,237)	19.9%	(1,152,267,194)	5.5%
	May	267,284,787	16.6%	3,102,171,809	1.1%	293,892,915	-0.8%	3,287,882,266	2.8%	20,860,216	-23.1%	1,014,025,081	-3.8%	(47,468,344)	-49.7%	(1,199,735,538)	1.1%
	Jun	360,210,187	9.0%	3,462,381,996	1.9%	280,788,999	11.6%	3,568,671,265	3.4%	104,259,821	0.6%	1,118,284,902	-3.4%	(24,838,633)	1.3%	(1,224,574,171)	1.1%
FY 2015	Jul-14	307,979,480	0.5%	307,979,480	0.5%	303,667,985	-1.0%	303,667,985	-1.0%	21,354,109	12.2%	21,354,109	12.2%	(17,042,614)	-10.7%	(17,042,614)	-10.7%
	Aug	277,051,357	0.9%	585,030,837	0.7%	269,976,357	0.8%	573,644,342	-0.2%	18,694,259	-2.9%	40,048,368	4.6%	(11,619,259)	-7.6%	(28,661,873)	-9.5%
	Sep	391,176,578	5.2%	976,207,415	2.4%	288,262,398	4.5%	861,906,740	1.4%	117,688,025	5.7%	157,736,393	5.4%	(14,773,845)	-3.6%	(43,435,718)	-7.6%
	Oct	299,910,716	-0.2%	1,276,118,131	1.8%	320,304,415	5.9%	1,182,211,155	2.0%	60,134,205	-9.6%	217,870,598	0.8%	(80,527,904)	18.0%	(123,963,622)	7.6%
	Nov	283,967,357	0.8%	1,560,085,488	1.0%	280,397,837	0.0%	1,462,608,992	2.1%	17,555,850	4.9%	235,426,448	1.1%	(13,986,330)	-8.5%	(137,949,952)	5.7%
	Dec	421,259,858	9.6%	1,981,345,346	3.2%	337,372,433	6.3%	1,799,981,425	2.8%	83,167,608	19.1%	318,594,056	5.2%	719,817	N/A	(137,230,135)	2.8%
	Jan-15	433,302,725	-0.2%	2,414,648,071	2.6%	313,745,758	-3.3%	2,113,727,183	1.9%	120,273,142	6.8%	438,887,198	5.7%	(716,174)	-72.4%	(137,946,309)	1.4%
	Feb	36,808,028	N/A	2,451,456,099	5.6%	309,285,533	5.2%	2,423,012,716	2.3%	20,393,366	-0.5%	459,260,564	5.4%	(292,870,871)	-15.5%	(430,817,180)	-10.7%
	Mar	135,296,012	14.3%	2,586,752,111	6.0%	350,211,775	8.4%	2,773,224,491	3.0%	66,961,424	17.4%	526,221,987	6.8%	(281,877,186)	7.7%	(712,694,367)	-4.2%
	Apr	343,319,360	37.7%	3,130,071,471	10.4%	319,280,583	5.7%	3,092,505,074	3.3%	606,080,226	21.1%	1,132,302,213	14.0%	(382,041,449)	-6.4%	(1,094,735,816)	-5.0%
	May	237,238,950	-11.2%	3,367,310,420	8.5%	293,092,224	-0.3%	3,385,597,298	3.0%	21,718,764	4.1%	1,154,020,977	13.8%	(77,572,039)	63.4%	(1,172,307,855)	-2.3%
	Jun	393,567,675	9.3%	3,760,878,095	8.6%	305,671,016	8.9%	3,691,268,314	3.4%	129,816,206	24.5%	1,283,837,183	14.8%	(41,919,548)	68.8%	(1,214,227,402)	-0.8%
FY 2016	Jul-15	314,515,790	2.1%	314,515,790	2.1%	314,430,681	3.5%	314,430,681	3.5%	19,164,953	-10.3%	19,164,953	-10.3%	(19,079,844)	12.0%	(19,079,844)	12.0%
	Aug	317,132,476	14.5%	631,648,266	8.0%	305,157,231	13.0%	619,587,912	8.0%	23,246,287	24.3%	42,411,240	5.9%	(11,271,042)	-3.0%	(30,350,886)	5.9%
	Sep	393,705,665	0.6%	1,025,353,931	5.0%	273,973,325	-5.0%	893,561,237	3.7%	132,426,221	12.5%	174,837,461	10.8%	(12,699,881)	-14.1%	(43,044,766)	-0.9%
	Oct	319,034,350	6.4%	1,344,388,281	5.3%	302,810,632	-5.5%	1,196,371,869	1.2%	76,738,000	27.6%	251,575,461	15.5%	(60,514,282)	-24.9%	(103,559,049)	-16.5%
	Nov	323,541,738	13.9%	1,667,930,018	6.9%	320,077,580	14.2%	1,516,449,449	3.7%	22,178,860	26.3%	273,754,321	16.3%	(18,714,702)	33.8%	(122,273,751)	-11.4%
	Dec	420,765,658	-0.1%	2,088,695,676	5.4%	333,681,665	-1.1%	1,850,131,114	2.8%	117,234,036	41.0%	390,988,357	22.7%	(30,150,043)	N/A	(152,423,795)	11.1%
	Jan-16	446,394,828	3.0%	2,535,090,505	5.0%	320,631,058	2.2%	2,170,762,172	2.7%	153,325,352	27.5%	544,313,709	24.0%	(27,561,582)	374.8%	(179,985,376)	30.5%
	Feb	77,521,976	110.6%	2,612,612,480	6.6%	336,465,101	8.8%	2,507,227,273	1.5%	25,421,939	24.7%	569,735,648	24.1%	(284,365,064)	-2.9%	(464,350,441)	7.8%
	Mar	66,604,789	-50.8%	2,679,217,269	3.6%	340,854,324	-2.7%	2,848,081,597	2.7%	67,616,711	1.0%	637,352,359	21.1%	(341,866,246)	21.3%	(806,216,687)	13.1%
	Apr	269,738,416	15.9%	3,308,955,685	5.7%	317,931,628	-0.4%	3,166,013,224	2.4%	618,921,131	2.1%	1,256,273,490	10.9%	(307,114,342)	-19.6%	(1,113,331,029)	1.7%
	May	283,745,886	19.6%	3,592,701,571	6.7%	377,198,112	28.7%	3,543,211,336	4.7%	23,463,871	8.0%	1,279,737,361	10.9%	(116,916,096)	50.7%	(1,230,247,125)	4.9%
	Jun	375,217,930	-4.7%	3,967,919,501	5.5%	296,489,808	-3.0%	3,839,701,144	4.0%	119,063,331	-8.3%	1,398,800,691	9.0%	(40,335,209)	-3.8%	(1,270,582,334)	4.6%
FY 2017	Jul-16	308,548,458	-1.9%	308,548,458	-1.9%	305,368,169	-2.9%	305,368,169	-2.9%	20,712,921	8.1%	20,712,921	8.1%	(17,532,632)	-8.1%	(17,532,632)	-8.1%
	Aug	354,939,880	11.9%	663,488,338	5.0%	350,346,360	14.8%	655,714,529	5.8%	23,144,581	-0.4%	43,857,503	3.4%	(18,551,062)	64.6%	(36,083,694)	18.9%
	Sep	409,053,512	3.9%	1,072,541,850	4.0%	297,467,188	8.6%	953,181,717	6.7%	125,063,020	-5.6%</						

# Arizona Individual Income Tax - Estimated and Final Payments

		Year-to-Date Total				Year-to-Date				Year-to-Date			
		Total Payments	Y/Y Chg.	Payments	YTD Chg.	Estimated	Y/Y Chg.	Estimated	YTD Chg.	Final	Y/Y Chg.	Final	YTD Chg.
FY 2013	Jul-12	14,974,662	7.0%	14,974,662	7.0%	4,540,630	32.8%	4,540,630	32.8%	10,434,032	-1.3%	10,434,032	-1.3%
	Aug	17,096,634	3.2%	32,071,296	5.0%	5,862,487	17.3%	10,403,117	23.6%	11,234,147	-2.8%	21,668,179	-2.1%
	Sep	95,989,948	13.2%	128,061,244	11.0%	83,986,121	11.2%	94,389,238	12.4%	12,003,827	29.3%	33,672,006	7.2%
	Oct	46,536,943	5.9%	174,598,187	9.6%	7,266,490	37.2%	101,655,728	13.9%	39,270,453	1.6%	72,942,459	4.1%
	Nov	14,844,599	-3.2%	189,442,786	8.5%	4,407,208	21.8%	106,062,936	14.2%	10,437,391	-11.0%	83,379,850	1.9%
	Dec	72,572,643	30.2%	262,015,429	13.7%	64,610,374	50.8%	170,673,310	25.8%	7,962,269	-38.2%	91,342,119	-3.5%
	Jan-13	136,860,874	-13.4%	398,876,303	2.7%	128,709,440	-14.7%	299,382,750	4.5%	8,151,434	14.0%	99,493,553	-2.3%
	Feb	16,973,052	-13.6%	415,849,355	1.9%	2,177,569	-1.8%	301,560,319	4.4%	14,795,483	-15.1%	114,289,036	-4.2%
	Mar	52,690,755	12.3%	468,540,110	3.0%	3,861,203	-7.0%	305,421,522	4.2%	48,829,552	14.1%	163,118,588	0.7%
	Apr	558,676,700	28.3%	1,027,216,810	15.3%	52,766,118	5.0%	358,187,640	4.4%	505,910,582	31.3%	669,029,170	22.2%
	May	27,141,047	54.7%	1,054,357,857	16.1%	5,206,587	-9.6%	363,394,227	4.1%	21,934,460	86.1%	690,963,630	23.6%
	Jun	103,594,738	18.1%	1,157,952,595	16.3%	87,141,255	18.4%	450,535,482	6.6%	16,453,483	16.4%	707,417,113	23.4%
FY 2014	Jul-13	19,029,099	27.1%	19,029,099	27.1%	5,081,621	11.9%	5,081,621	11.9%	13,947,478	33.7%	13,947,478	33.7%
	Aug	19,245,061	12.6%	38,274,160	19.3%	6,644,285	13.3%	11,725,906	12.7%	12,600,776	12.2%	26,548,254	22.5%
	Sep	111,317,015	16.0%	149,591,175	16.8%	93,801,627	11.7%	105,527,533	11.8%	17,515,388	45.9%	44,063,642	30.9%
	Oct	66,530,527	43.0%	216,121,702	23.8%	8,031,168	10.5%	113,558,701	11.7%	58,499,359	49.0%	102,563,001	40.6%
	Nov	16,737,041	12.7%	232,858,743	22.9%	3,703,510	-16.0%	117,262,211	10.6%	13,033,531	24.9%	115,596,532	38.6%
	Dec	69,847,905	-3.8%	302,706,648	15.5%	61,510,330	-4.8%	178,772,541	4.7%	8,337,575	4.7%	123,934,107	35.7%
	Jan-14	112,567,170	-17.8%	415,273,818	4.1%	104,201,522	-19.0%	282,974,063	-5.5%	8,365,648	2.6%	132,299,755	33.0%
	Feb	20,498,935	20.8%	435,772,753	4.8%	2,403,212	10.4%	285,377,275	-5.4%	18,095,723	22.3%	150,395,478	31.6%
	Mar	57,035,644	8.2%	492,808,397	5.2%	4,852,137	25.7%	290,229,412	-5.0%	52,183,507	6.9%	202,578,985	24.2%
	Apr	500,356,470	-10.4%	993,164,867	-3.3%	57,048,776	8.1%	347,278,188	-3.0%	443,307,694	-12.4%	645,886,679	-3.5%
	May	20,860,216	-23.1%	1,014,025,083	-3.8%	5,553,012	6.7%	352,831,200	-2.9%	15,307,204	-30.2%	661,193,883	-4.3%
	Jun	104,259,820	0.6%	1,118,284,903	-3.4%	86,454,543	-0.8%	439,285,743	-2.5%	17,805,277	8.2%	678,999,160	-4.0%
FY 2015	Jul-14	21,354,109	12.2%	21,354,109	12.2%	6,285,380	23.7%	6,285,380	23.7%	15,068,729	8.0%	15,068,729	8.0%
	Aug	18,694,259	-2.9%	40,048,368	4.6%	6,941,033	4.5%	13,226,413	12.8%	11,753,226	-6.7%	26,821,955	1.0%
	Sep	117,688,025	5.7%	157,736,393	5.4%	100,467,659	7.1%	113,694,072	7.7%	17,220,366	-1.7%	44,042,321	0.0%
	Oct	60,134,205	-9.6%	217,870,598	0.8%	7,948,849	-1.0%	121,642,921	7.1%	52,185,356	-10.8%	96,227,677	-6.2%
	Nov	17,555,850	4.9%	235,426,448	1.1%	5,361,587	44.8%	127,004,508	8.3%	12,194,264	-6.4%	108,421,941	-6.2%
	Dec	83,167,608	19.1%	318,594,056	5.2%	73,371,410	19.3%	200,375,917	12.1%	9,796,198	17.5%	118,218,139	-4.6%
	Jan-15	120,273,142	6.8%	438,867,198	5.7%	115,372,044	10.7%	315,747,961	11.6%	4,901,098	-41.4%	123,119,237	-6.9%
	Feb	20,393,366	-0.5%	459,260,564	5.4%	2,907,743	21.0%	318,655,703	8.3%	17,485,623	-3.4%	140,604,861	-6.5%
	Mar	66,961,424	17.4%	526,221,988	6.8%	5,780,718	19.1%	324,436,422	11.8%	61,180,705	17.2%	201,785,566	-0.4%
	Apr	606,080,226	21.1%	1,132,302,213	14.0%	69,730,470	22.2%	394,166,892	13.5%	536,349,755	21.0%	738,135,322	14.3%
	May	21,718,764	4.1%	1,154,020,977	13.8%	5,983,980	7.8%	400,150,872	13.4%	15,734,784	2.8%	753,870,106	14.0%
	Jun	130,282,104	25.0%	1,284,303,081	14.8%	110,381,320	27.7%	510,532,192	16.2%	19,900,784	11.8%	773,770,890	14.0%
FY 2016	Jul-15	19,164,953	-10.3%	19,164,953	-10.3%	5,850,579	-6.9%	5,850,579	-6.9%	13,314,373	-11.6%	13,314,373	-11.6%
	Aug	23,246,287	24.3%	42,411,240	5.9%	8,211,917	18.3%	14,062,496	6.3%	15,034,370	27.9%	28,348,744	5.7%
	Sep	132,426,221	12.5%	174,837,461	10.8%	114,161,632	13.6%	128,224,128	12.8%	18,264,589	6.1%	46,613,333	5.8%
	Oct	76,738,000	27.6%	251,575,461	15.5%	8,458,806	6.4%	136,682,934	12.4%	68,279,194	30.8%	114,892,527	19.4%
	Nov	22,178,860	26.3%	273,754,321	16.3%	6,067,038	13.2%	142,749,972	12.4%	16,111,822	32.1%	131,004,349	20.8%
	Dec	117,234,036	41.0%	390,988,357	22.7%	105,670,933	44.0%	248,420,905	24.0%	11,563,103	18.0%	142,567,452	20.6%
	Jan-16	153,325,352	27.5%	544,313,709	24.0%	144,202,609	25.0%	392,623,514	24.3%	9,122,743	86.1%	151,690,195	23.2%
	Feb	25,421,939	24.7%	569,735,648	24.1%	4,051,196	39.3%	396,674,710	24.5%	21,370,743	22.2%	173,060,938	23.1%
	Mar	67,616,711	1.0%	637,352,359	21.1%	6,823,890	18.0%	403,498,600	24.4%	60,792,822	-0.6%	233,853,760	15.9%
	Apr	618,921,131	2.1%	1,256,273,490	10.9%	64,994,378	-6.8%	468,492,977	18.9%	553,926,753	3.3%	787,780,513	6.7%
	May	23,463,871	8.0%	1,279,737,361	10.9%	6,620,379	10.6%	475,113,356	18.7%	16,843,492	7.0%	804,624,005	6.7%
	Jun	119,063,331	-8.6%	1,398,800,691	8.9%	99,589,263	-9.8%	574,702,619	12.6%	19,474,068	-2.1%	824,098,072	6.5%
FY 2017	Jul-16	20,712,921	8.1%	20,712,921	8.1%	6,317,109	8.0%	6,317,109	8.0%	14,395,813	8.1%	14,395,813	8.1%
	Aug	23,144,581	-0.4%	43,857,503	3.4%	8,046,994	-2.0%	14,364,103	2.1%	15,097,587	0.4%	29,493,400	4.0%
	Sep	125,063,020	-5.6%	168,920,523	-3.4%	111,671,071	-2.2%	126,035,173	-1.7%	13,391,949	-26.7%	42,885,349	-8.0%
	Oct	59,370,843	-22.6%	228,291,366	-9.3%	8,730,877	3.2%	134,766,050	-1.4%	50,639,966	-25.8%	93,525,315	-18.6%
	Nov	40,402,393	82.2%	268,693,759	-1.8%	8,800,125	45.0%	143,566,175	0.6%	31,602,268	96.1%	125,127,583	-4.5%
	Dec	100,547,049	-14.2%	369,240,808	-5.6%	90,136,492	-14.7%	233,702,667	-5.9%	10,410,557	-10.0%	135,538,140	-4.9%
	Jan-17	176,196,518	14.9%	545,437,326	0.2%	164,611,622	14.2%	398,314,289	1.4%	11,584,896	27.0%	147,123,036	-3.0%
	Feb	21,215,983	-16.5%	566,653,309	-0.5%	3,461,703	-14.6%	401,775,992	1.3%	17,754,280	-16.9%	164,877,316	-4.7%
	Mar	68,927,837	1.9%	635,581,146	-0.3%	5,669,975	-16.9%	407,445,967	1.0%	63,257,862	4.1%	228,135,178	-2.4%
	Apr	593,660,943	-4.1%	1,229,242,088	-2.2%	72,213,427	11.1%	479,659,394	2.4%	521,447,515	-5.9%	749,582,694	-4.8%
	May	38,609,464	64.5%	1,267,851,552	-0.9%	6,681,551	0.9%	486,340,946	2.4%	31,927,913	89.6%	781,510,607	-2.9%
	Jun	121,937,870	2.4%	1,389,789,423	-0.6%	103,768,177	4.2%	590,109,123	2.7%	18,169,693	-6.7%	799,680,300	-3.0%
FY 2018	Jul-17	22,390,542	8.1%	22,390,542	8.1%	7,098,992	12.4%	7,098,992	12.4%	15,291,550	6.2%	15,291,550	6.2%
	Aug	21,181,908	-8.5%	43,572,450	-0.6%	8,068,854	0.3%	15,167,846	5.6%	13,113,055	-13.1%	28,404,605	-3.7%
	Sep	132,809,433	6.2%	176,381,883	4.4%	117,062,473	4.8%	132,230,319	4.9%	15,746,960	17.6%	44,151,564	3.0%
	Oct												
	Nov												
	Dec												
	Jan-18												
	Feb												
	Mar												
	Apr												
	May												
	Jun												

# **Corporate Income Tax**



## Arizona Corporate Income Tax General Fund Collections

		Year-to-Date Gross				Year-to-Date				Year-to-Date Net			
		Gross Revenue	Y/Y Chg.	Revenue	YTD Chg.	Refunds	Y/Y Chg.	Refunds	YTD Chg.	Net Revenue	Y/Y Chg.	Revenue	YTD Chg.
FY 2013	July 2012	30,975,920	6.7%	30,975,920	6.7%	(10,190,368)	201.1%	(10,190,368)	201.1%	20,785,552	-18.9%	20,785,552	-18.9%
	Aug 2012	26,449,162	-37.5%	57,425,082	-19.5%	(4,041,736)	-59.3%	(14,232,104)	6.8%	22,407,426	-30.8%	43,192,978	-25.5%
	Sept 2012	135,770,478	13.0%	193,195,560	0.9%	(2,846,561)	-27.8%	(17,078,665)	-1.1%	132,923,917	14.4%	176,116,895	1.1%
	Oct 2012	41,787,184	15.1%	234,982,743	3.2%	(14,427,659)	16.3%	(31,506,324)	6.2%	27,359,524	14.4%	203,476,419	2.7%
	Nov 2012	18,662,746	-25.0%	253,645,489	0.4%	(21,832,325)	-28.9%	(53,338,649)	-11.7%	N/A	N/A	200,306,840	4.2%
	Dec 2012	114,140,782	-13.5%	367,786,271	-4.4%	(19,137,873)	796.4%	(72,476,522)	15.9%	95,002,909	-26.8%	295,309,749	-8.3%
	Jan 2013	26,071,307	-23.9%	393,857,578	-6.0%	(5,244,589)	361.7%	(77,721,111)	22.1%	20,826,718	-37.1%	316,136,467	-11.0%
	Feb 2013	15,024,306	-1.6%	408,881,884	-5.8%	(2,084,792)	-28.5%	(79,805,903)	19.9%	12,939,514	4.8%	329,075,981	-10.5%
	Mar 2013	77,103,276	12.5%	485,985,160	-3.3%	(1,702,847)	-35.6%	(81,508,750)	17.8%	75,400,429	14.4%	404,476,410	-6.7%
	Apr 2013	104,068,674	12.3%	590,053,834	-0.9%	(1,847,071)	-27.0%	(83,355,821)	16.2%	102,221,603	13.4%	506,698,013	-3.2%
	May 2013	33,282,523	-26.2%	623,336,357	-2.7%	(2,547,119)	-92.7%	(85,902,940)	-19.5%	30,735,404	205.7%	537,433,417	0.7%
	June 2013	131,310,962	16.2%	754,647,319	0.2%	(6,717,981)	131.1%	(92,620,921)	-15.5%	124,592,981	13.1%	662,026,398	2.8%
FY 2014	July 2013	34,069,704	10.0%	34,069,704	10.0%	(8,988,196)	-11.8%	(8,988,196)	-11.8%	25,081,508	20.7%	25,081,508	20.7%
	Aug 2013	14,407,351	-45.5%	48,477,055	-15.6%	(3,863,822)	-4.4%	(12,852,018)	-9.7%	10,543,529	-52.9%	35,625,037	-17.5%
	Sept 2013	123,780,418	-8.8%	172,257,473	-10.8%	(25,870,935)	808.8%	(38,722,953)	126.7%	97,909,483	-26.3%	133,534,520	-24.2%
	Oct 2013	42,701,887	2.2%	214,959,360	-8.5%	(10,435,834)	-27.7%	(49,158,787)	56.0%	32,266,053	17.9%	165,800,573	-18.5%
	Nov 2013	24,590,006	31.8%	239,549,366	-5.6%	(23,491,341)	7.6%	(72,650,128)	36.2%	1,098,665	N/A	166,899,238	-16.7%
	Dec 2013	125,462,558	9.9%	365,011,924	-0.8%	(40,720,245)	112.8%	(113,370,373)	56.4%	84,742,313	-10.8%	251,641,551	-14.8%
	Jan 2014	21,695,410	-16.8%	386,707,334	-1.8%	(5,413,529)	3.2%	(118,783,902)	52.8%	16,281,881	-21.8%	267,923,432	-15.3%
	Feb 2014	16,552,646	10.2%	403,259,980	-1.4%	(1,410,014)	-32.4%	(120,193,916)	50.6%	15,142,632	17.0%	283,066,064	-14.0%
	Mar 2014	80,847,279	4.9%	484,107,259	-0.4%	(2,438,851)	43.2%	(122,632,767)	50.5%	78,408,428	4.0%	361,474,492	-10.6%
	Apr 2014	89,552,803	-13.9%	573,660,062	-2.8%	(1,448,077)	-21.6%	(124,080,844)	48.9%	88,104,726	-13.8%	449,579,218	-11.3%
	May 2014	31,662,715	-4.9%	605,322,777	-2.9%	(3,061,280)	20.2%	(127,142,124)	48.0%	28,601,435	-6.9%	478,180,653	-11.0%
	June 2014	99,844,033	-24.0%	705,166,810	-6.6%	(2,844,465)	-57.7%	(129,986,589)	40.3%	96,999,568	-22.1%	575,180,221	-13.1%
FY 2015	July 2014	27,059,686	-20.6%	27,059,686	-20.6%	(14,531,193)	61.7%	(14,531,193)	61.7%	12,528,493	-50.0%	12,528,493	-50.0%
	Aug 2014	13,991,819	-2.9%	41,051,505	-15.3%	7,539	N/A	(14,523,654)	13.0%	13,999,358	32.8%	26,527,851	-25.5%
	Sep 2014	122,198,547	-1.3%	163,250,052	-5.2%	(4,549,542)	-82.4%	(19,073,196)	-50.7%	117,649,005	20.2%	144,176,856	8.0%
	Oct 2014	42,258,664	-1.0%	205,508,716	-4.4%	(9,398,996)	-9.9%	(28,472,192)	-42.1%	32,859,668	1.8%	177,036,524	6.8%
	Nov 2014	16,078,683	-34.6%	221,587,399	-7.5%	(12,628,427)	-46.2%	(41,100,619)	-43.4%	3,450,256	214.0%	180,486,780	8.1%
	Dec 2014	144,358,002	15.1%	365,945,401	0.3%	(19,357,458)	-52.5%	(60,458,077)	-46.7%	125,000,544	47.5%	305,487,324	21.4%
	Jan 2015	42,546,144	96.1%	408,491,545	5.6%	(22,346,703)	312.8%	(82,804,780)	-30.3%	20,199,441	24.1%	325,686,765	21.6%
	Feb 2015	14,229,988	-14.0%	422,721,533	4.8%	(13,093,773)	828.6%	(95,898,554)	-20.2%	1,136,215	-92.5%	326,822,979	15.5%
	Mar 2015	77,157,885	-4.6%	499,879,418	3.3%	(1,869,651)	-23.3%	(97,768,205)	-20.3%	75,288,234	-4.0%	402,111,213	11.2%
	Apr 2015	113,103,110	26.3%	612,982,528	6.9%	(25,939,111)	1691.3%	(123,707,315)	-0.3%	87,163,999	-1.1%	489,275,212	8.8%
	May 2015	64,443,207	103.5%	677,425,735	11.9%	(719,860)	-76.5%	(124,427,176)	-2.1%	63,723,347	122.8%	552,998,559	15.6%
	June 2015	111,302,316	11.5%	788,728,051	11.8%	(1,297,856)	-54.4%	(125,725,031)	-3.3%	110,004,461	13.4%	663,003,020	15.3%
FY 2016	July 2015	36,768,159	35.9%	36,768,159	35.9%	(4,486,848)	-69.1%	(4,486,848)	-69.1%	32,281,311	157.7%	32,281,311	157.7%
	Aug 2015	10,884,908	-22.2%	47,653,067	16.1%	(8,555,055)	N/A	(13,041,903)	-10.2%	2,329,853	-83.4%	34,611,164	30.5%
	Sep 2015	116,193,641	-4.9%	163,846,708	0.4%	(27,437,463)	503.1%	(40,479,366)	112.2%	88,756,178	-24.6%	123,367,342	-14.4%
	Oct 2015	49,688,646	17.6%	213,535,354	3.9%	(4,305,671)	-54.2%	(44,785,037)	57.3%	45,382,975	38.1%	168,750,317	-4.7%
	Nov 2015	35,877,298	123.1%	249,412,652	12.6%	(15,278,756)	21.0%	(60,063,793)	46.1%	20,598,542	497.0%	189,348,859	4.9%
	Dec 2015	117,761,370	-18.4%	367,174,022	0.3%	(49,974,903)	158.2%	(110,038,696)	82.0%	67,786,467	-45.8%	257,135,326	-15.8%
	Jan 2016	32,103,120	-24.5%	399,277,142	-2.3%	(10,759,412)	-51.9%	(120,798,108)	45.9%	21,343,708	5.7%	278,479,034	-14.5%
	Feb 2016	12,843,136	-9.7%	412,120,278	-2.5%	(582,733)	-95.5%	(121,380,841)	26.6%	12,260,403	979.1%	290,739,437	-11.0%
	Mar 2016	70,548,584	-8.6%	482,668,862	-3.4%	1,363,587	N/A	(120,017,254)	22.8%	71,912,171	-4.5%	362,651,608	-9.8%
	Apr 2016	75,033,925	-33.7%	557,702,787	-9.0%	(655,651)	-97.5%	(120,672,905)	-2.5%	74,378,274	-14.7%	437,029,882	-10.7%
	May 2016	43,168,045	-33.0%	600,870,832	-11.3%	(4,696,930)	552.5%	(125,369,835)	0.8%	38,471,115	-39.6%	475,500,997	-14.0%
	June 2016	98,166,763	-11.8%	699,037,595	-11.4%	(3,120,064)	140.4%	(128,489,899)	2.2%	95,046,699	-13.6%	570,547,696	-13.9%
FY 2017	July 2016	22,024,760	-40.1%	22,024,760	-40.1%	(19,735,807)	339.9%	(19,735,807)	339.9%	2,288,953	-92.9%	2,288,953	-92.9%
	Aug 2016	15,544,054	42.8%	37,568,814	-21.2%	(10,745,312)	25.6%	(30,481,119)	133.7%	4,798,742	106.0%	7,087,695	-79.5%
	Sep 2016	89,348,852	-23.1%	126,917,666	-22.5%	(10,788,021)	-60.7%	(41,269,140)	2.0%	78,560,831	-11.5%	85,648,526	-30.6%
	Oct 2016	30,829,175	-38.0%	157,746,841	-26.1%	(150,501)	-96.5%	(41,419,641)	-7.5%	30,678,674	-32.4%	116,327,200	-31.1%
	Nov 2016	18,086,371	-49.6%	175,833,212	-29.5%	(3,770,141)	-75.3%	(45,189,782)	-24.8%	14,316,230	-30.5%	130,643,430	-31.0%
	Dec 2016	88,112,848	-25.2%	263,946,060	-28.1%	(23,544,086)	-52.9%	(68,733,868)	-37.5%	64,568,762	-4.7%	195,212,192	-24.1%
	Jan 2017	26,607,980	-17.1%	290,554,040	-27.2%	(45,309,503)	321.1%	(114,043,371)	-5.6%	(18,701,523)	N/A	176,510,669	-36.6%
	Feb 2017	10,689,553	-16.8%	301,243,593	-26.9%	(13,039,244)	2137.6%	(127,082,615)	4.7%	(2,349,691)	N/A	174,160,978	-40.1%
	Mar 2017	35,546,429	-49.6%	336,790,022	-30.2%	(15,821,919)	N/A	(142,904,534)	19.1%	19,724,510	-72.6%	193,885,488	-46.5%
	Apr 2017	82,864,066	10.4%	419,654,088	-24.8%	(8,108,715)	1136.7%	(151,013,249)	25.1%	74,755,351	0.5%	268,640,839	-38.5%
	May 2017	31,729,262	-26.5%	451,383,350	-24.9%	(3,739,014)	-20.4%	(154,752,263)	23.4%	27,990,248	-27.2%	296,631,087	-37.6%
	June 2017	73,547,833	-25.1%	524,931,183	-24.9%	(2,042,474)	-34.5%	(156,794,737)	22.0%	71,505,359	-24.8%	368,136,446	-35.5%
FY 2018	July 2017	26,266,058	19.3%	26,266,058	19.3%	(2,427,219)	-87.7%	(2,427,219)	-87.7%	23,838,839	941.5%	23,838,839	941.5%
	Aug 2017	10,906,029	-29.8%	37,172,086	-1.1%	(18,031,119)	67.8%	(20,458,337)	-32.9%	(7,125,090)	N/A	16,713,749	135.8%
	Sep 2017	79,619,983	-10.9%	116,792,069	-8.0%	(15,042,747)	39.4%	(35,501,085)	-14.0%	64,577,236	-17.8%	81,290,985	-5.1%
	Oct 2017												
	Nov 2017												
	Dec 2017												
	Jan 2018												
	Feb 2018												
	Mar 2018												
	Apr 2018												
	May 2018												
	June 2018												

# **Insurance Premium Tax**

# INSURANCE PREMIUM TAX

## WHO PAYS

All authorized insurers are subject to the insurance premium tax. Additionally, the tax applies to health care service organizations, prepaid dental plan organizations, and prepaid legal insurance corporations. [A.R.S. § 20-206, A.R.S. § 20-224, A.R.S. § 20-401.05, A.R.S. § 20-416, A.R.S. § 20-837, A.R.S. § 20-1010, A.R.S. § 20-1060, A.R.S. § 20-1097.07].

## DISTRIBUTION

Except for a portion of the tax on fire insurance premiums and an additional tax paid on vehicle insurance premiums, these tax revenues are deposited in the state's General Fund [A.R.S. § 20-227].

Eighty-five percent of the fire insurance premium tax is transferred to cities and towns and legally organized fire districts which procure the services of private fire companies and to cities and towns which have their own fire department or legally organized fire district. The proceeds are to be used to assist in funding pension plans for fire fighting personnel. The other 15% is deposited into the state's General Fund [A.R.S. § 20-224, A.R.S. § 9-951, and A.R.S. § 9-952].

An additional tax of 0.4312% paid on insurance carried on vehicles is separately accounted for and transferred to the Public Safety Personnel Retirement System for deposit in the Highway Patrol Account to assist in funding the pension plan for highway patrol personnel [A.R.S. § 20-224.01].

## REVENUE BASE

The tax applies to premiums paid for insurance covering liabilities that exist within the state. The tax is levied on the net premium income, which is defined as the total amount received from premiums after deducting cancellations, returned premiums, policy dividends, and refund reductions. The specific types of insurance that are taxed are described in the *Taxable Lines of Insurance* section.

## TAX RATE

The insurance premium tax rate on life, vehicle, and other property and casualty lines of insurance is 1.9% in calendar year (CY) 2017. Over the following 5 years, Laws 2016, Chapter 358 decreases the tax rate by (0.05)% annually until it is phased down to 1.7% in CY 2021 and later years. Except for fire insurance and surplus line insurance, the tax rate for most other types of insurance is 2.0% of net premium income [A.R.S. § 20-224].

The tax rate for fire insurance is 0.66% for insurance on properties located in an incorporated city or town which procures the services of a private fire company. The rate on all other fire insurance is 2.2% [A.R.S. § 20-224].

The tax rate on premiums paid to brokers selling surplus line insurance and industrial insurance contracts procured from unauthorized insurers is 3% of the net premium income [A.R.S. § 20-401.07 and A.R.S. § 20-416].

## PAYMENT SCHEDULE

Payment of the preceding calendar year's insurance premium tax liability is due on or before March 1 of each year. [A.R.S. § 20-224].

Prior to CY 2018, any insurer that paid or is required to pay a tax of \$2,000 or more for the preceding calendar year is required to pay an "installment" payment of 15% of that amount on or before the 15<sup>th</sup> day of each month from March through August. Laws 2017, Chapter 153 increases the threshold of tax liability above which an insurer is required to make installment payments, from \$2,000 to \$50,000 in the preceding calendar year, beginning in CY 2018. Installment payments are credited against the insurance premium tax due on March 1 of the following year [A.R.S. § 20-224].

## TAXABLE LINES OF INSURANCE

The table at the end of this section lists the Insurance Premium Tax revenue collections to the General Fund from FY 2010 to FY 2017, by line item. Each of the insurance lines in the table is described below.

**AHCCCS Contractors:** The Arizona Health Care Cost Containment System (AHCCCS) makes predetermined monthly capitation payments to managed care organizations that provide Medicaid health insurance to qualifying low income individuals. The state and federal government share in the costs of the program. With some exceptions, the state's Medicaid program covers individuals with family incomes up to 133% of the federal poverty level (about \$32,700 for a family of 4).

Since FY 2004, capitation payments to AHCCCS contractors have been subject to Insurance Premium Tax. Both the state and federal portions of capitation payments are subject to the tax. Tax collections from this line were about 42% of Insurance Premium Tax General Fund revenues in FY 2017. The revenue growth of 11% in FY 2014, 24% in FY 2015, and 17% in FY 2016 in this line was largely driven by the expansion of eligible income levels for the program on January 1, 2014. Growth slowed to 1.2% in FY 2017 as Medicaid enrollment slowed.

**Accident and Health:** Includes insurance policies for medical risks and accidental injury or death. Much of this line consists of personal and employer-sponsored health insurance plans. Federal law, though, exempts employer self-insured plans from state insurance premium tax. Collections from the line made up about 20% of Insurance Premium Tax General Fund revenues in FY 2017. Revenue growth of this line in FY 2014 through FY 2016 was bolstered by increased health plan enrollment following the January 1, 2014 implementation of federal health exchanges and an individual mandate to have health insurance.

**Vehicle:** This line consists of insurance against damage to vehicles and accidental injury or death or damage to non-vehicle property caused while using a vehicle. According to DOI, private passenger automobile insurance accounts for 90% of this line's premiums while insurance for commercial risks account for the remaining 10% of premiums. Collections from this line were 19% of Insurance Premium Tax General Fund revenues in FY 2017.

**Other Property and Casualty:** Consists of numerous types of property and casualty insurance that together were 12% of Insurance Premium Tax General Fund revenue in FY 2017. The largest sub-category of insurance in this line is homeowners insurance, which makes up about one-third of the line's taxable premiums. Some other major sub-categories of this line include property in transit, commercial multi-peril, and medical professional liability.

**Life:** Includes temporary or permanent policies that insure human life. Collections from this line made up about 8% of Insurance Premium Tax General Fund revenues in FY 2017.

**Surplus Lines:** Includes types of insurance that are not sufficiently offered by authorized insurers and therefore may be procured from an unauthorized out-of-state insurer. Collections from this line were 3% of Insurance Premium Tax General Fund revenues in FY 2017.

**Fire:** Includes insurance against damage or loss from fire, beyond the level of coverage from other forms of property insurance. Collections from this line were less than 1% of Insurance Premium Tax General Fund revenues in FY 2017.

**Retaliatory Payments:** Out-of-state insurers pay the greater of the Arizona insurance premium tax or the tax imposed by their home state on Arizona insurers. Retaliation applies to taxes, fees, assessments or other charges levied in the insurance company's home state. Collections from this line were 2% of Insurance Premium Tax General Fund revenues in FY 2017.

**Tax Credits:** Tax revenues from the insurance lines above are reduced by Insurance Premium Tax credits. Growth of tax credit use in recent years has largely been driven by the 20% annual increases in the cap on Private School Tuition Organization - Low Income Students credits. Dollar impacts of the specific Insurance Premium Tax credits in FY 2017 are listed in the table below.

FY 2017 Insurance Premium Tax Credits (\$ in millions)	
<b>Credits:</b>	<b>Annual Cost</b>
Private School Tuition Organization - Low Income Students <sup>1/</sup>	\$23.2
New Employment	5.5
Health Insurance Premium <sup>2/</sup>	4.6
Private School Tuition Organization - Disabled/Displaced Students <sup>3/</sup>	3.5
Military Reuse Zone	0.0
<b>Total Value of Credits</b>	<b>\$36.9</b>
<sup>1/</sup> Credit was capped at \$61.9 million in FY 2017 between corporate and insurance premium taxpayers.	
<sup>2/</sup> Credit is capped at \$5.0 million annually.	
<sup>3/</sup> Credits is capped at \$5.0 million annually between corporate income and insurance premium taxpayers.	

**Insurance Premium Tax Revenue by Insurance Line <sup>1/</sup>  
General Fund Collections**

(\$ in Millions)

	FY 2010		FY 2011		FY 2012		FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
<u>Insurance Line</u>	<u>Revenue</u>		<u>Revenue</u>	<u>Y/Y Chg.</u>	<u>Revenue</u>	<u>Y/Y Chg.</u>	<u>Revenue</u>	<u>Y/Y Chg.</u>	<u>Revenue</u>	<u>Y/Y Chg.</u>	<u>Revenue</u>	<u>Y/Y Chg.</u>	<u>Revenue</u>	<u>Y/Y Chg.</u>	<u>Revenue</u>	<u>Y/Y Chg.</u>
AHCCCS Contractors	157.4		164.3	4.4%	141.4	-13.9%	130.0	-8.1%	144.0	10.7%	178.1	23.7%	208.6	17.2%	211.1	1.2%
Accident and Health	80.1		75.5	-5.7%	78.2	3.6%	79.8	2.0%	82.3	3.1%	87.6	6.4%	103.7	18.4%	102.8	-0.9%
Vehicle <sup>2/</sup>	77.4		74.1	-4.3%	72.8	-1.8%	75.0	3.0%	79.4	5.9%	84.3	6.2%	89.5	6.2%	95.0	6.1%
Other Property and Casualty	50.5		51.1	1.2%	50.6	-1.0%	52.8	4.3%	56.0	6.0%	60.8	8.6%	60.2	-0.9%	60.6	0.7%
Life	35.6		37.1	4.2%	38.4	3.5%	38.7	0.8%	39.2	1.2%	39.7	1.3%	43.7	10.2%	42.9	-1.8%
Surplus	9.0		8.9	-0.7%	8.8	-1.6%	9.8	11.5%	11.1	13.6%	12.3	10.2%	11.6	-5.3%	15.5	33.6%
Fire <sup>3/</sup>	2.0		1.9	-6.7%	1.9	2.4%	2.0	4.7%	2.2	8.2%	2.1	-1.4%	2.6	21.7%	1.3	-50.2%
Retaliatory Payments	4.3		8.0	86.0%	7.0	-12.5%	10.6	51.4%	8.9	-16.0%	10.7	19.7%	6.9	-35.2%	9.2	33.3%
Tax Credits	(5.3)		(4.8)	-9.4%	(6.3)	31.3%	(11.3)	79.4%	(18.6)	64.6%	(27.8)	49.5%	(33.5)	20.5%	(36.9)	10.1%
Cash Flow Adjustments <sup>4/</sup>	(5.4)		(2.3)	--	1.2	--	(0.6)	--	7.3	--	3.2	--	0.8	--	4.5	--
<b>Total Fiscal Year Revenues <sup>4/</sup></b>	<b>\$ 405.6</b>		<b>\$ 413.8</b>	<b>2.0%</b>	<b>\$ 394.0</b>	<b>-4.8%</b>	<b>\$ 386.8</b>	<b>-1.8%</b>	<b>\$ 411.6</b>	<b>6.4%</b>	<b>\$ 450.7</b>	<b>9.5%</b>	<b>\$ 494.1</b>	<b>9.6%</b>	<b>\$ 506.0</b>	<b>2.4%</b>

Notes

<sup>1/</sup> Revenue amounts reflect line item estimates by the Department of Insurance.

<sup>2/</sup> Amounts exclude revenue from an additional 0.4312% tax on vehicle line premiums that is dedicated for funding the Public Safety Retirement System.

<sup>3/</sup> Amounts exclude the 85% of fire line collections that are transferred to cities, towns and fire districts to assist in funding pension plans of fire fighting personnel.

<sup>4/</sup> Amounts reflect differences between tax liability and tax payments within the year.

<sup>5/</sup> JLBC reports General Fund revenues were \$411.8 million in FY 2014, \$449.5 million in FY 2015, \$490.6 million in FY 2016, and \$504.3 M in FY 2017. Amounts in this table reflect estimates by the Department of Insurance.

Source: Department of Insurance

**Arizona Insurance Premium Tax  
General Fund Collections**

		Revenue	Y/Y Chg.	Year-to-Date Revenue	YTD Chg.
FY 2013	July 2012	37,508,678	-0.3%	37,508,678	-0.3%
	Aug 2012	41,802,963	10.7%	79,311,640	5.2%
	Sept 2012	34,681,755	-25.2%	113,993,395	-6.4%
	Oct 2012	1,298,932	-12.8%	115,292,327	-6.4%
	Nov 2012	208,825	-32.7%	115,501,152	-6.5%
	Dec 2012	15,984,361	-55.8%	131,485,513	-17.7%
	Jan 2013	17,353,339	43028.0%	148,838,852	-6.8%
	Feb 2013	4,035,695	31.9%	152,874,547	-6.1%
	Mar 2013	67,711,409	-21.4%	220,585,956	-11.4%
	Apr 2013	54,650,143	30.1%	275,236,099	-5.4%
	May 2013	40,903,081	14.4%	316,139,180	-3.2%
	June 2013	70,636,923	5.0%	386,776,103	-1.8%
FY 2014	July 2013	36,604,607	-2.4%	36,604,607	-2.4%
	Aug 2013	46,319,857	10.8%	82,924,464	4.6%
	Sept 2013	29,042,831	-16.3%	111,967,295	-1.8%
	Oct 2013	1,093,890	-15.8%	113,061,185	-1.9%
	Nov 2013	6,037,600	2791.2%	119,098,785	3.1%
	Dec 2013	12,180,601	-23.8%	131,279,386	-0.2%
	Jan 2014	22,108,090	27.4%	153,387,476	3.1%
	Feb 2014	5,047,014	25.1%	158,434,490	3.6%
	Mar 2014	90,260,498	33.3%	248,694,988	12.7%
	Apr 2014	40,437,428	-26.0%	289,132,415	5.0%
	May 2014	42,265,579	3.3%	331,397,994	4.8%
	June 2014	80,362,690	13.8%	411,760,684	6.5%
FY 2015	July 2014	41,695,140	13.9%	41,695,140	13.9%
	Aug 2014	43,349,179	-6.4%	85,044,319	2.6%
	Sep 2014	44,017,841	51.6%	129,062,160	15.3%
	Oct 2014	1,058,877	-3.2%	130,121,037	15.1%
	Nov 2014	316,650	-94.8%	130,437,687	9.5%
	Dec 2014	11,650,040	-4.4%	142,087,727	8.2%
	Jan 2015	33,853,685	53.1%	175,941,412	14.7%
	Feb 2015	5,144,681	1.9%	181,086,093	14.3%
	Mar 2015	66,254,010	-26.6%	247,340,103	-0.5%
	Apr 2015	69,510,687	71.9%	316,850,791	9.6%
	May 2015	48,248,184	14.2%	365,098,975	10.2%
	June 2015	84,447,779	5.1%	449,546,754	9.2%
FY 2016	July 2015	43,026,885	3.2%	43,026,885	3.2%
	Aug 2015	42,246,989	-2.5%	85,273,874	0.3%
	Sep 2015	43,520,598	-1.1%	128,794,471	-0.2%
	Oct 2015	9,936,474	838.4%	138,730,946	6.6%
	Nov 2015	48,839	-84.6%	138,779,785	6.4%
	Dec 2015	19,119,526	64.1%	157,899,311	11.1%
	Jan 2016	33,120,213	-2.2%	191,019,524	8.6%
	Feb 2016	2,067,262	-59.8%	193,086,786	6.6%
	Mar 2016	126,501,590	90.9%	319,588,376	29.2%
	Apr 2016	42,865,335	-38.3%	362,453,711	14.4%
	May 2016	40,845,608	-15.3%	403,299,319	10.5%
	June 2016	87,276,962	3.4%	490,576,281	9.1%
FY 2017	July 2016	24,616,949	-42.8%	24,616,949	-42.8%
	Aug 2016	73,883,134	74.9%	98,500,083	15.5%
	Sep 2016	50,081,084	15.1%	148,581,167	15.4%
	Oct 2016	4,077,218	-59.0%	152,658,385	10.0%
	Nov 2016	167,822	243.6%	152,826,207	10.1%
	Dec 2016	49,584,849	159.3%	202,411,056	28.2%
	Jan 2017	6,317,744	-80.9%	208,728,800	9.3%
	Feb 2017	9,962,221	381.9%	218,691,021	13.3%
	Mar 2017	118,587,704	-6.3%	337,278,726	5.5%
	Apr 2017	30,249,609	-29.4%	367,528,334	1.4%
	May 2017	41,421,304	1.4%	408,949,638	1.4%
	June 2017	95,389,654	9.3%	504,339,292	2.8%
FY 2018	July 2017	42,553,870	72.9%	42,553,870	72.9%
	Aug 2017	50,562,505	-31.6%	93,116,375	-5.5%
	Sep 2017	61,720,349	23.2%	154,836,724	4.2%
	Oct 2017				
	Nov 2017				
	Dec 2017				
	Jan 2018				
	Feb 2018				
	Mar 2018				
	Apr 2018				
	May 2018				
	June 2018				

# **Economic Indicators**



## NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 3.0% in the second quarter of 2017. This estimate reflects a rebound from the growth of 1.2% experienced in the prior quarter. The improvement relative to the prior quarter was primarily due to an acceleration in consumption expenditures and an increase in federal spending and inventory investment. Improvement in these categories was partly offset by a decrease in residential investment and state and local government spending.

The Conference Board's **U.S. Consumer Confidence Index** increased by 2.4% to 122.9 in August. The latest reading is 20.7% above the index in August 2016 and is at its second highest level since December 2000. The bulk of the increase in August reflected an improved assessment of current economic conditions. The percentage of surveyed individuals that think jobs are plentiful minus the percent that think jobs are scarce rose to 18.1% during the month, the largest gap since 2001.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** increased 0.1% in July. The monthly increase was spread across most major product categories, excluding energy products. The index reached year-over-year growth of 1.4% during the month, which is below the Federal Reserve Bank's 2.0% annual inflation target.

Consumer prices, as measured by the **U.S. Consumer Price Index (CPI)**, increased 0.4% in August and increased 1.9% above August 2016 prices. The index increase is primarily due to a 2.8% increase in the energy index, driven by a 6.3% increase in the gasoline index. Core inflation (all items less food and energy) increased 0.2%, and other increases include the indexes for shelter, motor vehicle insurance, and recreation. The indexes for airlines fares and used cars and trucks were the most significant decreases for the month.

The Conference Board's **U.S. Leading Economic Index** increased 0.3% in July to 128.3 and stands 3.9% above its July 2016 reading. Of the index's 10 components, 8 made positive contributions for the month. The typically volatile building permits index reversed course from last month to be the month's sole negative contributor. The Institute for Supply Chain Management (ISM) index for new orders and interest rate spread index made their consistently positive contributions. The average weekly claims, stock prices, and consumer expectations indexes also made modest positive contributions.

## ARIZONA

### Housing

Single-family housing construction is increasing. In July, Arizona's 12-month total of **single-family building permits** was 26,010, or 8.9% more than a year ago. The comparable single-family permit growth rate for the entire U.S. was 10.4%.

The 12-month total of multi-family building permits has started to decrease. In July, Arizona's total of 9,906 **multi-family building permits** was (2.9)% less than in 2016. Nationwide multi-family permits were 0.2% more than in 2016.

### Tourism

**Revenue per available room** was \$58.51 in July, which was 3.3% above the amount in July 2016. **Ridership** through Phoenix Sky Harbor Airport during the month was up 0.8% compared to July 2016.

### Employment

According to the latest employment report released by the Office of Economic Opportunity (OEO), the state added 41,900 **nonfarm jobs** in August over July. Almost 80% of the job gains were related to state and local education. The state typically adds jobs in August when schools end their summer recess. The average job gain for August in the prior 10 years was 45,400.

Compared to August 2016, Arizona added 35,900 net new jobs in August this year, which an increase of 1.3%. Job growth has been trending down since the second quarter of 2017. To provide some perspective, the year-over-year growth rate has been below 2% in 5 of the last 6 months. The last time the state added fewer than 35,900 jobs to the payrolls was in July 2011. The largest year-over-year job gains in August came from the following industries: Leisure and Hospitality Services (+13,300), Education and Health Services (+8,800), and Financial Activities (+5,200).

The state's year-over-year job increase during the first 8 months of calendar year (CY) 2017 is 1.9%. That rate represents a slowdown from the annual growth of 2.6% in CY 2016. If the current trend of slowing job growth continues for the remainder of the year, Arizona will experience the lowest annual job gains since 2011, when nonfarm employment increased by 1.1%.

The state's regular **unemployment rate** decreased from 5.1% in July to 5.0% in August. Compared to August 2016, the jobless rate is down by (0.1)%. The state's unemployment rate has remained at or near 5.0% over the last 12 months. The U.S. unemployment rate increased from 4.3% in July to 4.4% in August.

## Monthly Indicators (Continued)

The U.S. Bureau of Labor Statistics releases estimates quarterly for a broader measure of labor underutilization called the **total unemployment rate**. Besides the “regularly” unemployed, the measure also includes persons who are available to work but stopped looking for a job (“discouraged workers”), and persons who had to settle for part-time employment (“underemployed workers”).

The Arizona rate averaged 10.5% from the second quarter of 2016 through the second quarter of 2017. This rate is (0.4)% below the reading issued for the prior period. The state’s 10.5% rate was the fifth highest of any state. The national average for the measure was 9.2% during the quarter.

In July, the **Average Weekly Hours** worked by individuals in Arizona’s private sector was 35.4 hours. This workload was 2.0% above the level during the prior month and 3.2% above the level in June 2016.

The **Average Hourly Earnings** received by private sector workers was \$25.37, which is 2.6% above the average in the prior month. July earnings were 6.9% above the average in July 2016, which represents the highest year-over-year growth since May 2009.

### State Agency Data

At the beginning of September 2017, the total **AHCCCS caseload** was 1.87 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 612,500 members.

Total monthly enrollment decreased by (2,600) during August and is 1.6% higher than a year ago. Most of the monthly decrease was concentrated in the Traditional and Proposition 204 populations of low income parents and children. Collectively, enrollment in these populations decreased by (1,600), or (0.1)%, in August.

Laws 2016, Chapter 112 reopened enrollment in the KidsCare program for children with family incomes above those in the Traditional population, beginning September 1, 2016. Following the enrollment freeze in January 2010, the KidsCare caseload had dropped to 500 members by August 2016. Through September 1, 2017, enrollment in the program reached 22,400, or 200 more than the prior month’s enrollment.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In August 2017, the childless adult population decreased by (900), or (0.3)%. At 317,300, this population is 1.4% higher than a year ago.

The state also opted to expand adult Medicaid coverage to 133% of FPL. Their enrollment decreased by (300) in August and now totals 82,200 individuals. Enrollment is 2.2% higher than a year ago. The federal government currently funds 95% of this population’s cost.

There were 18,004 TANF **recipients** in the state in August, representing a 3.4% monthly increase from July. The year-over-year number of TANF recipients has declined by (6.6)%. The statutory lifetime limit on cash assistance increased to 24 months in August.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In August, 917,460 people received food stamp assistance in the state, representing a 0.6% increase over July. Compared to August 2016, the level of food stamp participation has declined by (6.1)%.

The **inmate population** was 42,284 as of August 31, 2017. This is a 0.1% increase since last month, and a (1.1)% decrease since last August.

Based on information the Department of Child Safety provided for July 2017, **reports of child maltreatment** totaled 47,061 over the last 12 months, a decrease of (3.7)% over the prior year. There were 16,635 **children in out-of-home care** as of June 2017, or (9.0)% less than in June 2016. Compared to the prior month, the number of out-of-home children decreased by (1.2)%.

Table 5

## MONTHLY INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
<b>Arizona</b>				
<i>Employment</i>				
- Regular Unemployment Rate	August	5.0%	(0.1)%	(0.1)%
- Total Unemployment Rate (discouraged/underemployed)	2 <sup>nd</sup> Q 2017	10.5%	(0.4)%	(0.8)%
- Initial Unemployment Insurance Claims	July	21,858	6.2%	(1.3)%
- Unemployment Insurance Recipients	July	32,403	13.7%	(7.7)%
- Non-Farm Employment - Total	August	2,722,000	1.6%	1.3%
Manufacturing	August	164,400	0.4%	2.8%
Construction	August	139,100	(0.4)%	0.7%
- Average Weekly Hours, Private Sector	July	35.4	2.0%	3.2%
- Average Hourly Earnings, Private Sector	July	\$25.37	2.6%	6.9%
<i>Sales</i>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	April	\$1,117 million	15.3%	5.4%
Furniture/Home Furnishings	April	\$342.9 million	4.1%	4.3%
Building Material/Lawn & Garden	April	\$463.6 million	26.6%	9.3%
<i>Building</i>				
- Residential Building Permits (12-month avg)				
Single-family	July	26,010	2.2%	8.9%
Multi-family	July	9,906	(4.9)%	(2.9)%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	July	5,565	(9.3)%	(15.6)%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	July	\$257,386	(0.2)%	7.3%
- Phoenix S&P/C Home Price Index (2000 = 100)	June	169.94	0.8%	5.8%
- Maricopa Pending Foreclosures	July	2,785	(4.2)%	(24.6)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	July	21,553	(2.3)%	(8.8)%
<i>Tourism</i>				
- Phoenix Sky Harbor Air Passengers	July	3,720,599	(0.9)%	0.8%
- National Park Visitors	June	1,843,162	21.3%	2.7%
- State Park Visitors	June	251,492	(8.3)%	11.6%
- Revenue Per Available Hotel Room	July	\$58.51	(10.0)%	3.3%
<i>General Measures</i>				
- Arizona Consumer Confidence Index (1985 = 100)	4th Q 2016	91.7	3.7%	12.9%
- Arizona Leading Index -- 6 month projected growth	June	3.0%	0.8%	(1.5)%
- Arizona Personal Income	1st Q 2017	\$283.1 billion	1.0%	3.8%
- Arizona Population	July 2016	6,931,071	N/A	1.7%
- State Debt Rating				
Standards & Poor's/Moody's	May	AA / Aa2	N/A	N/A
Outlook	May	Stable	N/A	N/A
<i>Agency Measures</i>				
- AHCCCS Recipients	September 1 <sup>st</sup>	1,870,632	(0.1)%	1.6%
Acute Care Traditional		1,075,350	(0.1)%	(0.8)%
Prop 204 Childless Adults		317,302	(0.3)%	1.4%
Other Prop 204		192,945	(0.3)%	4.9%
Adult Expansion		82,205	(0.4)%	2.2%
Kids Care I		22,389	1.0%	N/A
Long-Term Care – Elderly & DD		60,256	0.4%	3.1%
Emergency Services		120,185	(0.2)%	1.7%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	July	47,061	(0.5)%	(3.7)%
DCS Out-of-Home Children	June	16,635	(1.2)%	(9.0)%
Filled Caseworkers (1406 Budgeted)	August	1,338	(19)	(20)
- ADC Inmate Growth	August	42,284	0.1%	(1.1)%
- Department of Economic Security				
- TANF Recipients	August	18,004	3.4%	(6.6)%
- SNAP (Food Stamps) Recipients	August	917,460	0.6%	(6.1)%
- Judiciary Probation Caseload				
Non-Maricopa	May	19,164	0	639
Maricopa County	May	28,644	197	955
<b>United States</b>				
- Gross Domestic Product	2 <sup>nd</sup> Q, 2017	\$17.0 trillion	2.2%	3.0%
(Chained 2009 dollars, SAAR)	(2 <sup>nd</sup> Estimate)			
- Consumer Confidence Index (1985 = 100)	August	122.9	2.4%	20.7%
- Leading Indicators Index (2010 = 100)	July	128.3	0.3%	3.9%
- Consumer Price Index, SA (1982-84 = 100)	August	245.0	0.4%	1.9%
- Personal Consumption Price Index (2009 = 100)	July	112.4	0.1%	1.4%



## **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.

**Brian Cary** is Manager of Forecasting, Research and Economic Development 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.

**State Treasurer Jeff DeWit** serves as the Arizona's Chief Banker and Investment Officer overseeing more than \$9.7 billion in state assets. The Treasurer also serves as the Chairman of Arizona's State Board of Investment, and State Loan Commission. He also serves as the State's Surveyor General and is a member of the State Land Selection Board. Since the FAC's inception, the sitting State Treasurer has been a panelist.

**Matthew Gress** is the Director of the Governor's Office of Strategic Planning and Budgeting (OSPB). The sitting OSPB Director is always a FAC panelist.

**George W. Hammond** is Director and Research Professor of the Economic and Business Research Center in the Eller College of Management at the University of Arizona. Dr. Hammond brings 17 years of experience in state and local econometric forecasting and regional economic analysis to the Center. He has completed over 50 regional economic studies on topics that include economic and workforce development, energy forecasting, and the impact of higher education on human capital accumulation.

**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.

**Georganna Meyer** retired as Chief Economist for the Arizona Department of Revenue in 2014. She is currently working with The Maguire Company. Georganna 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.

**Jim Rounds** is President of Rounds Consulting Group. The firm specializes in economic development and tax policy research. Previously, Mr. Rounds served as a Senior Economist and Senior Budget Analyst with the Arizona Joint Legislative Budget Committee, and as Senior Vice President at Elliott D. Pollack & Company.

**Martin Shultz** is a Senior Policy Director in Brownstein Hyatt Farber Schreck's Phoenix Office. Prior to joining Brownstein, Mr. Schultz was the Vice President of Government Affairs at Pinnacle West Capital Corporation and its subsidiaries. Mr. Shultz has been a member of the FAC since 1984.

**Elaine Smith** joined the Finance Advisory Committee in 2014. Elaine is a Senior Economist in the Office of Economic Research and Analysis at the Arizona Department of Revenue. She has been with the department for over 25 years.

**Randie Stein** is a Director in the Public Finance Department of the Investment Banking Firm Stifel, Nicolaus & Company, Incorporated. She has been with Stifel since 2004. Ms. Stein has 10 years of experience as a fiscal advisor and Finance Committee analyst in the Arizona 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.

**Steve Taddie** joined the Finance Advisory Committee in 2014. Steve was a co-founder of Stellar Capital Management, a Phoenix based investment management firm, and has been its Managing Partner since 2000. He has 30 years of investment experience, has focused on applied economics in the financial markets for the last 15 years, and is a panelist for the NABE Outlook and the Arizona Blue Chip Economic forecasts.

**Doug Walls** is the Research Administrator for the Arizona Office of Economic Opportunity, which generates and manages labor market information for the state. In this role, Mr. Walls provides support for long-term workforce development initiatives around the state. Mr. Walls is also responsible for producing and communicating state employment reports including employment projections, unemployment estimates, median-family income estimates and occupational profiles.