

Finance Advisory Committee

Briefing Materials

October 15, 2008

JLBC

Finance Advisory Committee

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Table of Contents

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

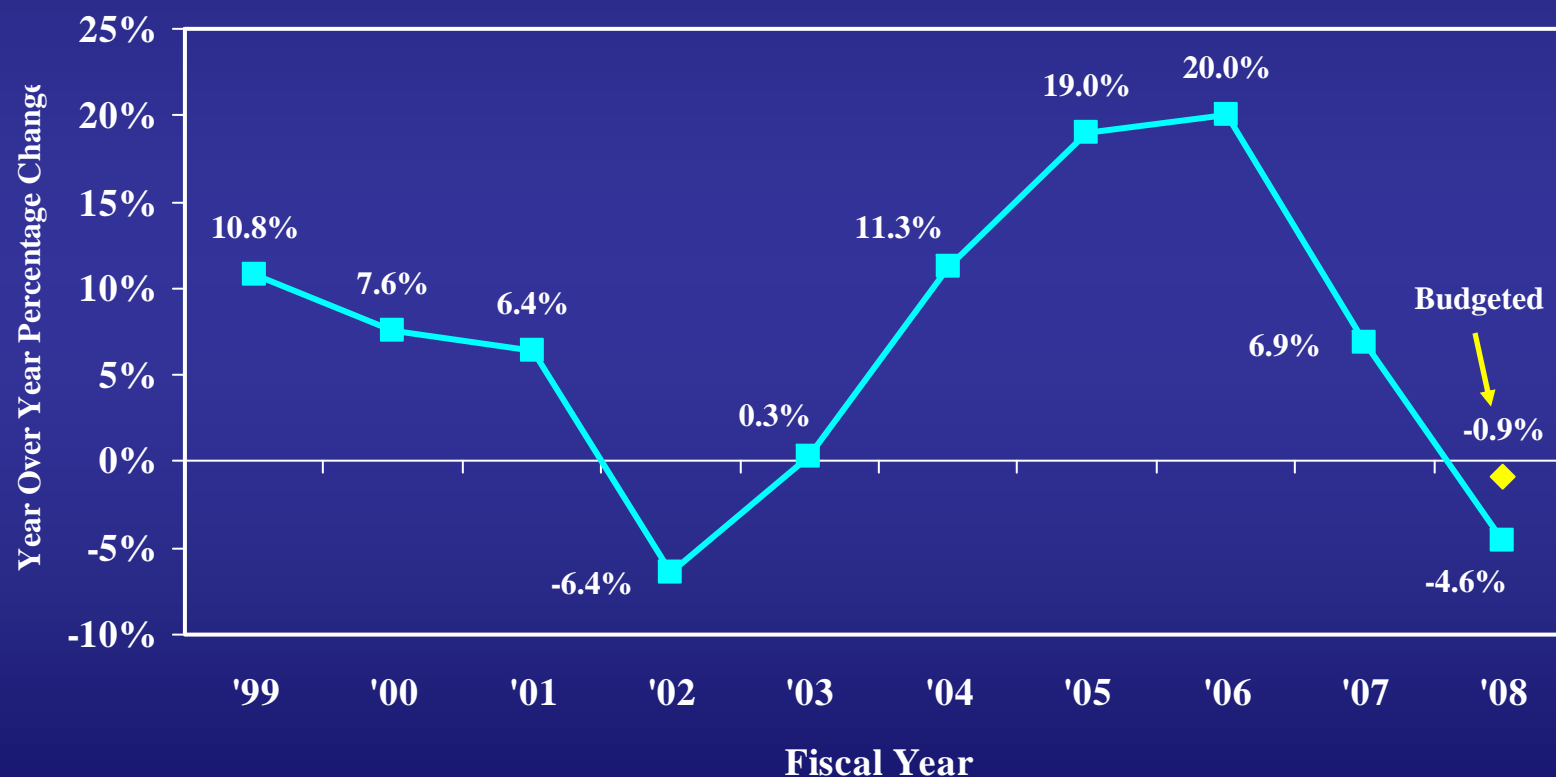
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Finance Advisory Committee

October 15, 2008

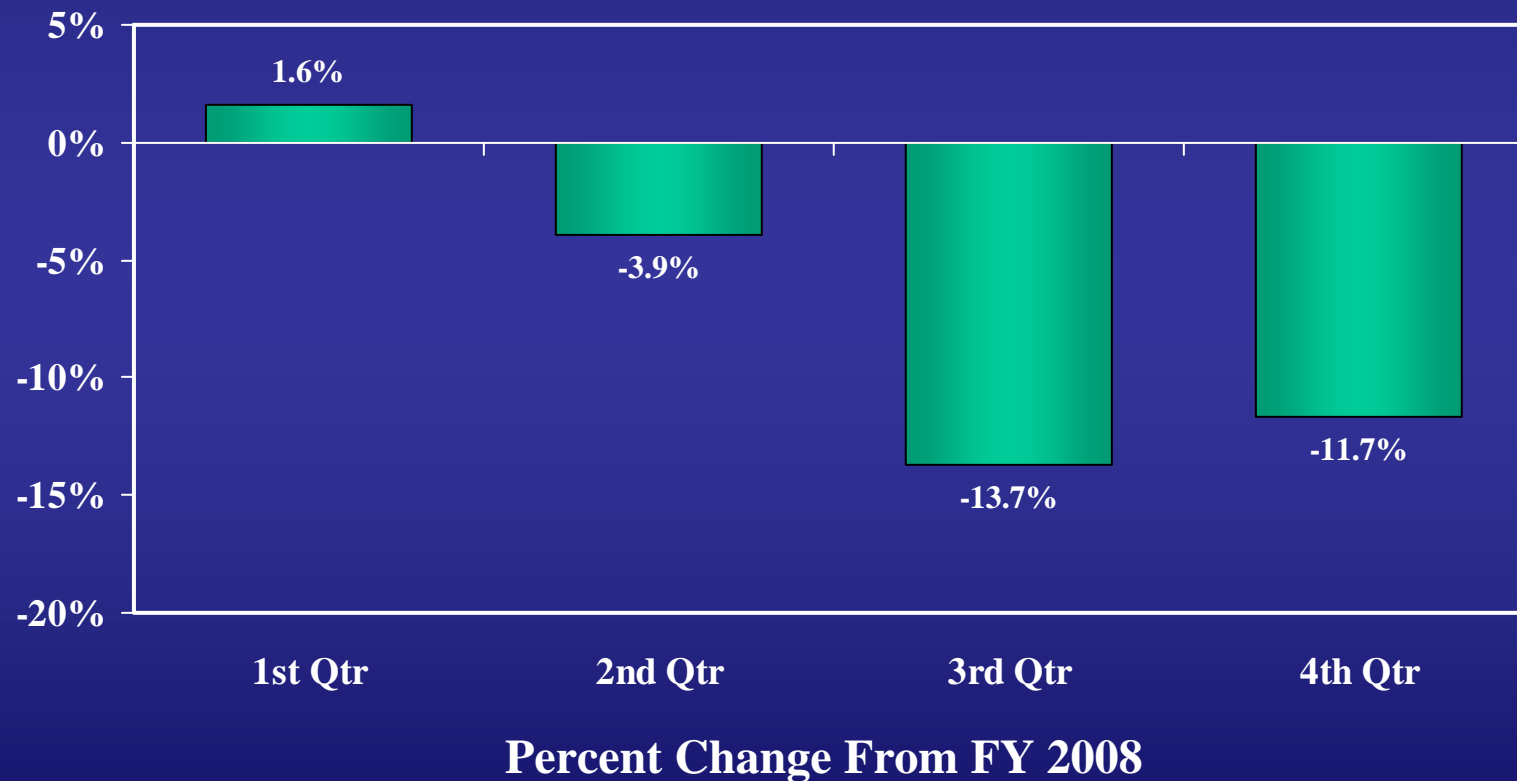
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'08 General Fund Base Revenue Decline of (4.6)% Was Greater Than Budgeted



Excludes statutory and one-time changes.

Decline Accelerated in Second Half of FY '08

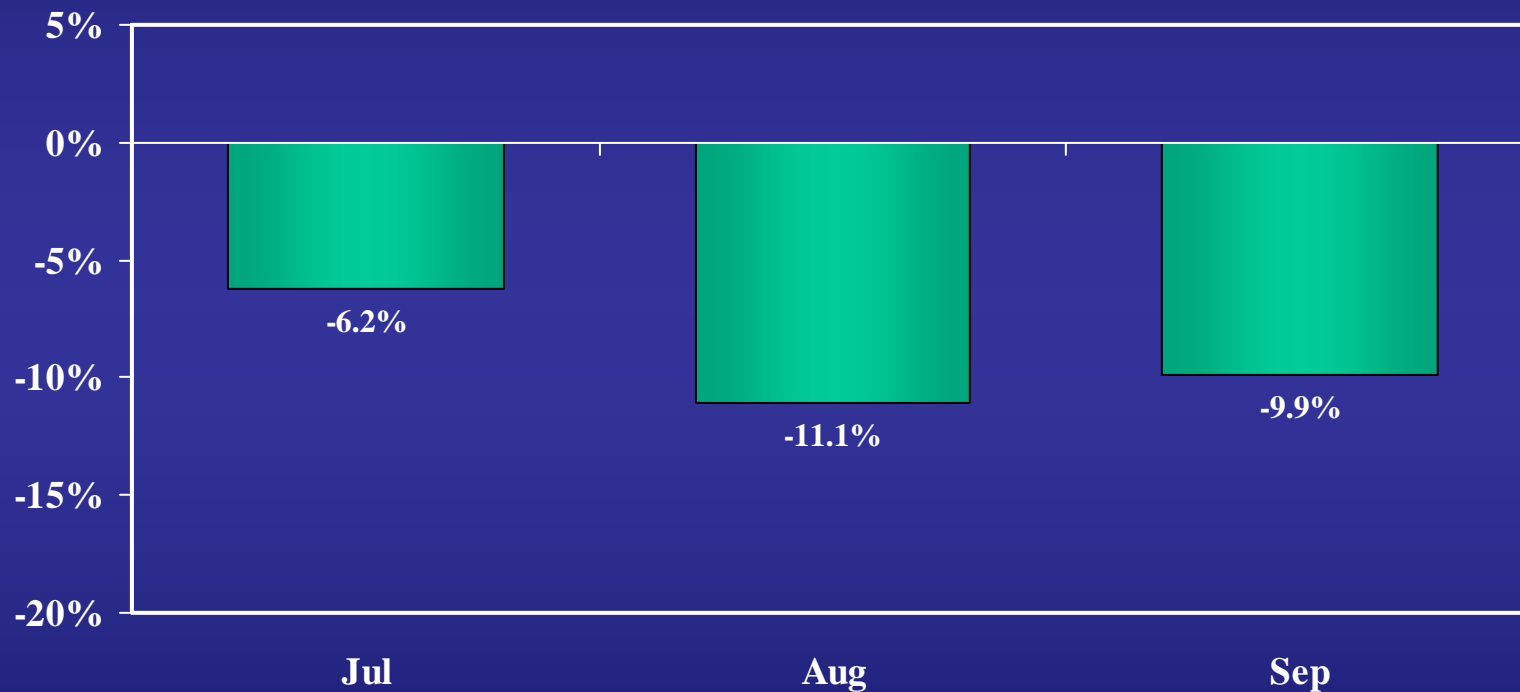


FY '09 Revenues Will Need to Grow By 6.1% to Meet \$10.0 B Budgeted Level

- Original budgeted FY '09 growth compared to enacted '08 Budget 1.9%
- Growth adjusted for lower '08 Base 6.1%

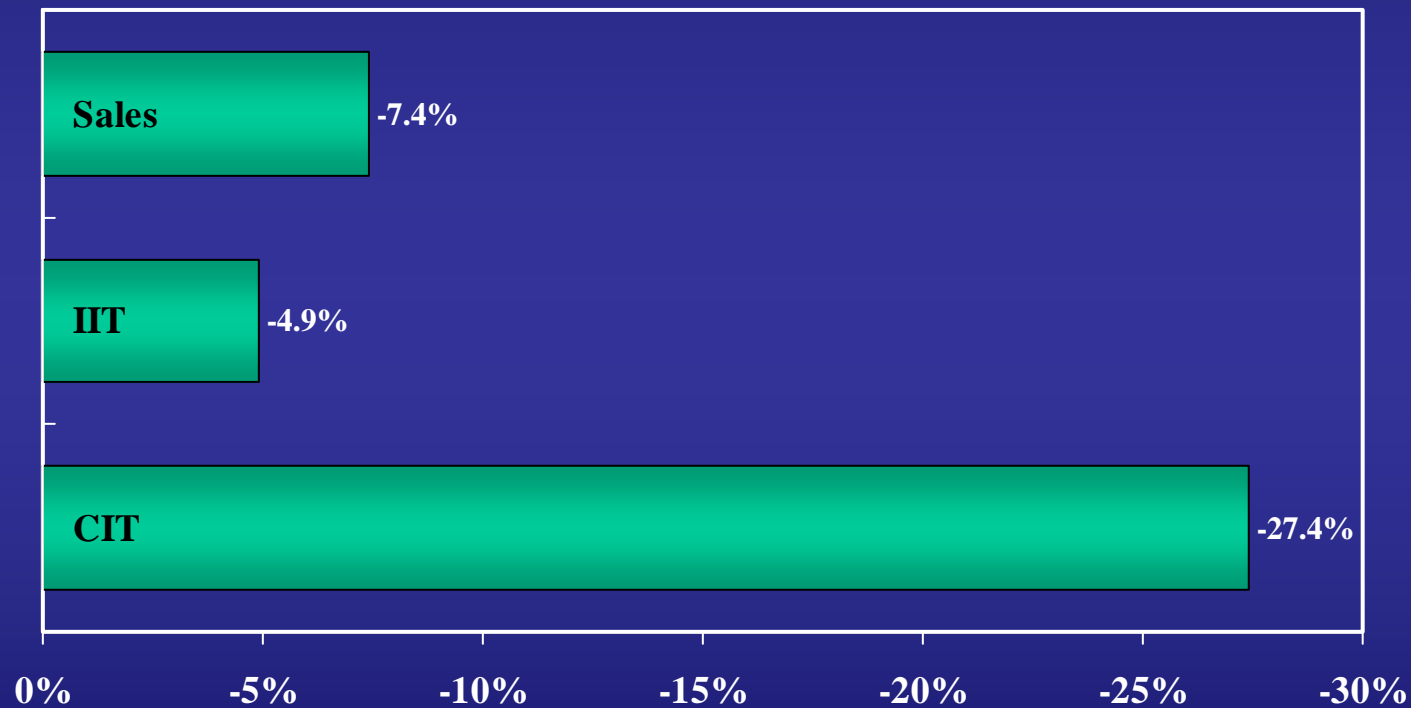
'09 Revenue Collections Continuing to Decline

- First Quarter Decline = (9.0)%



Percent Change Below FY 2008

All Major Tax Categories Declined in 1st Quarter of FY '09



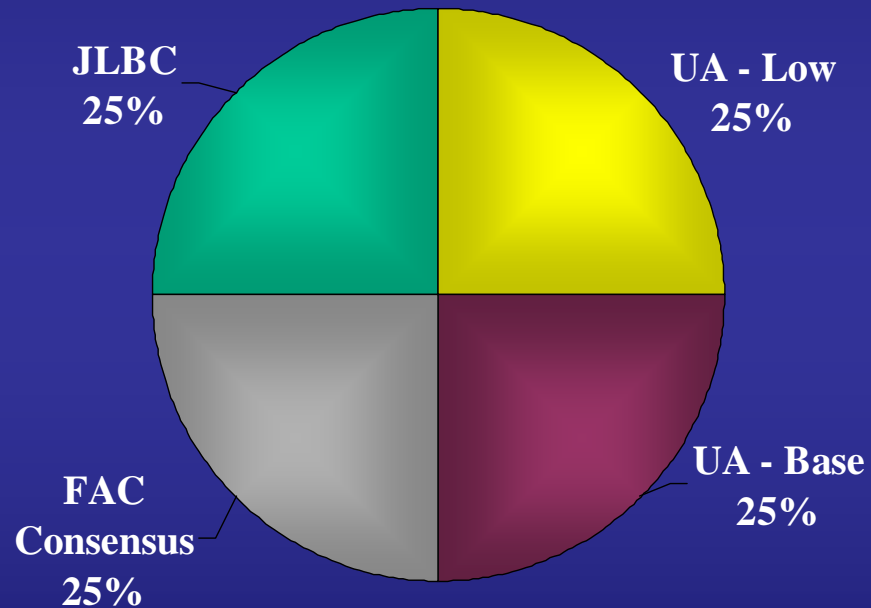
Excludes statutory and one-time changes.

Where Are We Headed Over the Next Few Years?

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

4-sector forecast equally weights:

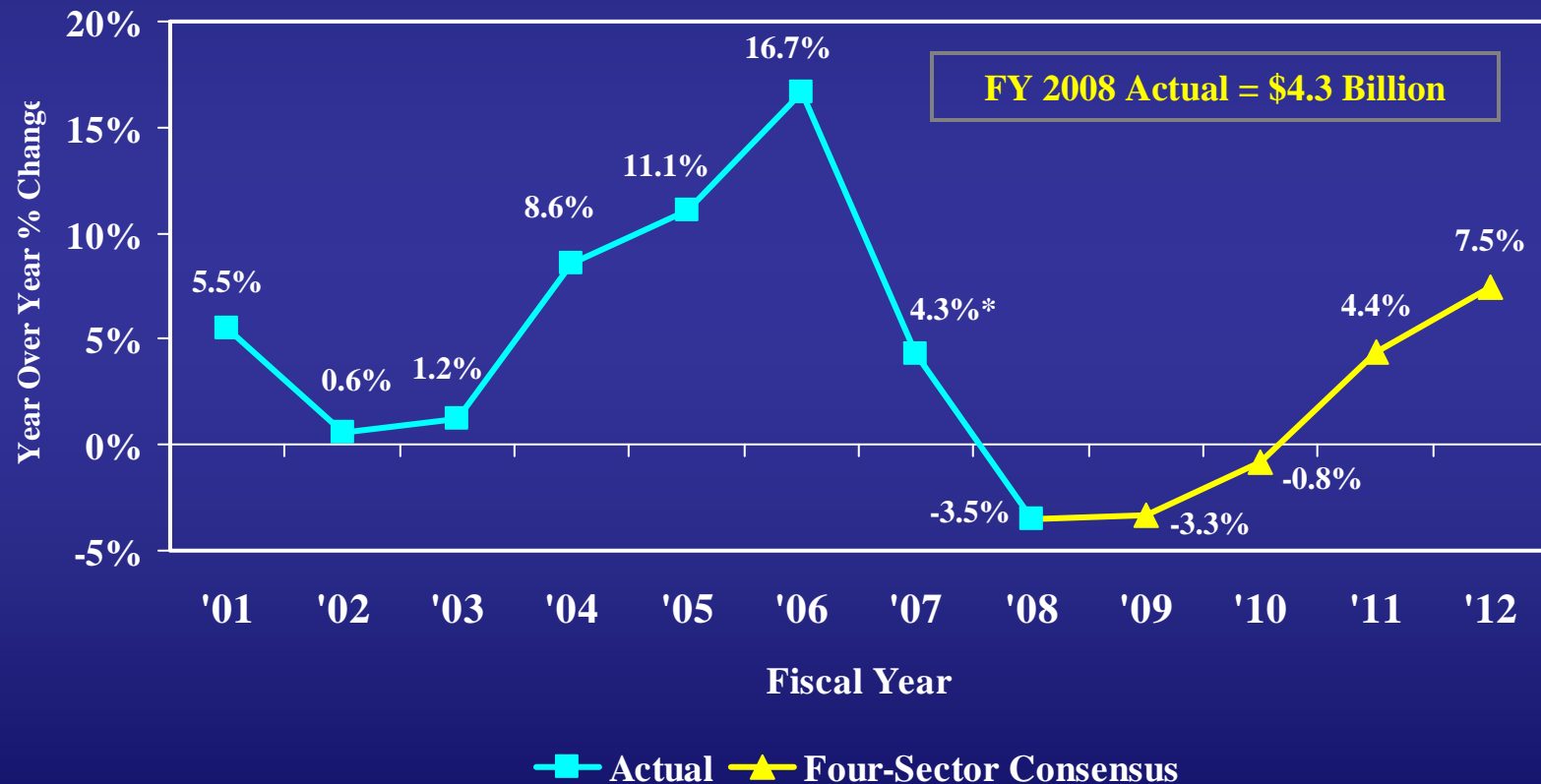
- FAC average
- UofA model - base
- UofA model - low
- JLBC Staff forecast
- Remaining revenues (2% of total) are staff forecast



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

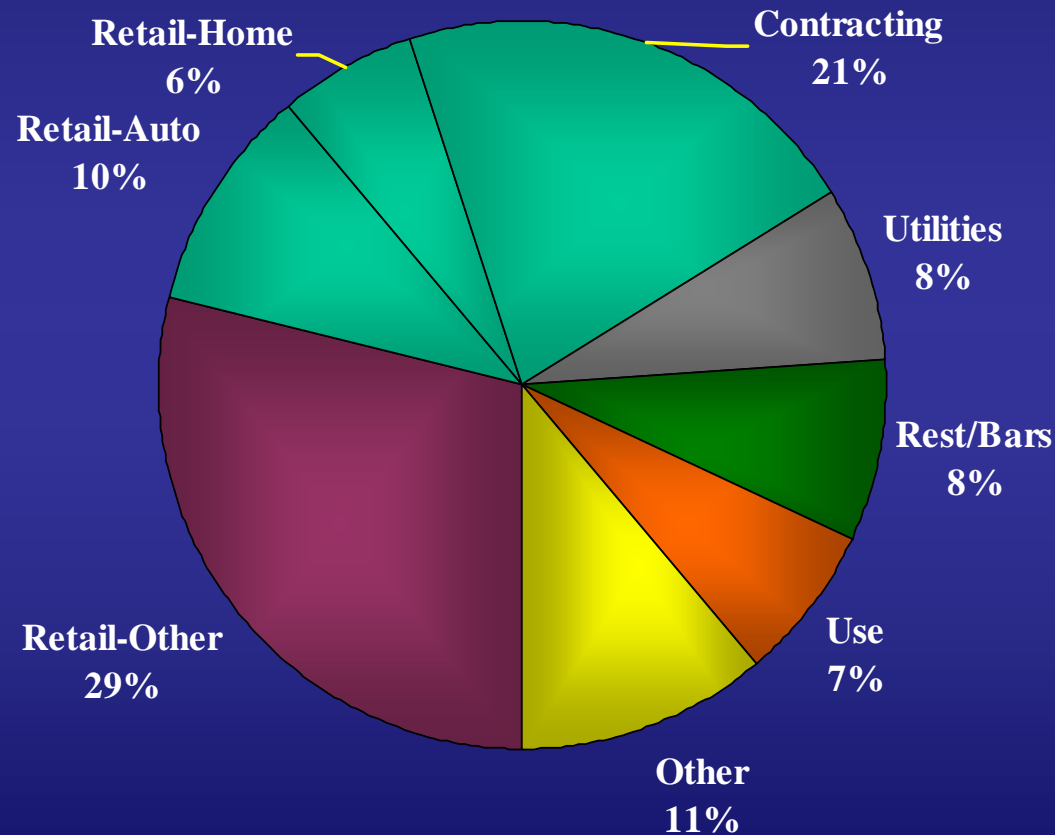
Sales Tax

- The Consensus Forecasts Declines of (3.3)% in '09 and Another (0.8)% in '10



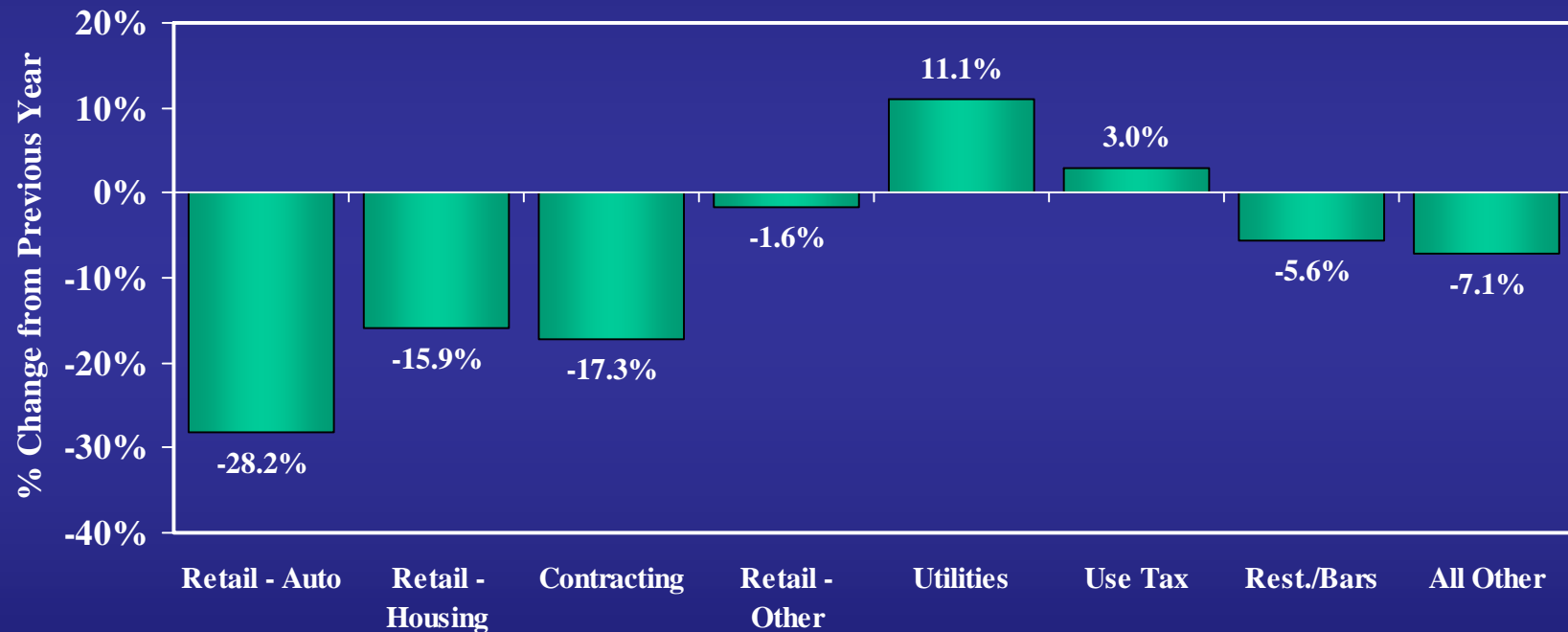
* 5.6% without the \$(55.2) million estimated payment threshold change.

Construction and Vehicles Constitute 37% of Sales Tax Collections



% of Total

Construction and Vehicle Spending Have Declined Significantly



FY 2009 Year to Date – (Through August)

Individual Income Tax

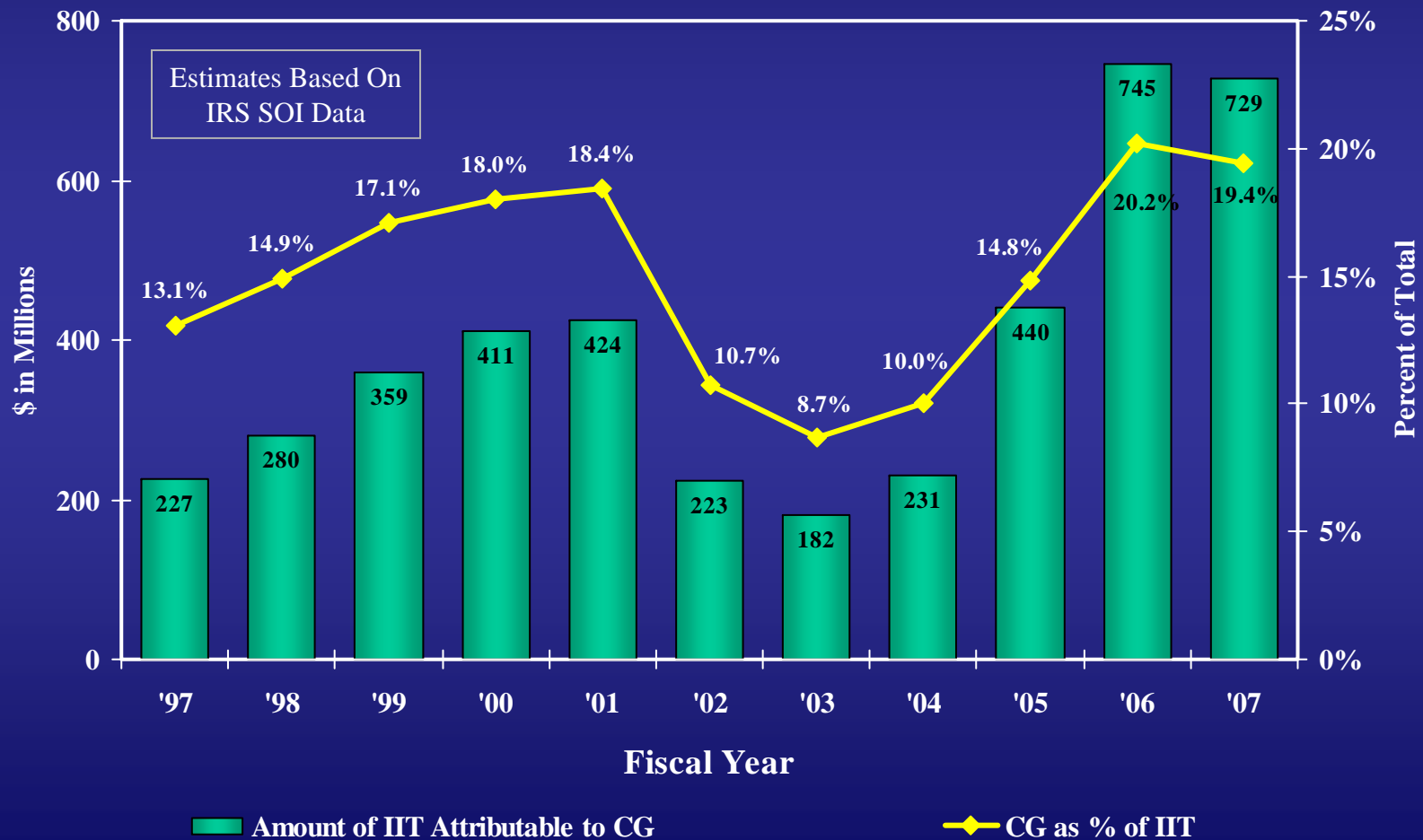
- The Consensus Forecasts Declines of (3.0)% in '09 and Another (0.2)% in '10



* Excluding the 10% phased-in rate reduction, growth would have been 6.3% in '07, and (4.1)% in '08.

Individual Income Tax

Capital Gains Are A Volatile Source of Income Tax Collections



Sharp Downturn in Stock Market Will Have Adverse Effect on FY09 Capital Gains

- In FY07, about \$730m (19%) of tax collections attributable to capital gains.
- FY08 capital gains won't be known until June 2009.
- Capital gains could see sharp drop off in FY 09 due to recent stock market losses.

Corporate Income Tax

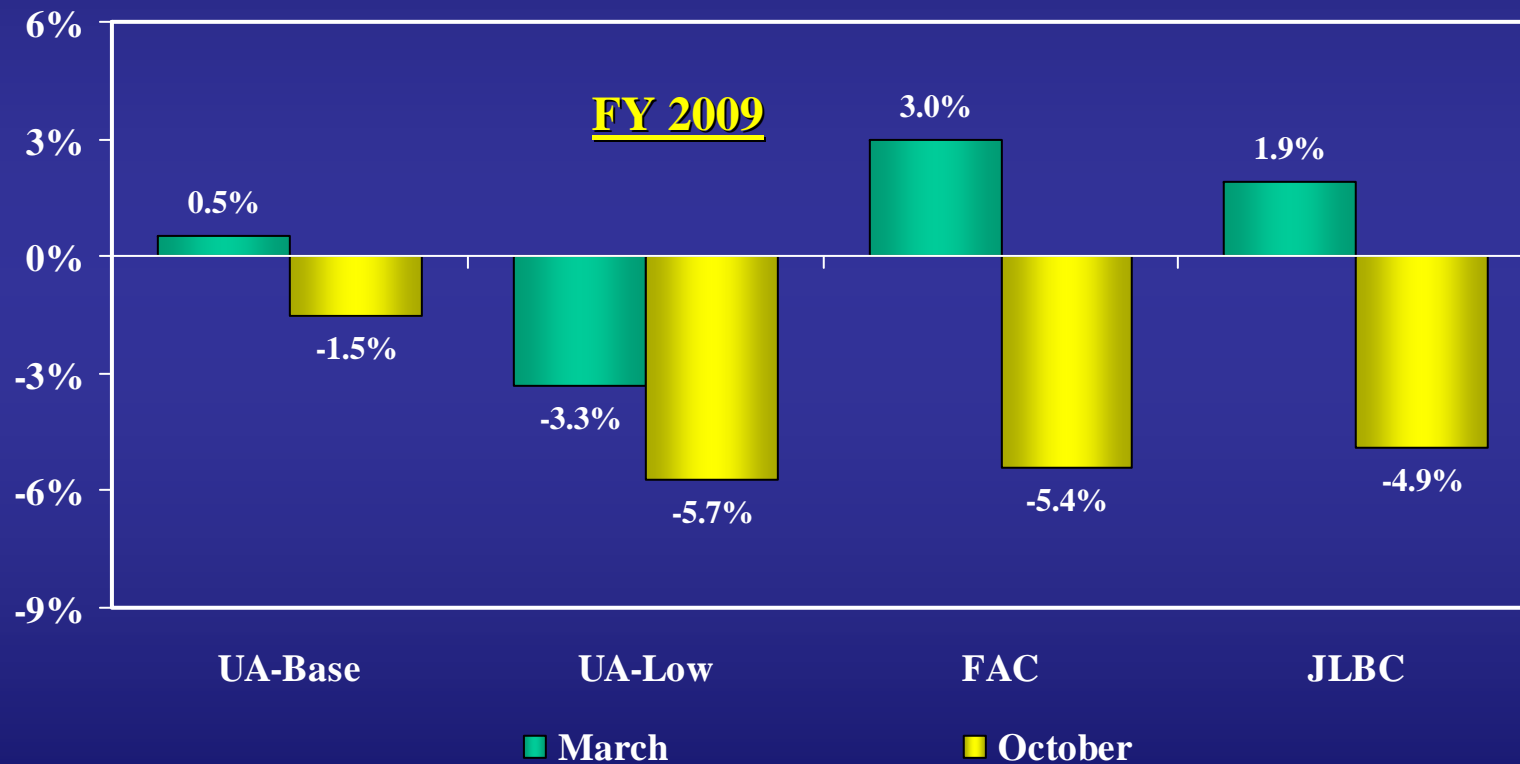
- The Consensus Forecasts Declines of (16.3)% in '09
and Another (2.3)% in '10



* Excluding tax law changes, growth would have been 12.8% in '07,
and the '08 decrease would have been (14.7)%.

October 4-Sector Projecting Revenue Decline of (4.4)% in FY '09

- March Forecast for FY '09 was 0.5% Increase

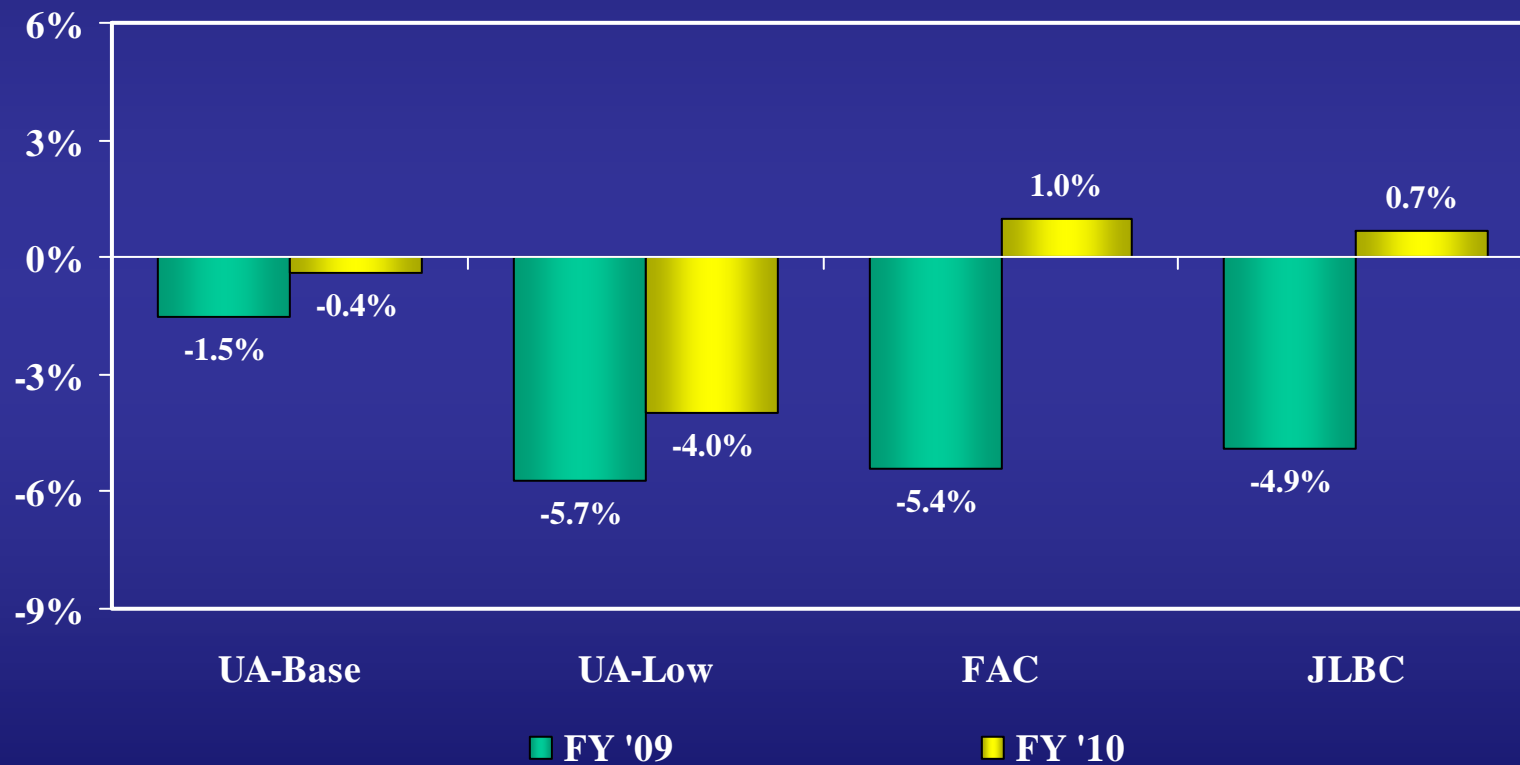


Weighted Big 3 Average
Prior to Tax Law Changes

Revised

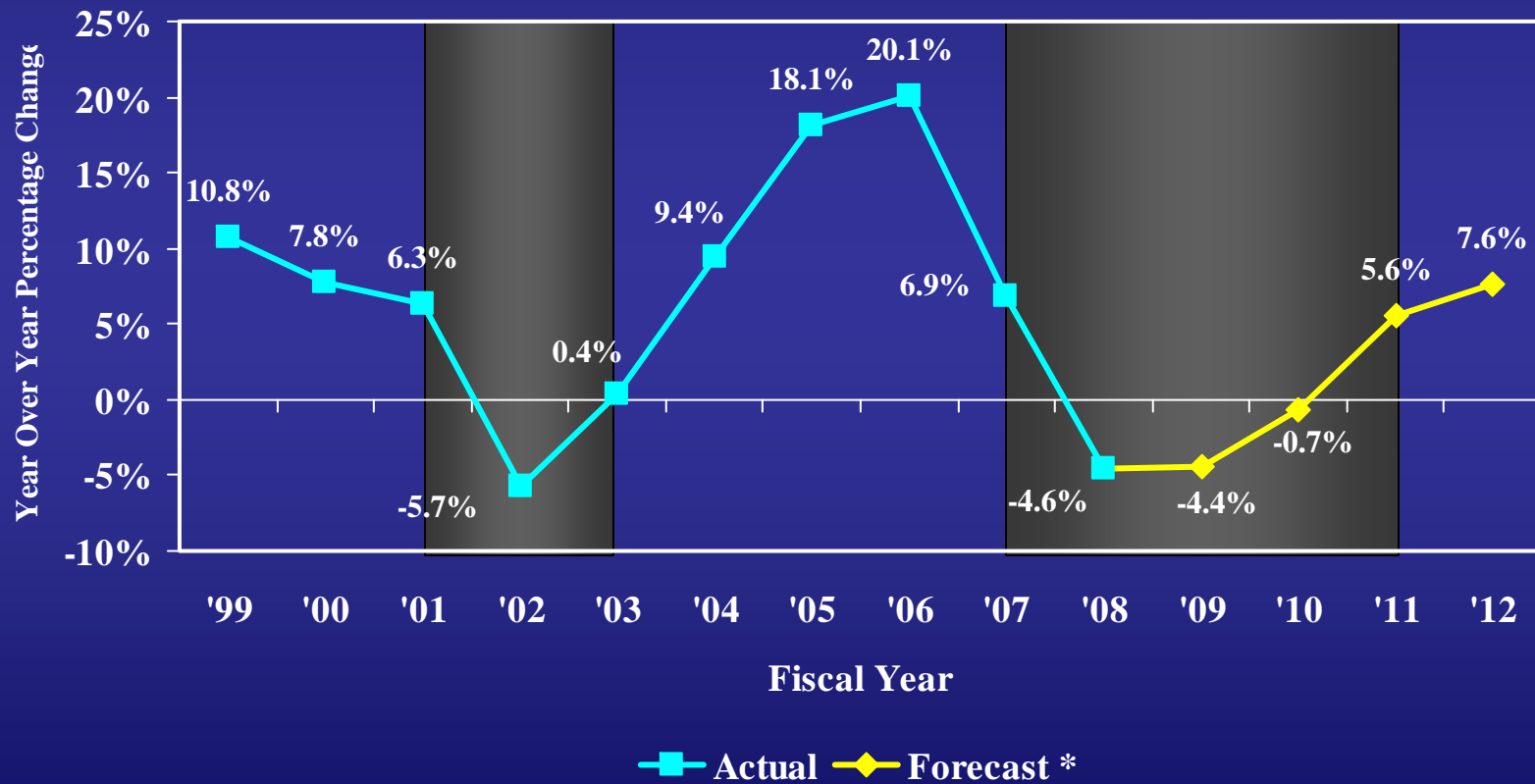
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Each Sector Shows Improvement for FY '10, But Overall Forecast Still A (0.7)% Decline



Weighted Big 3 Average
Prior to Tax Law Changes

Growth Remains Slow Until FY 2011



* 4-sector forecast weighted average growth.

What Did We Get Right?

- Current Problems Acknowledged A Year Ago

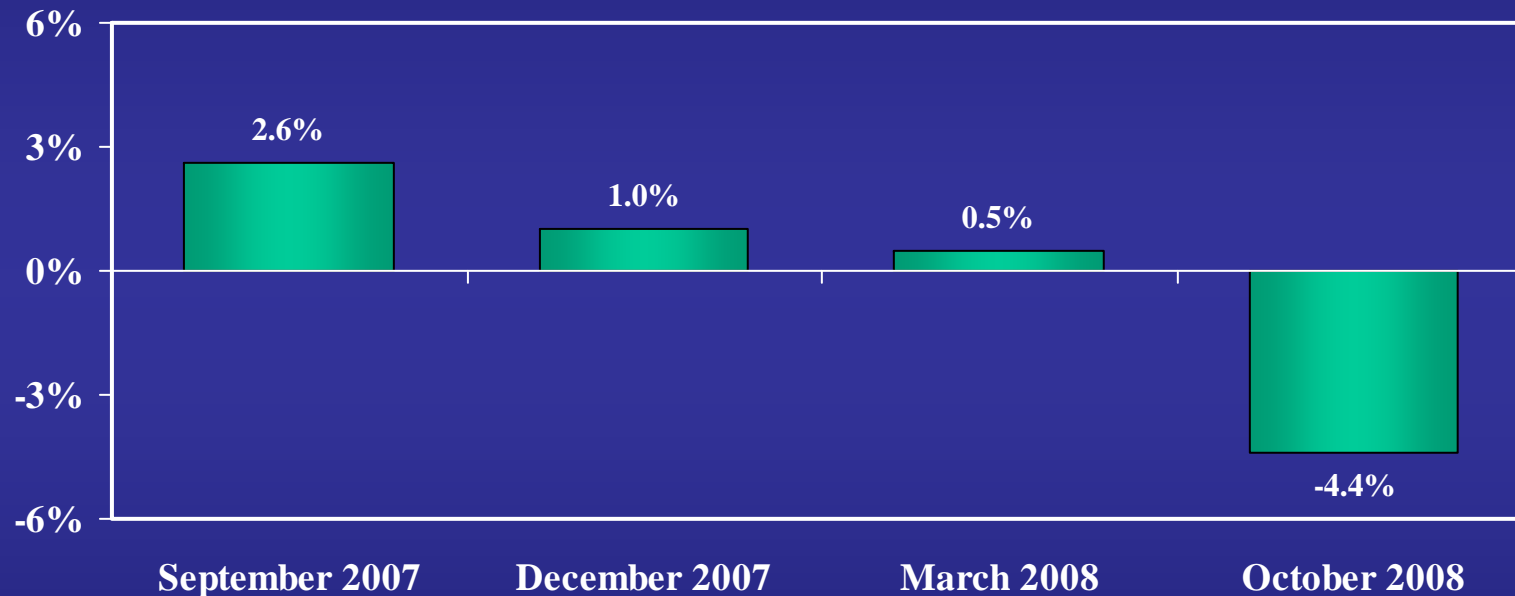
Main Problems

- Housing Market
 - Imbalance in supply and demand.
 - Mortgage financing.
- Inflated Revenue Base
 - Revenues grew 38% in '05 and '06 compared to 19% personal income growth.
- “Wealth Effect”
 - Declining housing values affect consumer psyche.

Source: 12/07 FAC Presentation

What Did We Get Wrong?

- Magnitude of Problem Greater than Expected



FY 2009 4-Sector Consensus Forecast
General Fund Revenue Growth

How Does the 4-Sector Affect the Shortfall Estimates?

- JLBC Staff Provided Legislature Estimates On Oct 1

- In lieu of 4-sector, JLBC Staff estimated '09 revenue decline of between 0% and (5.0)%.
- This range produced a shortfall estimate of between \$(550) M and \$(1.0) B.
- October 4-sector predicts '09 decline of between (1.5)% and (5.7)%.

New FY '09 Shortfall Estimate: \$(700) M to \$(1.1) B

- A revenue decline of (1.5)% would lead to a shortfall of \$(700) M.
- If revenues decline (5.7)%, shortfall would grow to \$(1.1) B.
- Both estimates include an added \$50 M for unpaid '08 bills.
- There are no known agency supplemental requests, but AHCCCS is reporting a \$50 M shortfall.

'09 Revenue and Expenditure Comparison

(\$ in Billions)

	\$700 M Option	\$1.1 B Option
<u>Revenues</u>		
On-going	8.6	8.2
One-time	<u>0.7</u>	<u>0.7</u>
Total	9.3	8.9
<u>Spending</u>		
On-going	10.7	10.7
One-time	<u>(0.7)</u>	<u>(0.7)</u>
Total	10.0	10.0
Balance	(0.7)	(1.1)

What Is The Maximum FY '10 Shortfall? \$(3.0) B Based On Several Assumptions

- October 4-Sector forecasts.
- \$400 M in enacted one-time '09 items are not continued.
- Resolution of new '09 shortfall uses only one-time solutions.
- State equalization tax is repealed.

Changing Policy Assumptions Could Reduce '10 Shortfall - Would Drop By \$1.1 B To A Total Of \$(1.9) B

	<u>\$ in M</u>
• If 50% of prospective new '09 shortfall solutions are on-going	\$ 480
• If enacted '09 one-time solutions are kept in '10	400
• Restore equalization tax per statute	<u>260</u>
Total	\$1,140

FY2009-FY 2012 Quartile Forecast Worksheet

	FY 2009	FY 2010	FY 2011	FY 2012
<u>Sales Tax</u>				
JLBC Forecast	-3.3%	0.9%	4.7%	6.0%
UA - Low	-3.6%	-4.3%	2.4%	8.3%
UA - Base	-2.6%	-1.4%	4.9%	9.3%
FAC Survey	-3.6%	1.5%	5.4%	6.2%
Average:	-3.3%	-0.8%	4.4%	7.5%
<u>Individual Income Tax</u>				
JLBC Forecast	-4.4%	0.5%	6.0%	7.0%
UA - Low	-5.4%	-2.6%	4.7%	7.2%
UA - Base	2.6%	1.0%	7.3%	8.2%
FAC Survey	-4.8%	0.4%	7.3%	7.5%
Average:	-3.0%	-0.2%	6.3%	7.5%
<u>Corporate Income Tax</u>				
JLBC Forecast	-16.1%	0.0%	4.1%	6.3%
UA - Low	-18.2%	-9.4%	14.8%	11.5%
UA - Base	-13.0%	-0.9%	12.3%	6.4%
FAC Survey	-17.8%	1.0%	9.5%	12.3%
Average:	-16.3%	-2.3%	10.2%	9.1%

Consensus Weighted Average:	-4.4%	-0.7%	5.6%	7.6%
JLBC Weighted Average:	-4.9%	0.7%	5.2%	6.4%
UA Low Weighted Average:	-5.7%	-4.0%	4.3%	8.1%
UA Base Weighted Average:	-1.5%	-0.4%	6.5%	8.6%
FAC Consensus Weighted Average:	-5.4%	1.0%	6.5%	7.2%

Forecast percentages are prior to tax law changes.



2009: A Good Year to Stay Away from Sharp Objects

Presented by:
Elliott D. Pollack

Presented to:
Finance Advisory Committee
October 15th, 2008



Elliott D. Pollack & Company

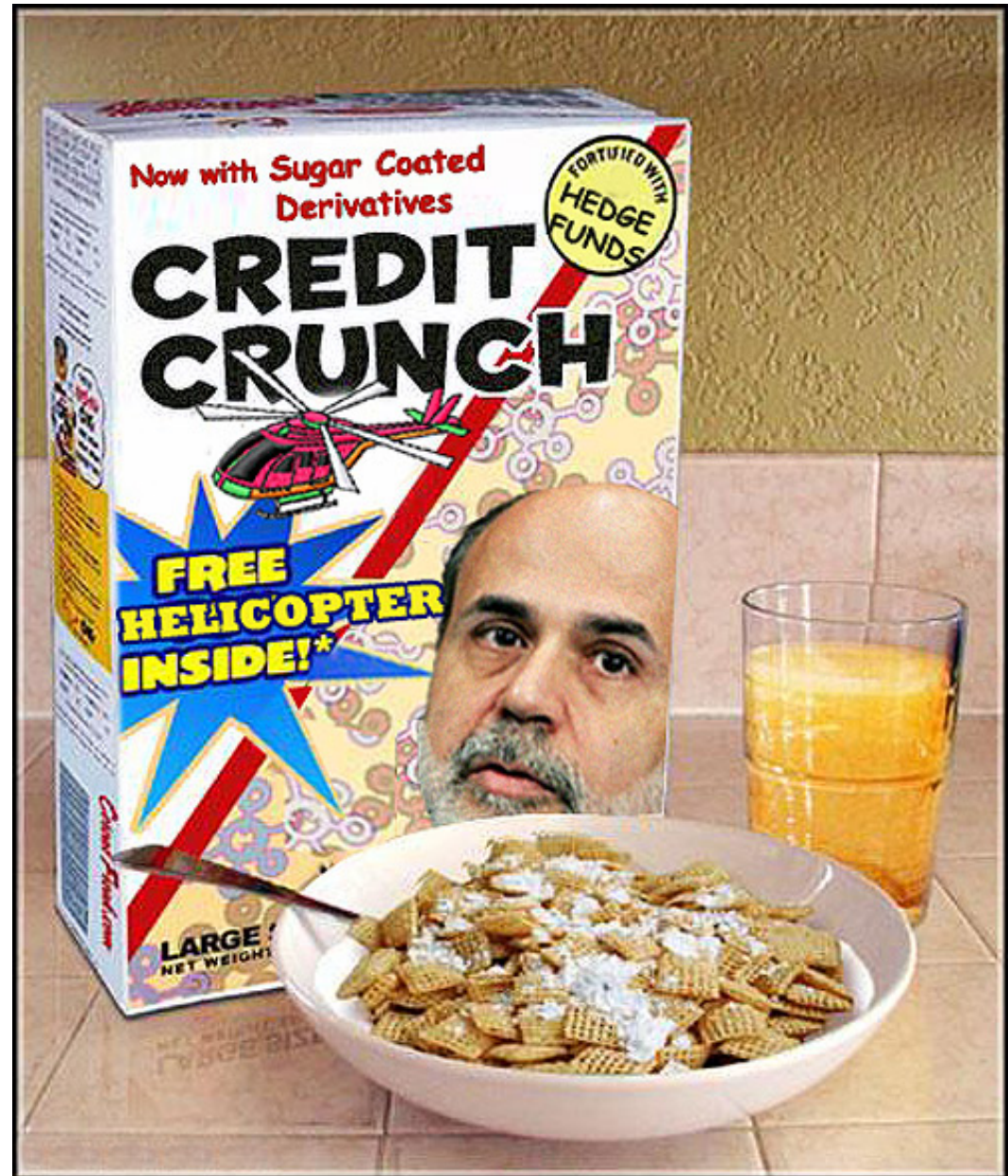


**Where
do we
stand?**



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Actions of the Fed..



Bail out?



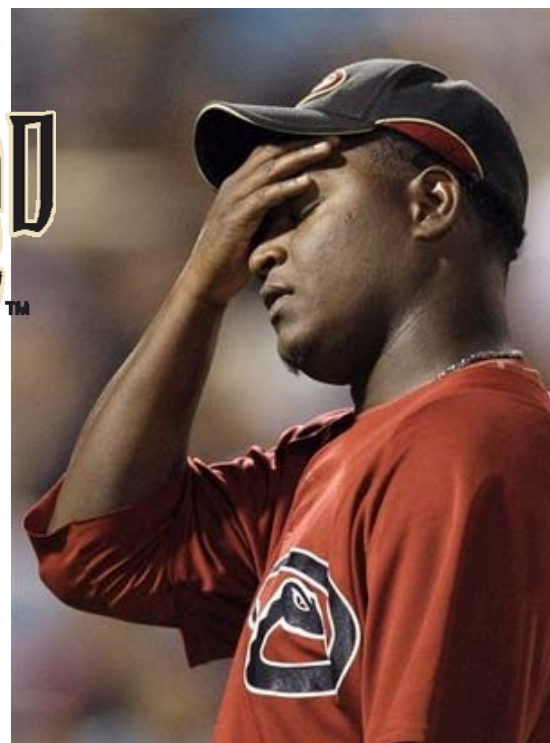
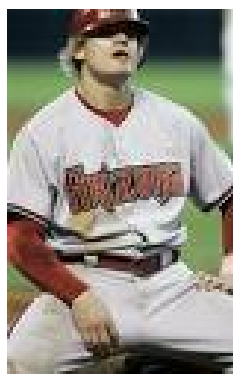


Bail out?

= a **BAD** year
or
a **TERRIBLE** year.



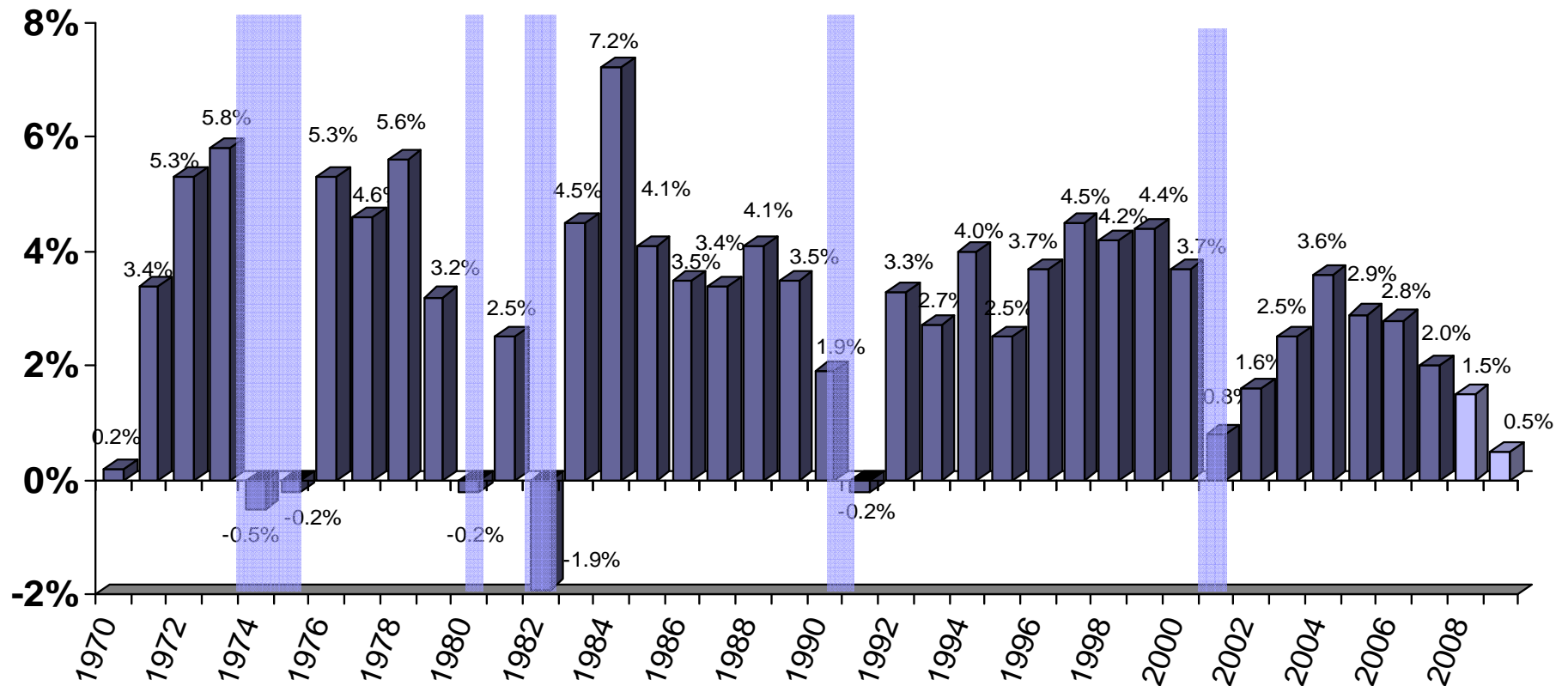
**It's time to lower our
expectations.**



United States Real Gross Domestic Product*

Annual Growth 1970 - 2009**

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



* Based on chained 2000 dollars.

** 2008 - 2009 are forecasts from the Blue Chip Economic Indicators, September 2008

Recession Periods



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Basic Story

Consumer

- Too much debt
- Not enough traditional savings
- Poor stock market and housing price performance
- Jobs and hours worked declining
- Prices on basics, such as oil + food, have been rising



The Result

Consumer

- Consumer spending squeezed
- Big cuts in spending on durables
- Also cuts in non-durables and services





Basic Story

Business

- Has been strong due to weak dollar / strong exports
- Weakness in rest of world will hurt exports





The Result

Business

- Business spending on plant & equipment will not be as strong as it has been
- Trade deficit will improve, but more slowly





Basic Story

Housing

- Supply / demand imbalance continues
- No quick fix for credit markets
- Foreclosures to continue at high rates





The Result

Housing

- Drag on economy from housing will end because comparisons so easy
- But drag on economy from commercial will get worse



How many more shoes can drop?



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



The Consumer



Wealth Effect





What Will Happen to HH Net Worth?

In the 90s

Housing prices increased moderately,
but stock market boomed.

First half of 2000's

Stock market was doing poorly,
but housing prices boomed.

Now

Declining housing prices AND
poor results in the stock market.



Median Price of Resale Homes Percent Change Year Ago 2003 – 2008*

Source: National Association of Home Builders



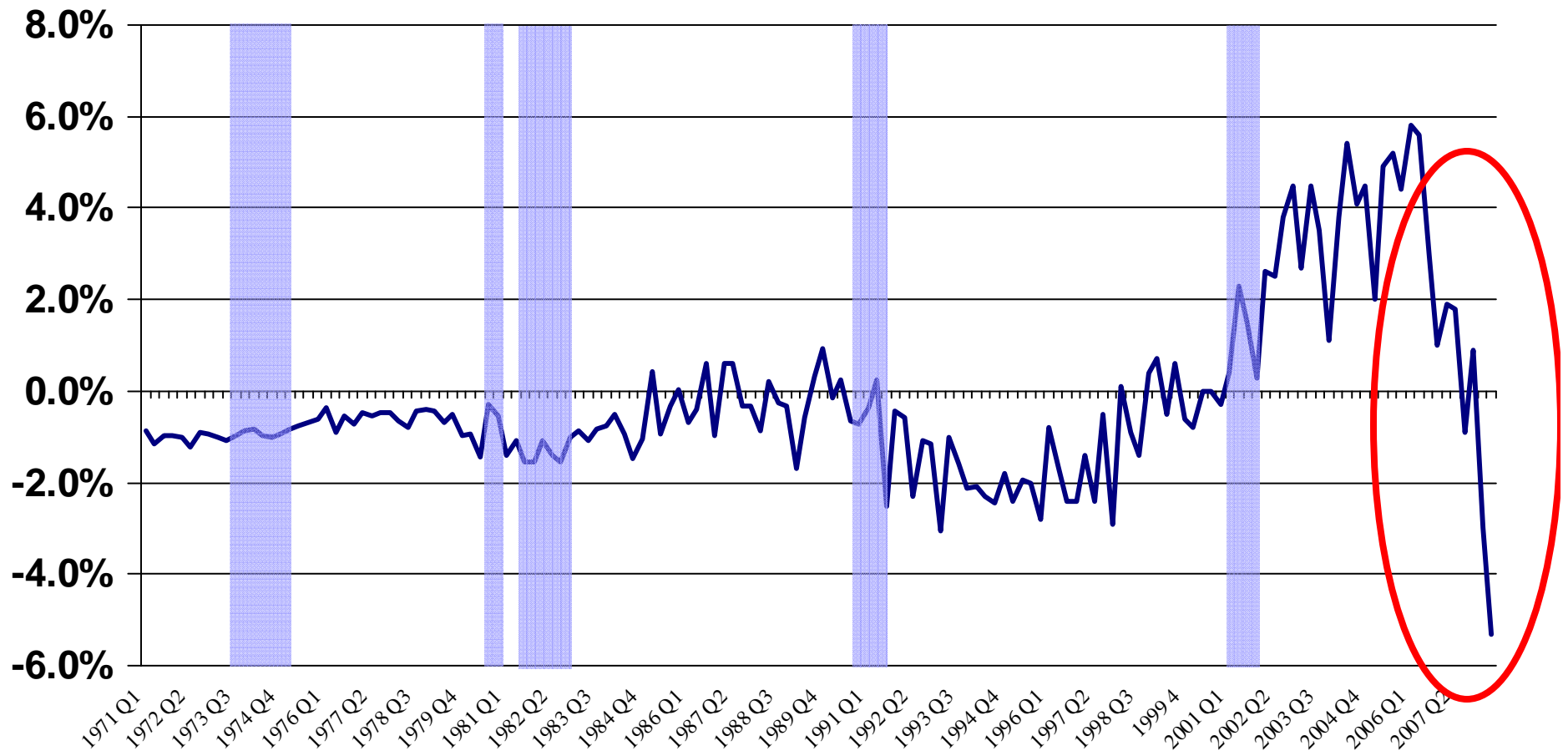
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*Data through August 2008

Mortgage Equity Withdrawal as a share of Disposable Income U.S.: 1971 – 2008*

Source: Bureau of Economic Analysis

 Recession Periods



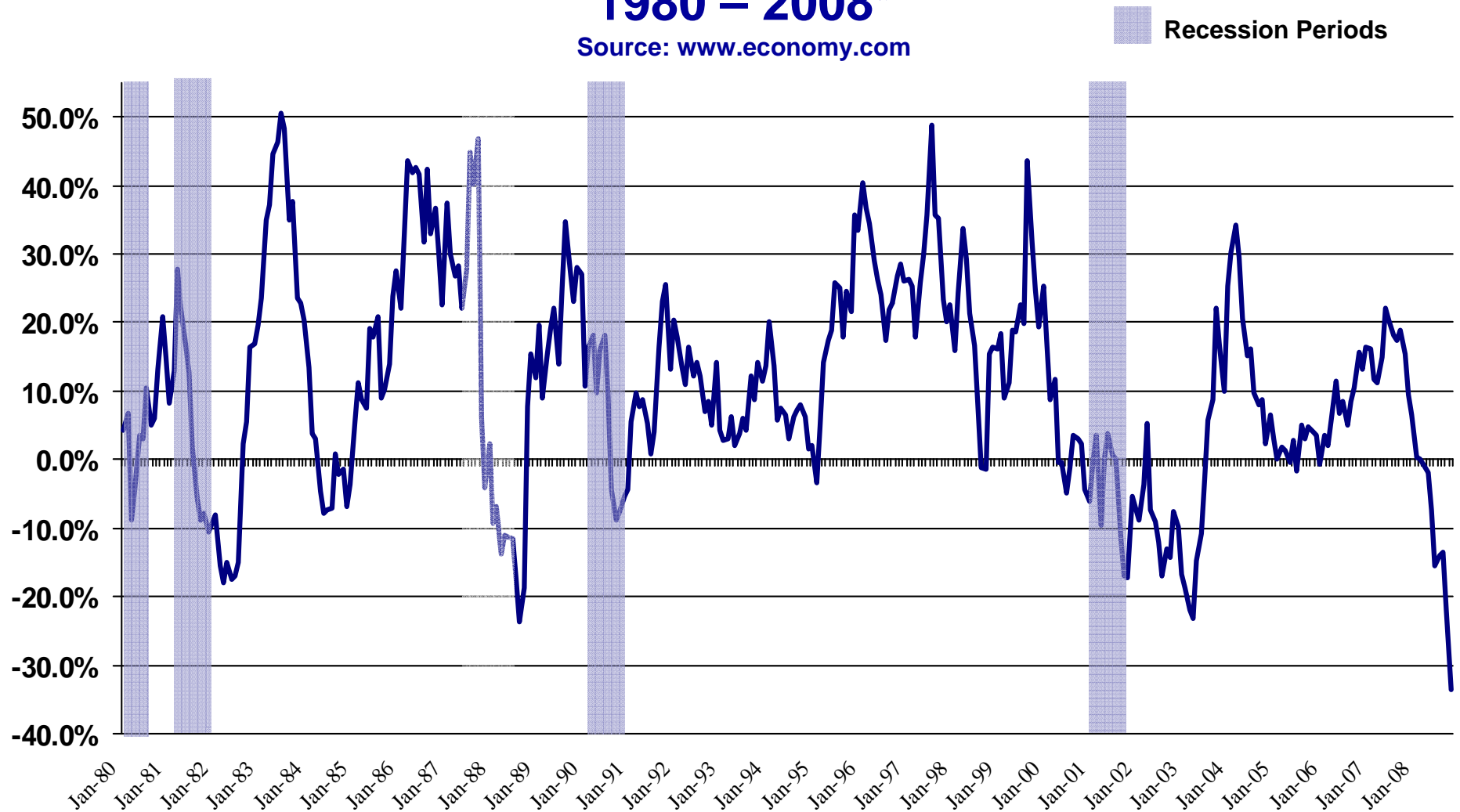
* Data through second quarter 2008



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Dow Jones Stock Prices Percent Change Year Ago 1980 – 2008*

Source: www.economy.com



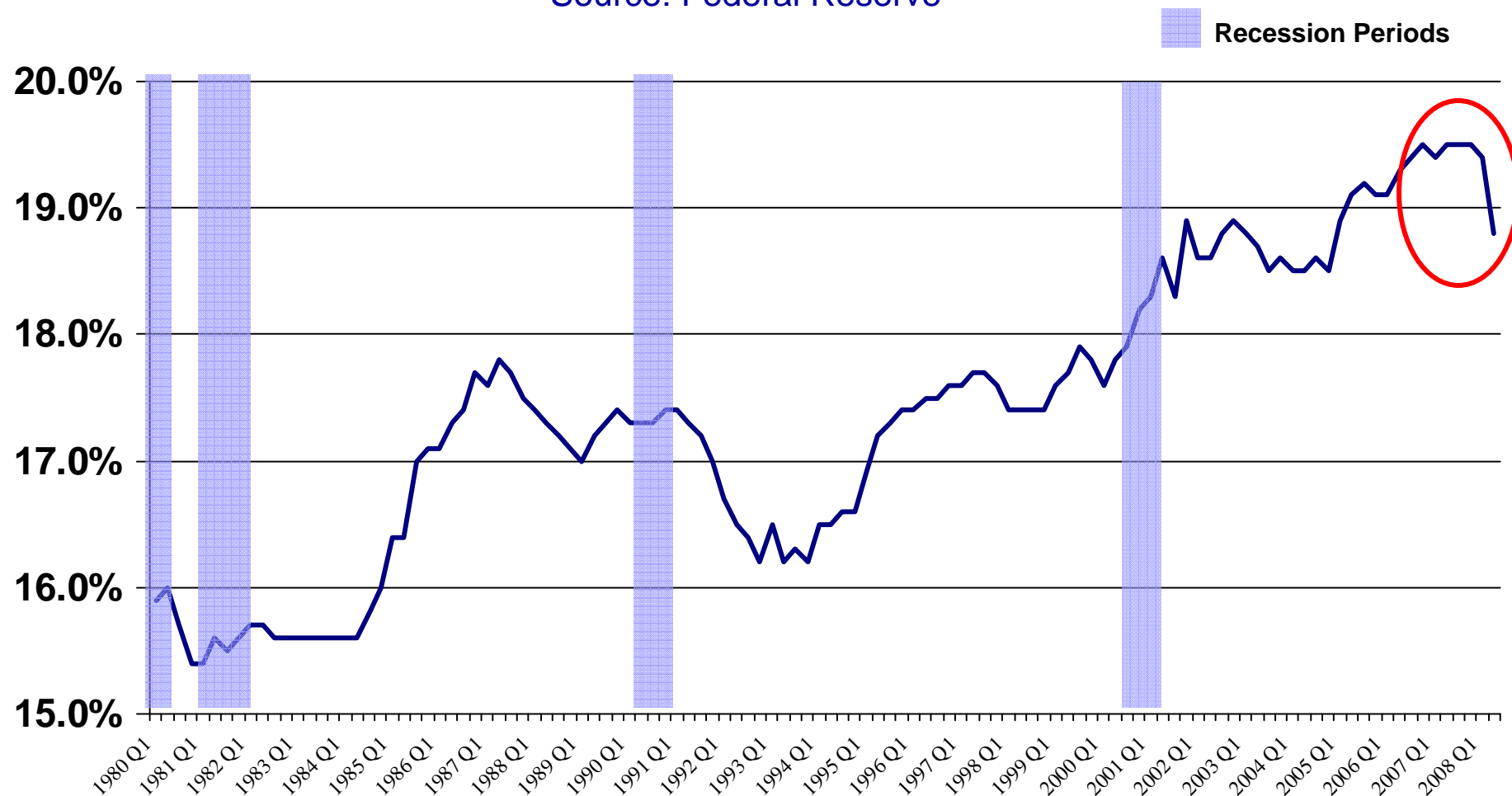
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*Data through October 8, 2008

Financial Obligation Ratio**

1980 – 2008*

Source: Federal Reserve



*Data through second quarter 2008

**Ratio of mortgage and consumer debt (including auto, rent and tax payments) to disposable income.

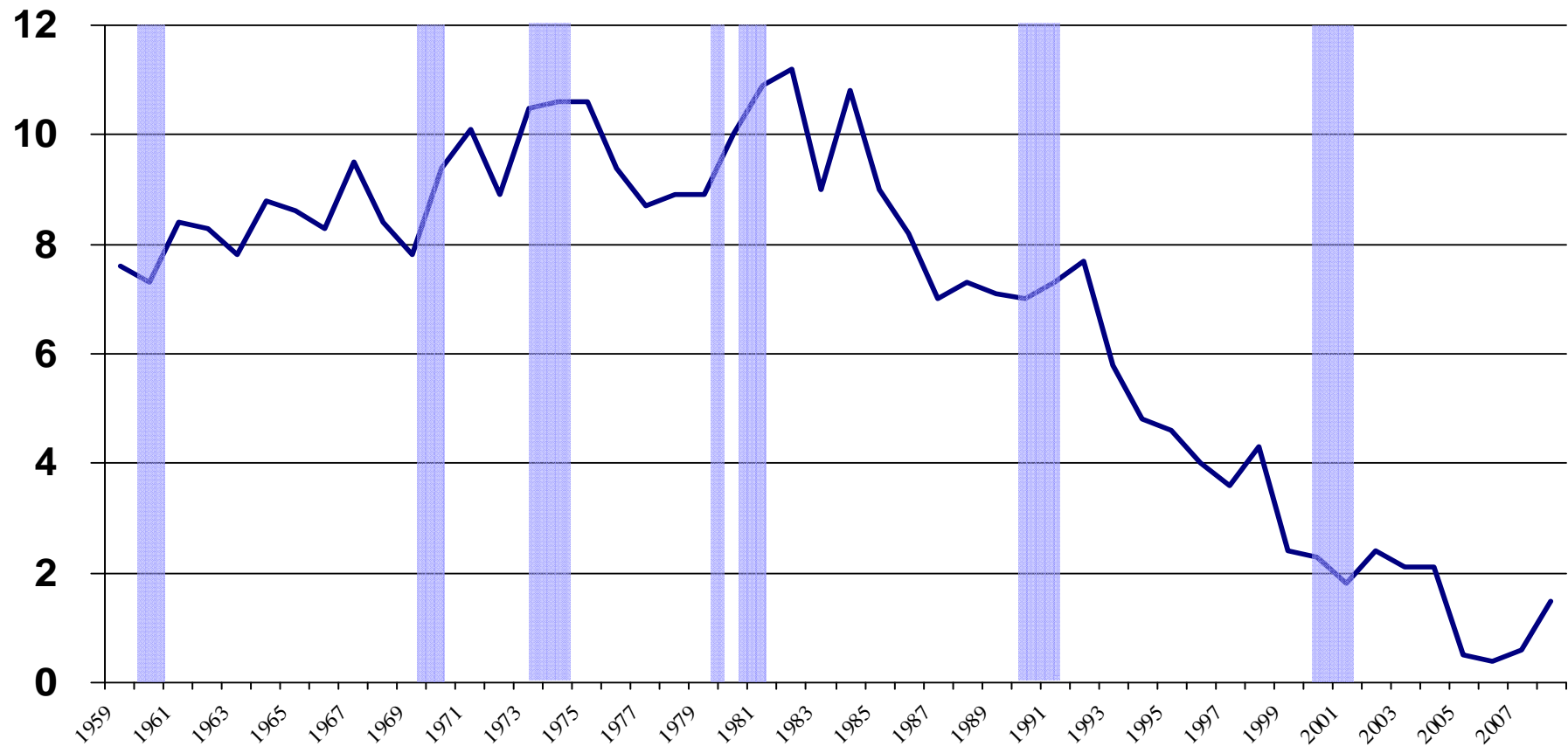


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Savings Rate 1980 – 2008*

Source: Federal Reserve

 Recession Periods



*Data through second quarter 2008



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Business: Finally taking it on the chin?





**The extent depends on
the industry...**



Saving Graces

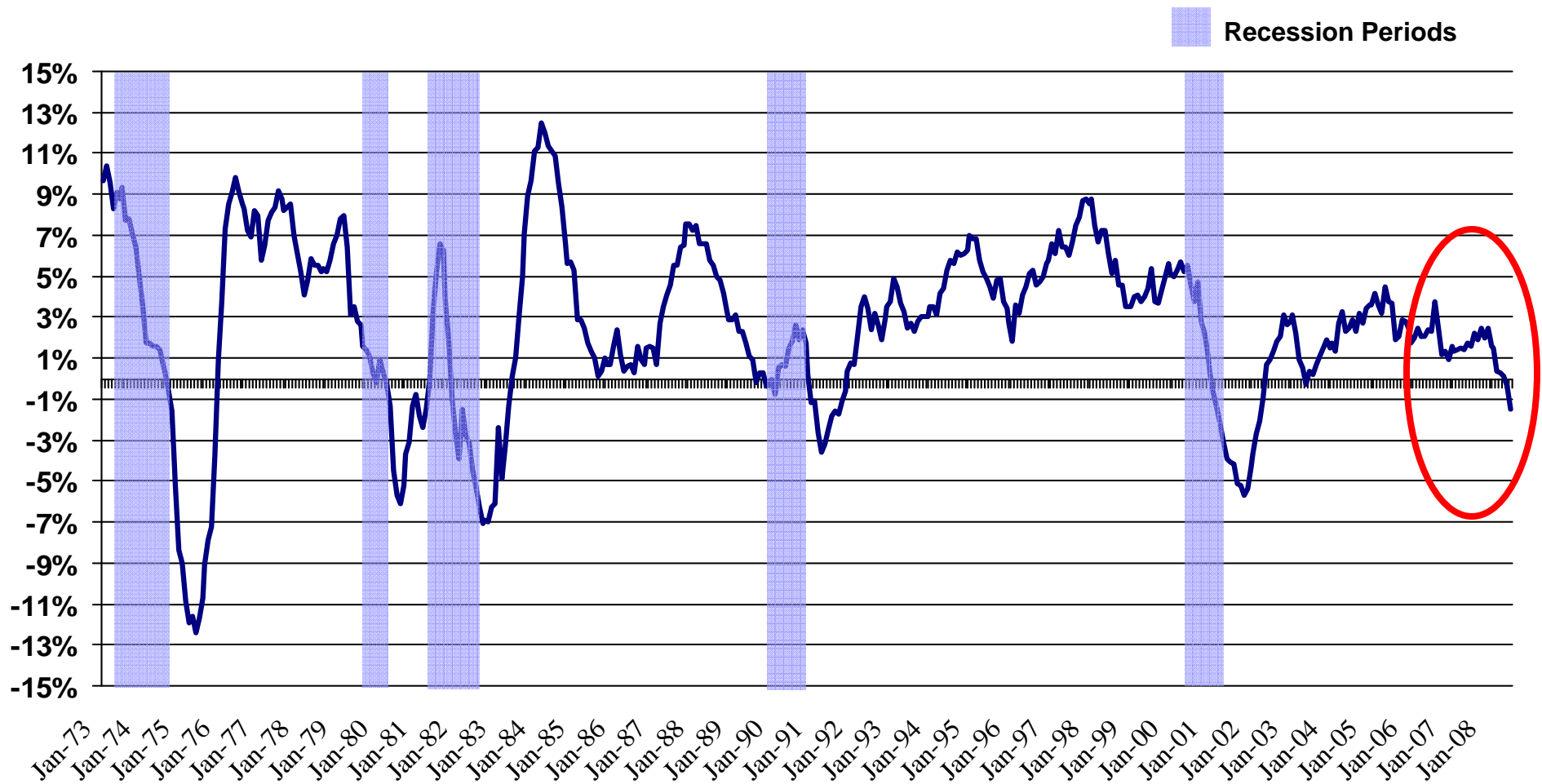


- **Corporations have been in good financial shape.**
- **Exports have been booming.**



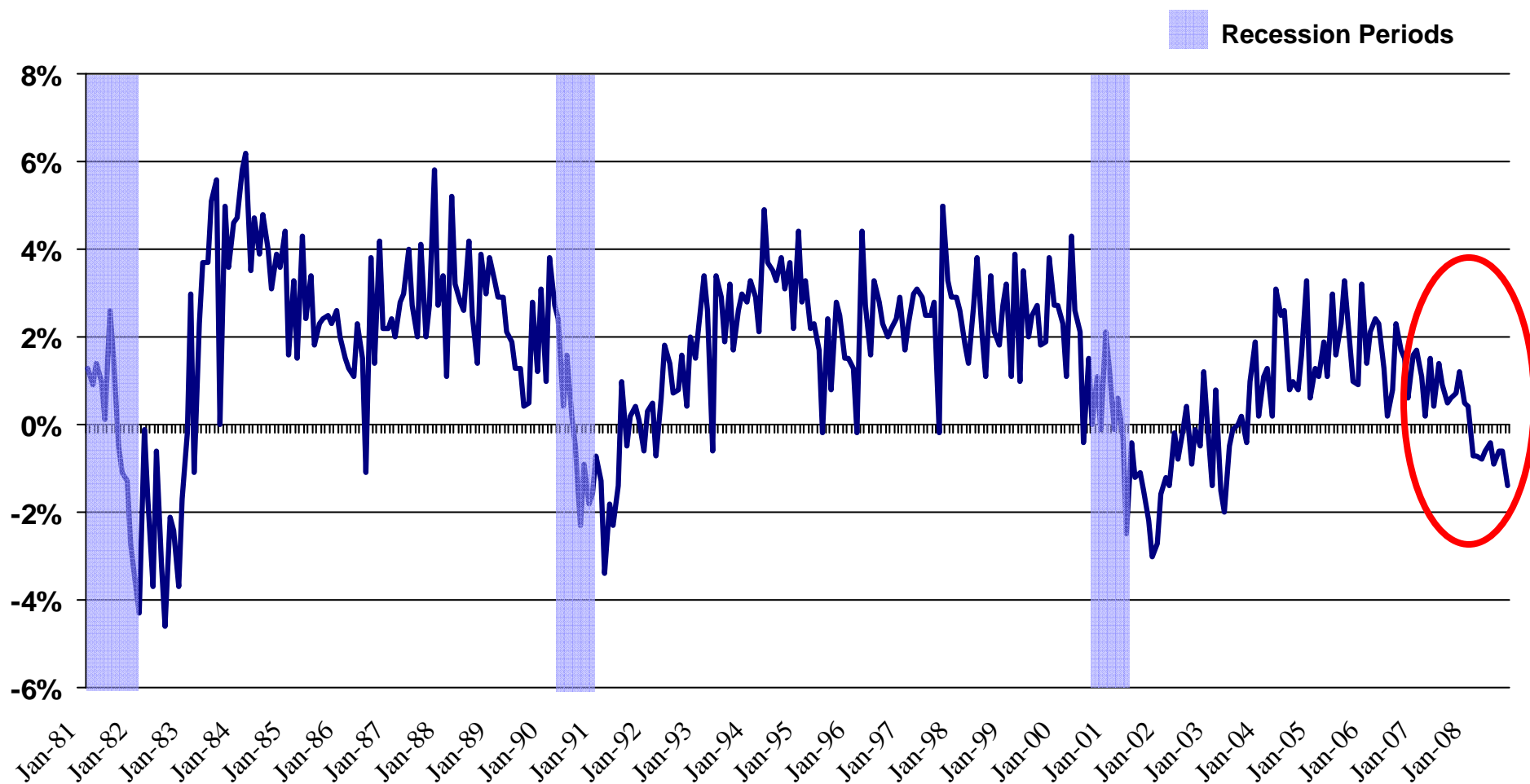
Industrial Production Percent Change Year Ago 1973 – 2008*

Source: The Conference Board



National Employment Percent Change Month Ago, Annualized (S/A) 1981 – 2008*

Source: U.S. Bureau of Labor Statistics

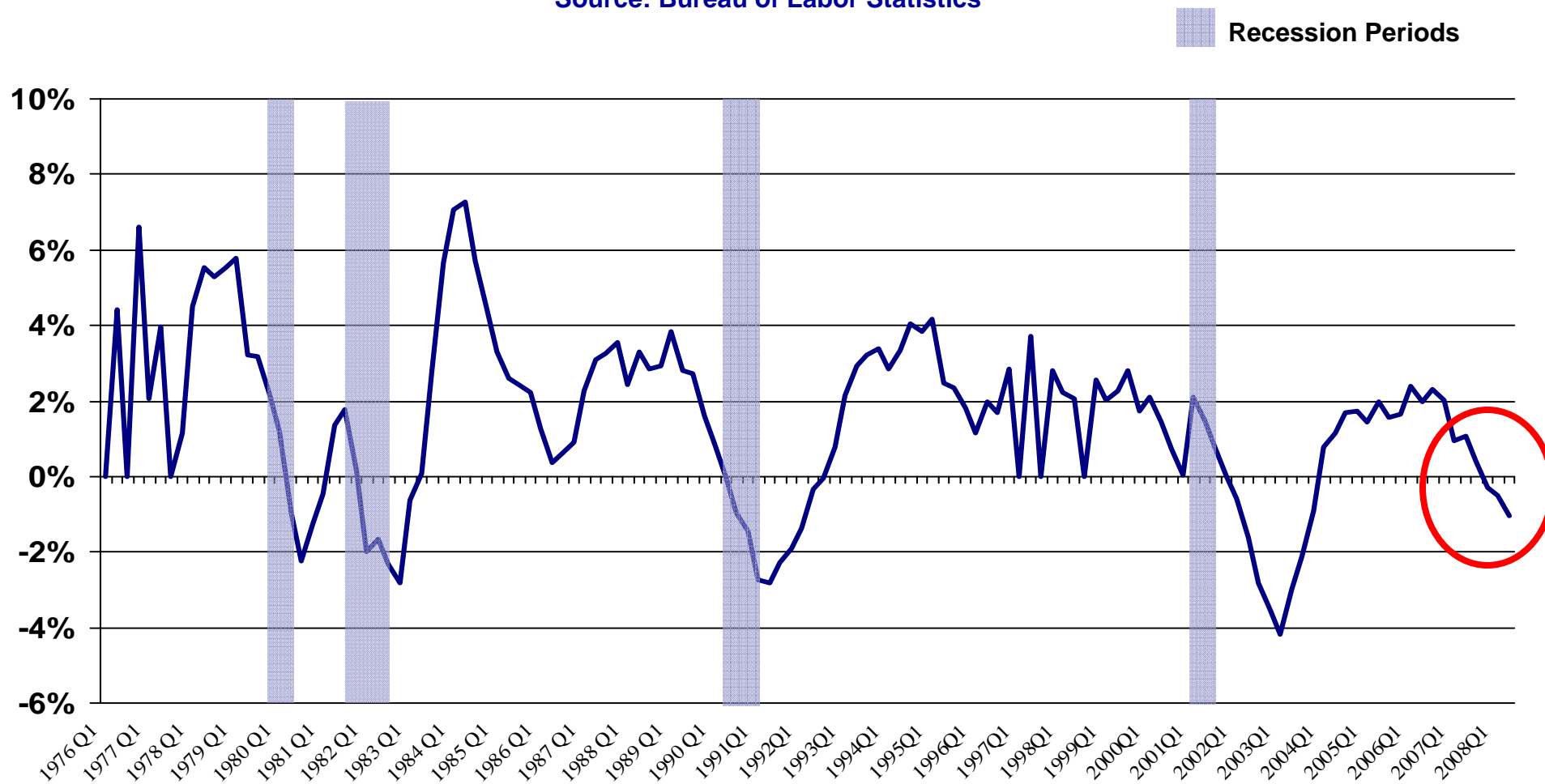


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*Data through September 2008

Hours Worked Percent Change from Year Ago 1976 – 2008**

Source: Bureau of Labor Statistics



**Data through second quarter 2008

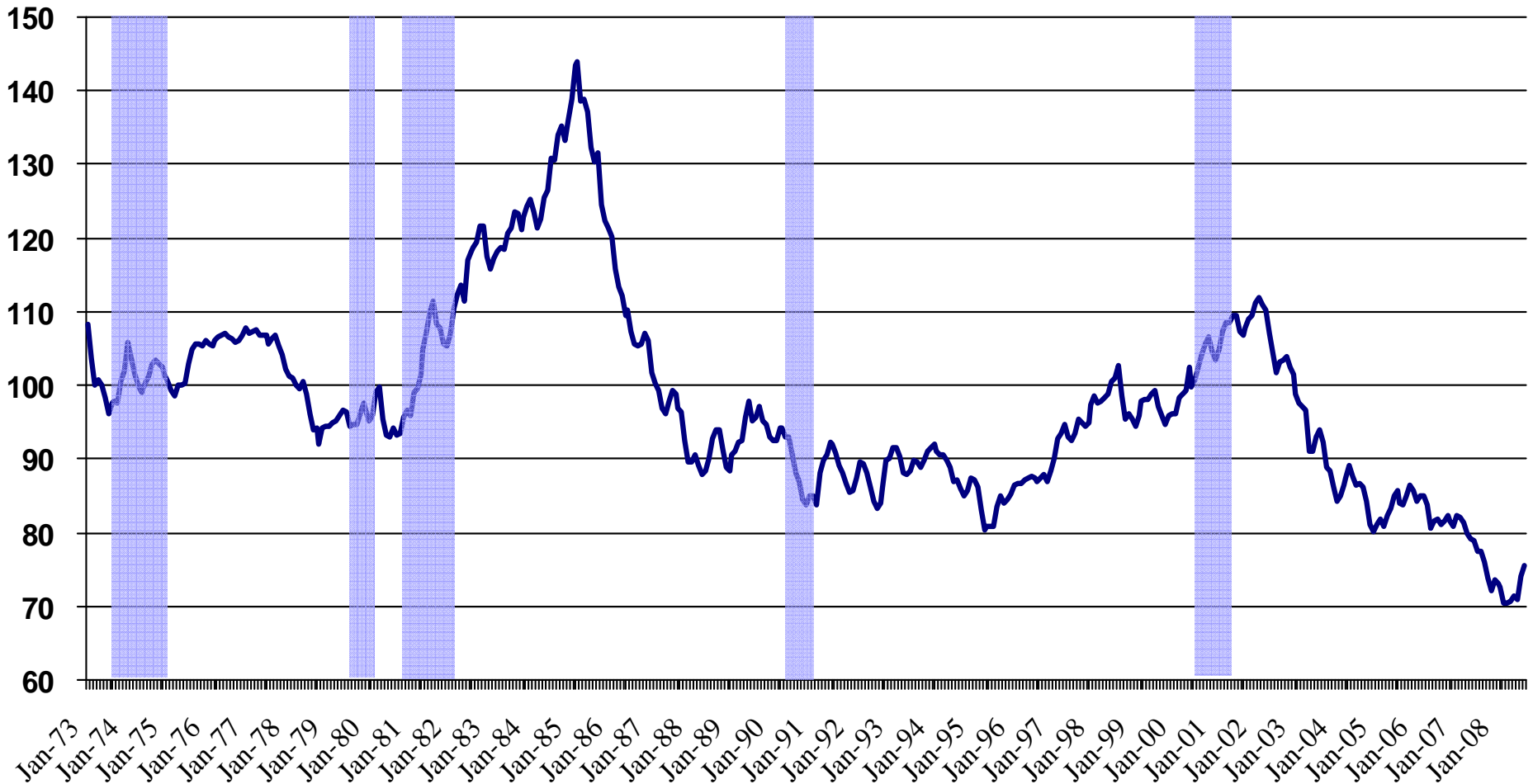


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US Dollar Trade Weighted Exchange v. Major Currencies (1973 = 100) 1973 – 2008*

Source: The Federal Reserve

Recession Periods



*Data through September 2008

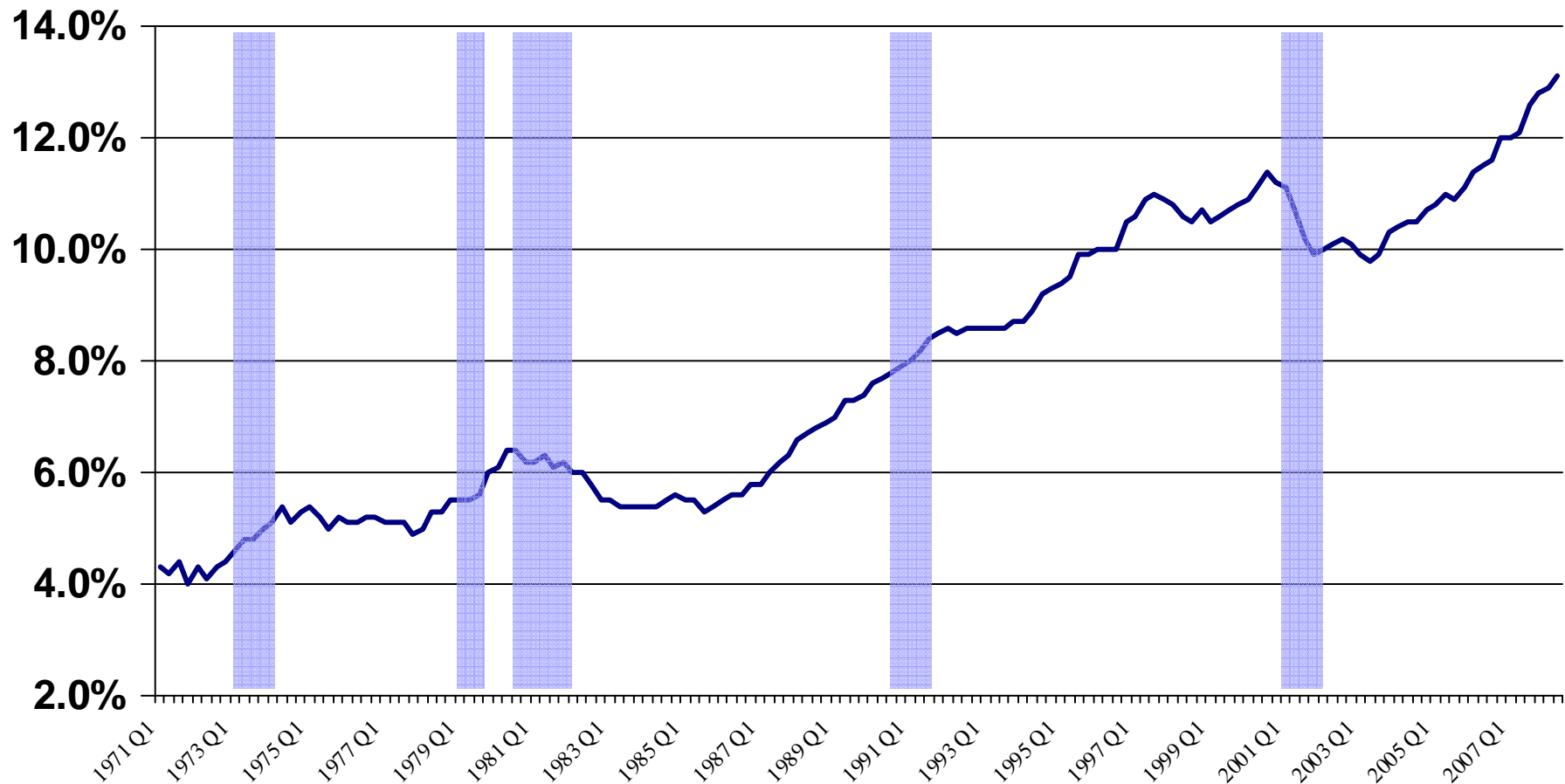


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U.S. Real Exports as a Percent of Real GDP 1971 – 2008*

Source: Bureau of Economic Analysis

Recession Periods



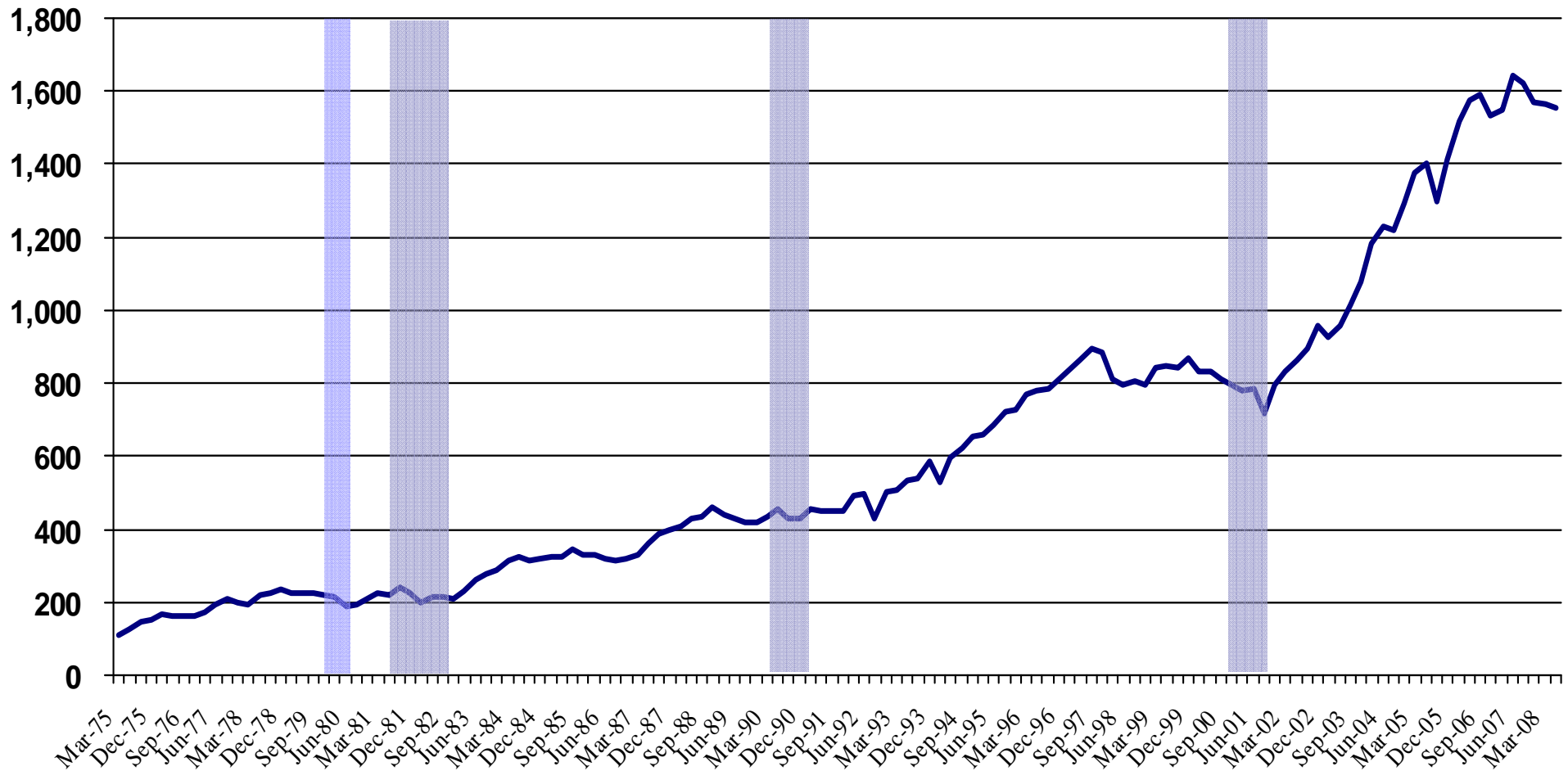
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*Data through second quarter 2008

Corporate Profit (Billions of Dollars, SA) 1975-2008*

Source: Freelunch.com

 Recession Periods



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*Data through second quarter 2008

**Is credit
now tight?**





Tougher Mortgage Loan Standards

Source: Federal Reserve Survey, July 2008

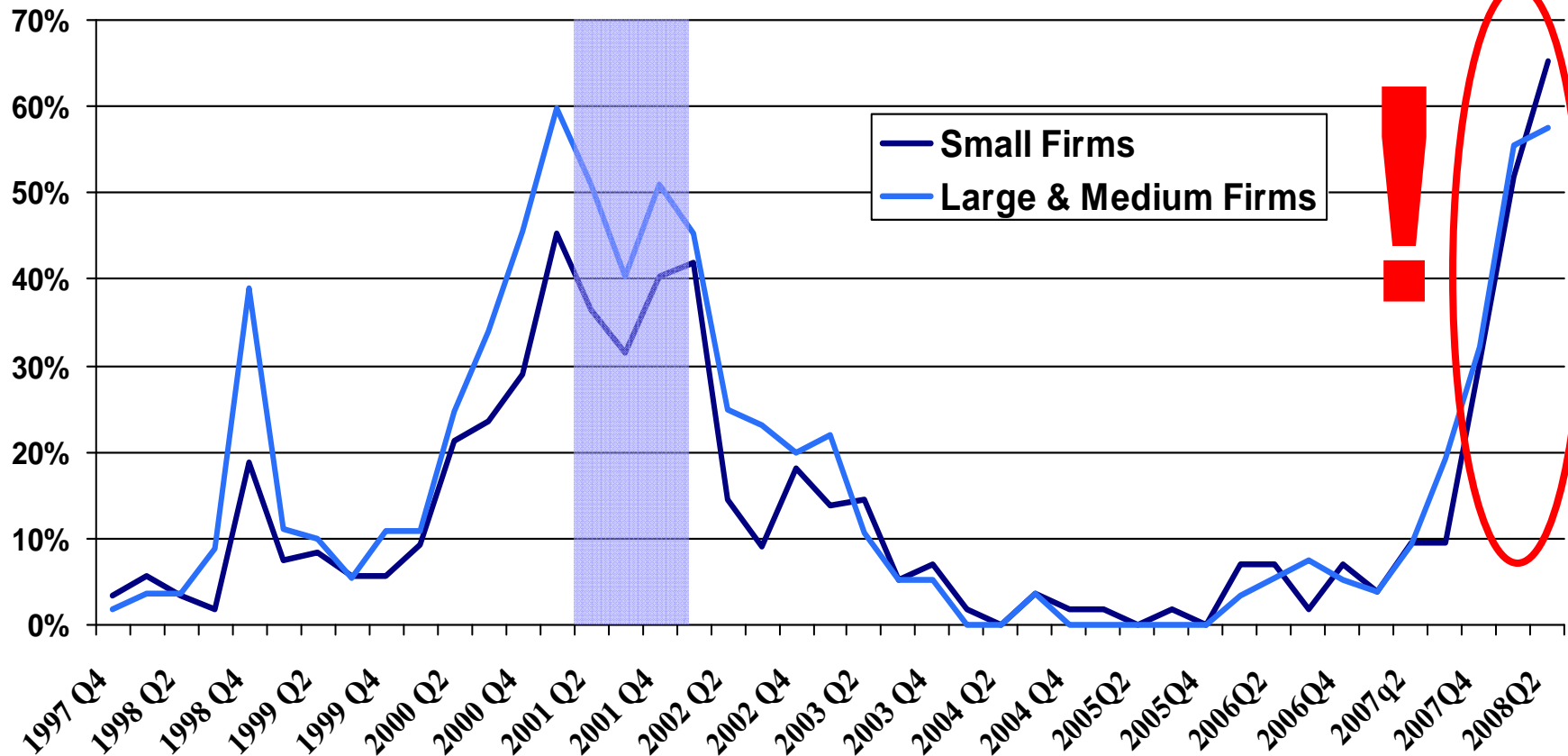
- **85.7% of banks tightened on sub-prime mortgages.**
- **84.4% of banks tightened on “non-traditional” mortgages**
(ARMs, Interest-only, or Limited Income Verification loans).
- **74.0% of banks tightened on prime mortgage loans.**



Percentage of Large U.S. Banks Reporting Tougher Standards on Business Loans 1997 – 2008*

Source: Federal Reserve, Board of Governors

 Recession Periods



* Data as of July 2008 survey.



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High Yield Credit Spread 2004 – 2008*

Source: Bespoke Investment Group; Merrill Lynch



*Data through October 8, 2008.

** The spread between high yield corporate bonds (non investment grade/below bbb rated) and comparable Treasuries.



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High Yield Credit Spread 1997 – 2008*

Source: Bespoke Investment Group; Merrill Lynch

 Recession Periods



*Data through October 8, 2008.

** The spread between high yield corporate bonds (non investment grade/below bbb rated) and comparable Treasuries.



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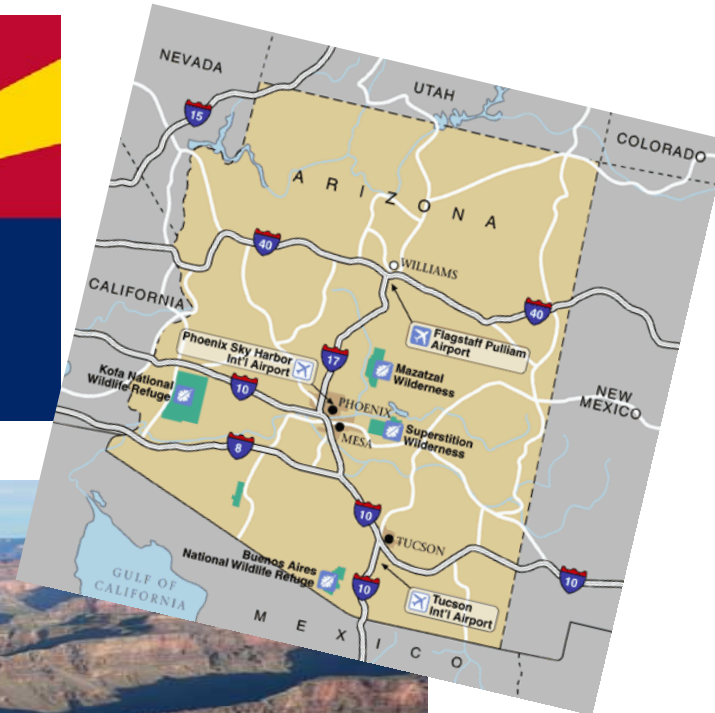


U.S. Summary:

**The economy will be very weak
for the remainder of 2008;
not so great in 2009.**

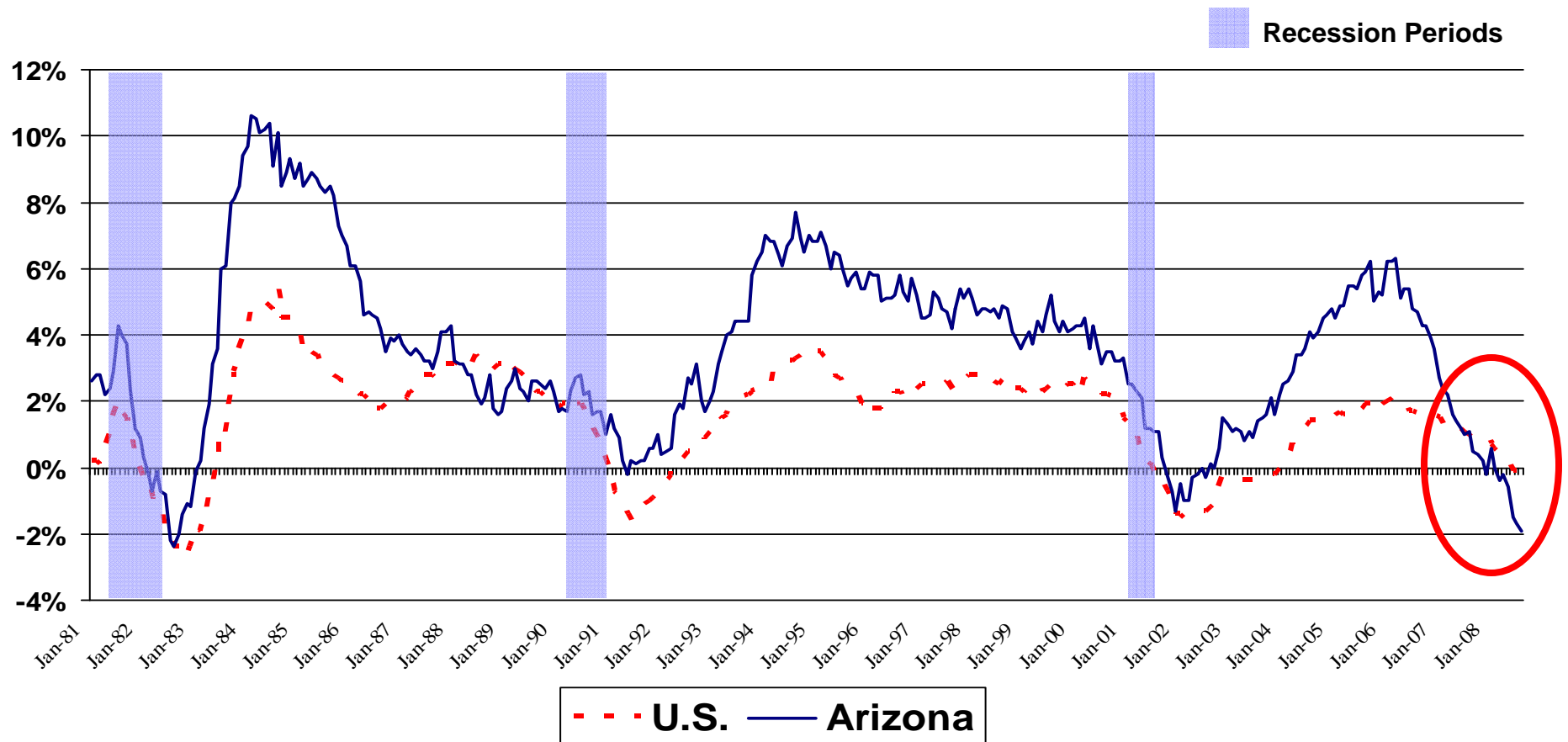


What's Happening in Arizona?



Arizona & US Move Together

(Nonfarm Employment Percent Change 1980 - 2008)



*Data through August 2008

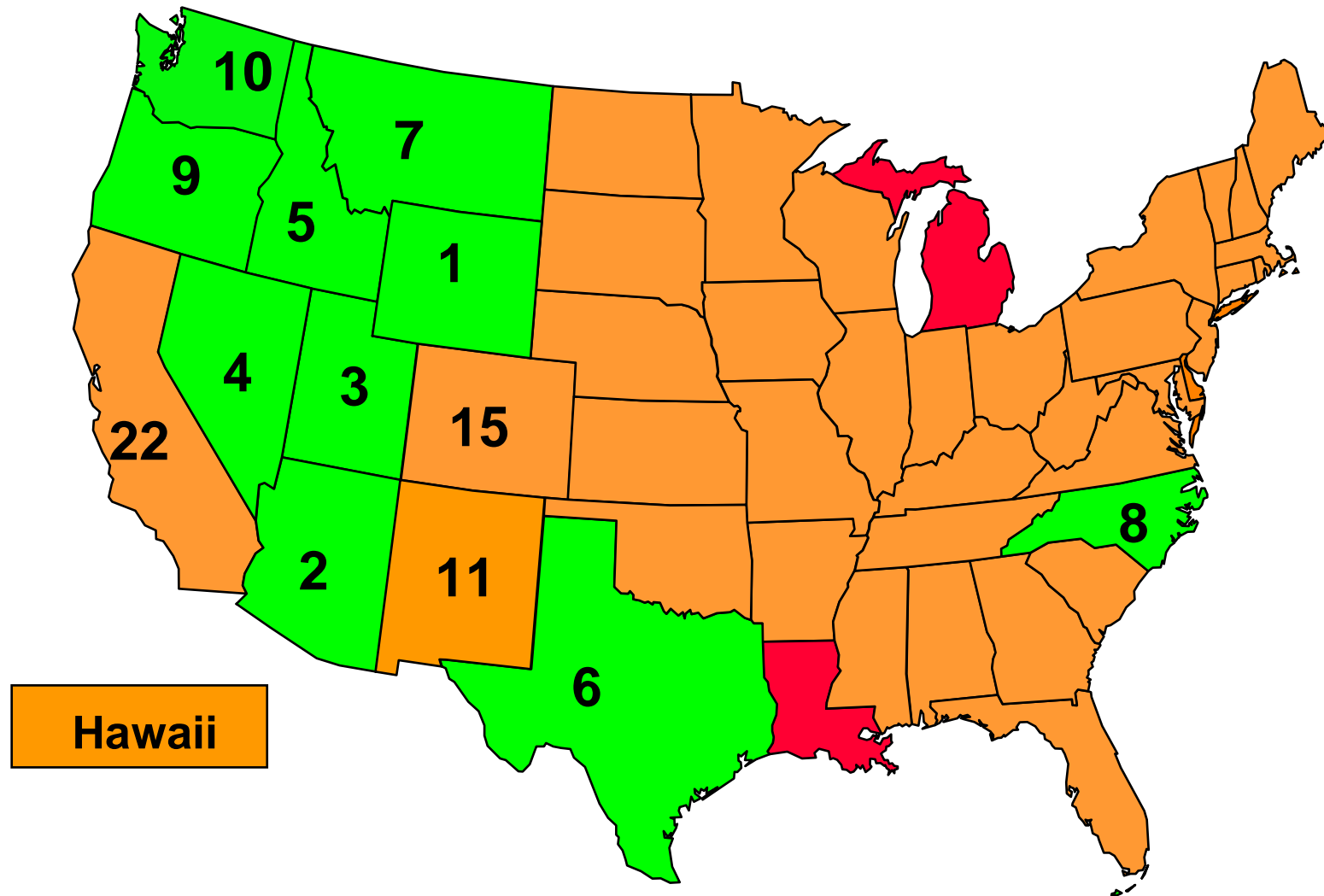


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Job Growth 2006

Source: US BLS

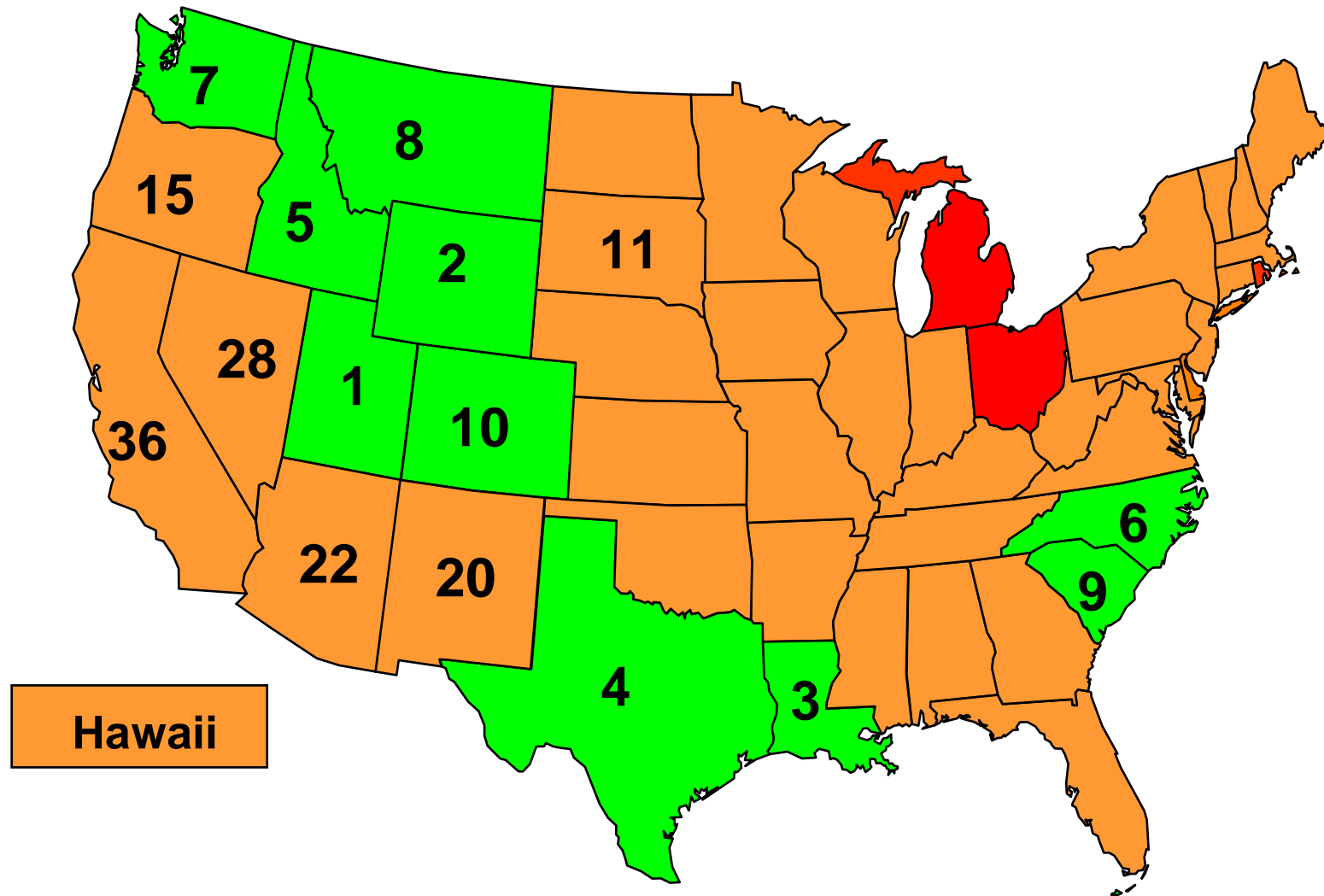


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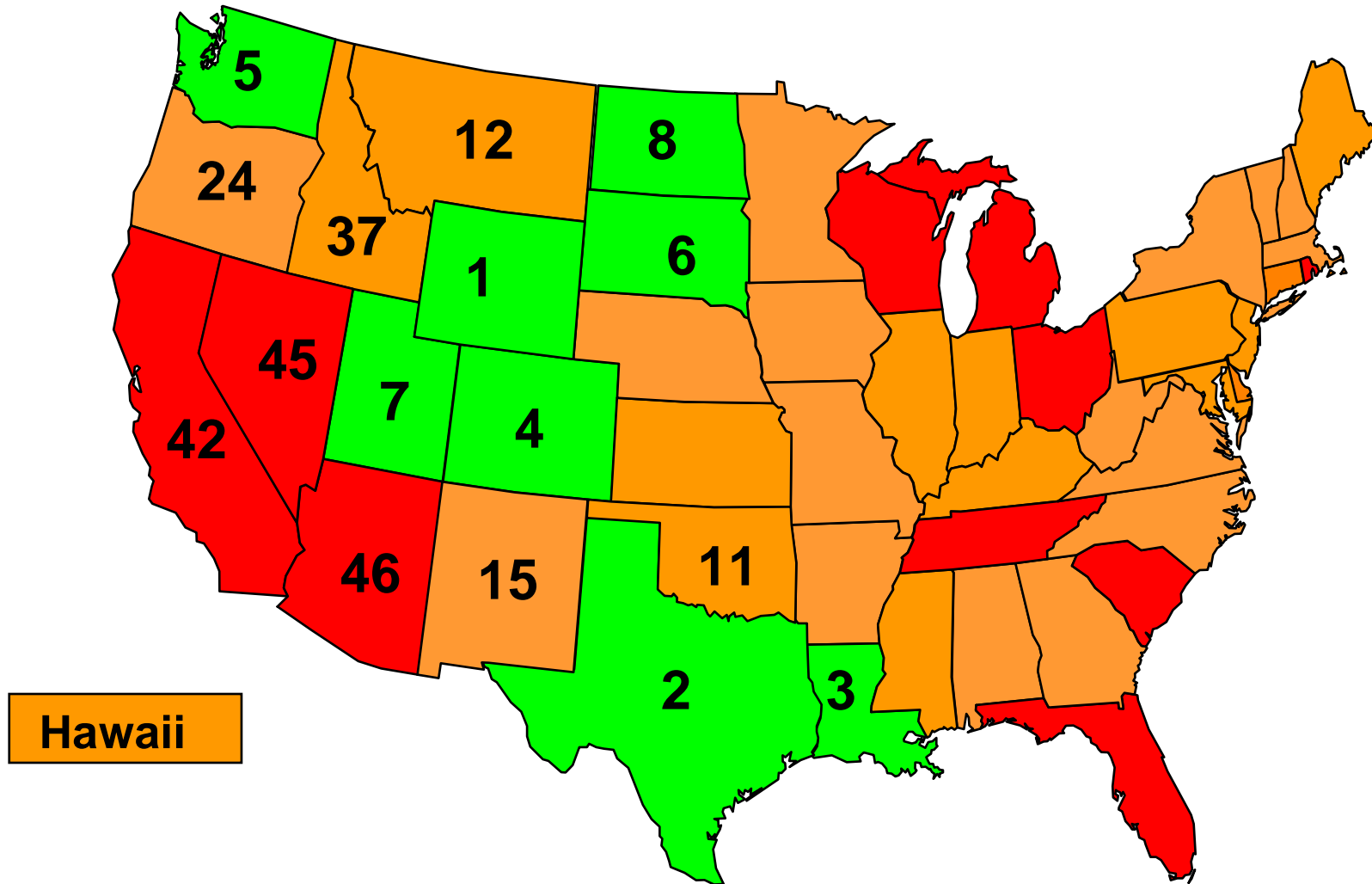
Job Growth 2007

Source: US BLS



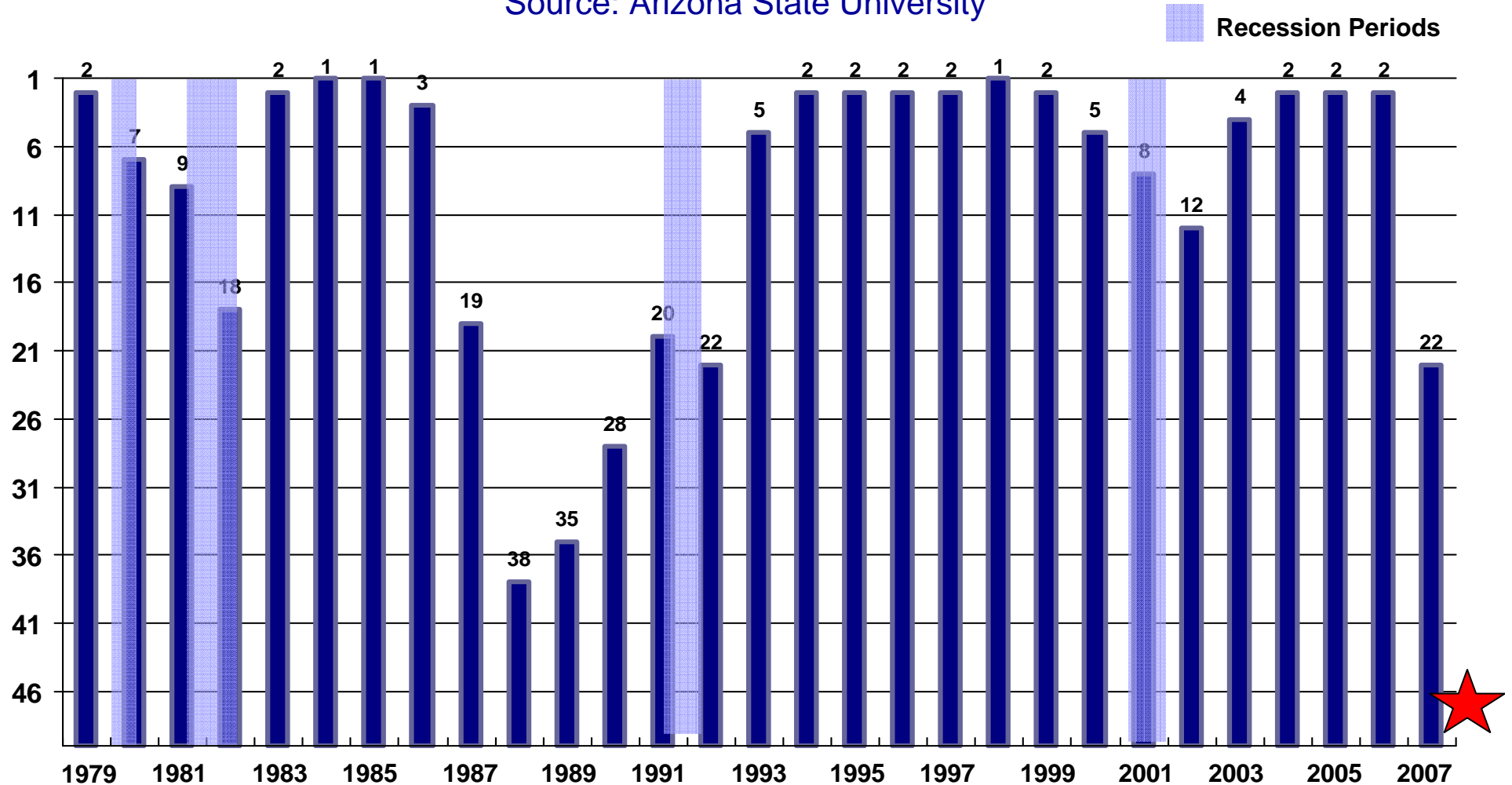
Job Growth Update: Arizona Falls to 46th

YTD August 2008 vs YTD August 2007 - BLS



Arizona Employment Rank Among 50 States 1979 – 2008 Growth Over Previous Year

Source: Arizona State University



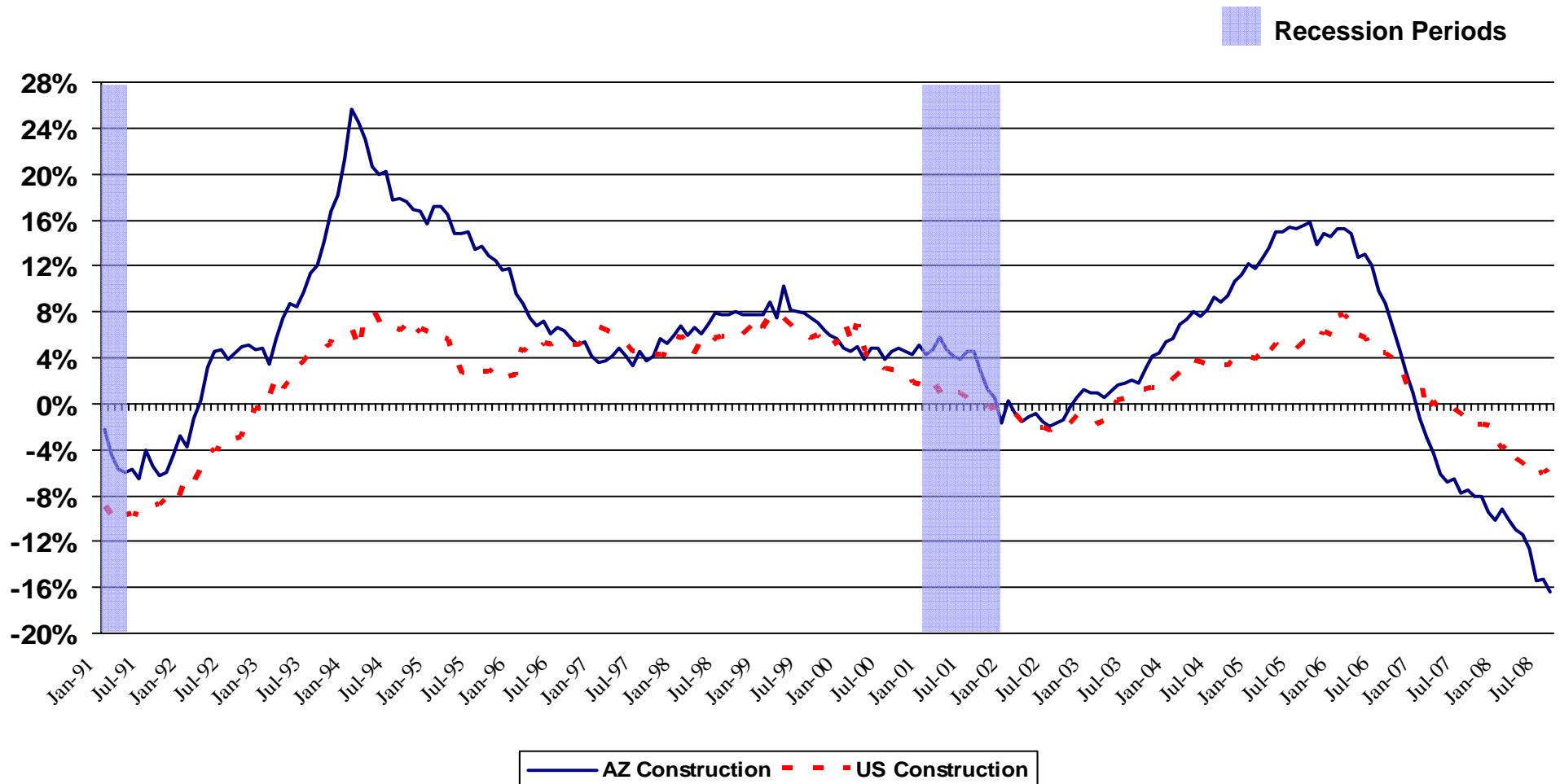
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= YTD August = 46

Construction Employment: Arizona v. U.S. Percent Change Year Ago 1991 – 2008*

Source: Bureau of Labor Statistics

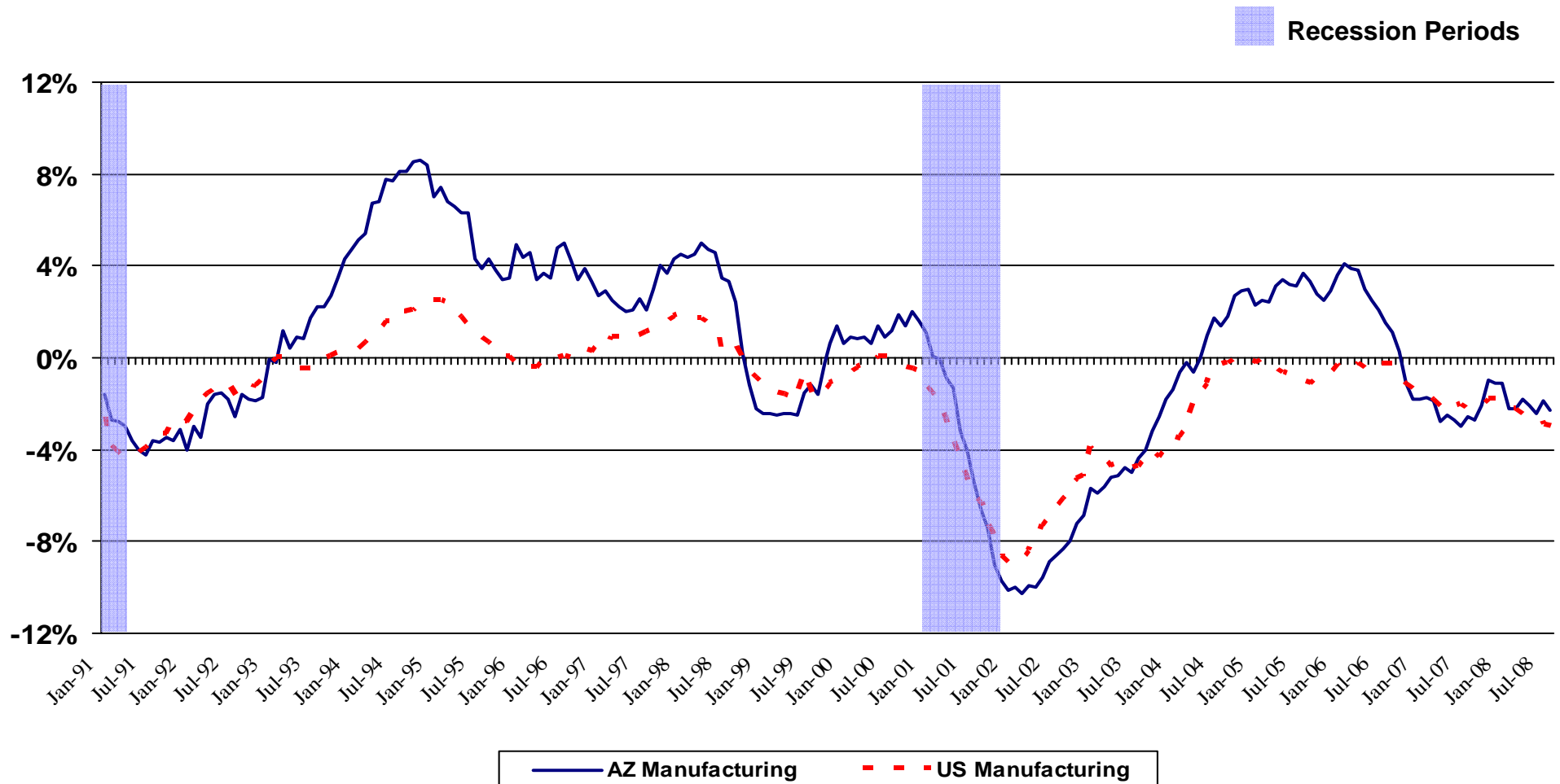


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• Data through August 2008.

Manufacturing Employment: Arizona v. U.S. Percent Change Year Ago 1991 – 2008*

Source: Bureau of Labor Statistics

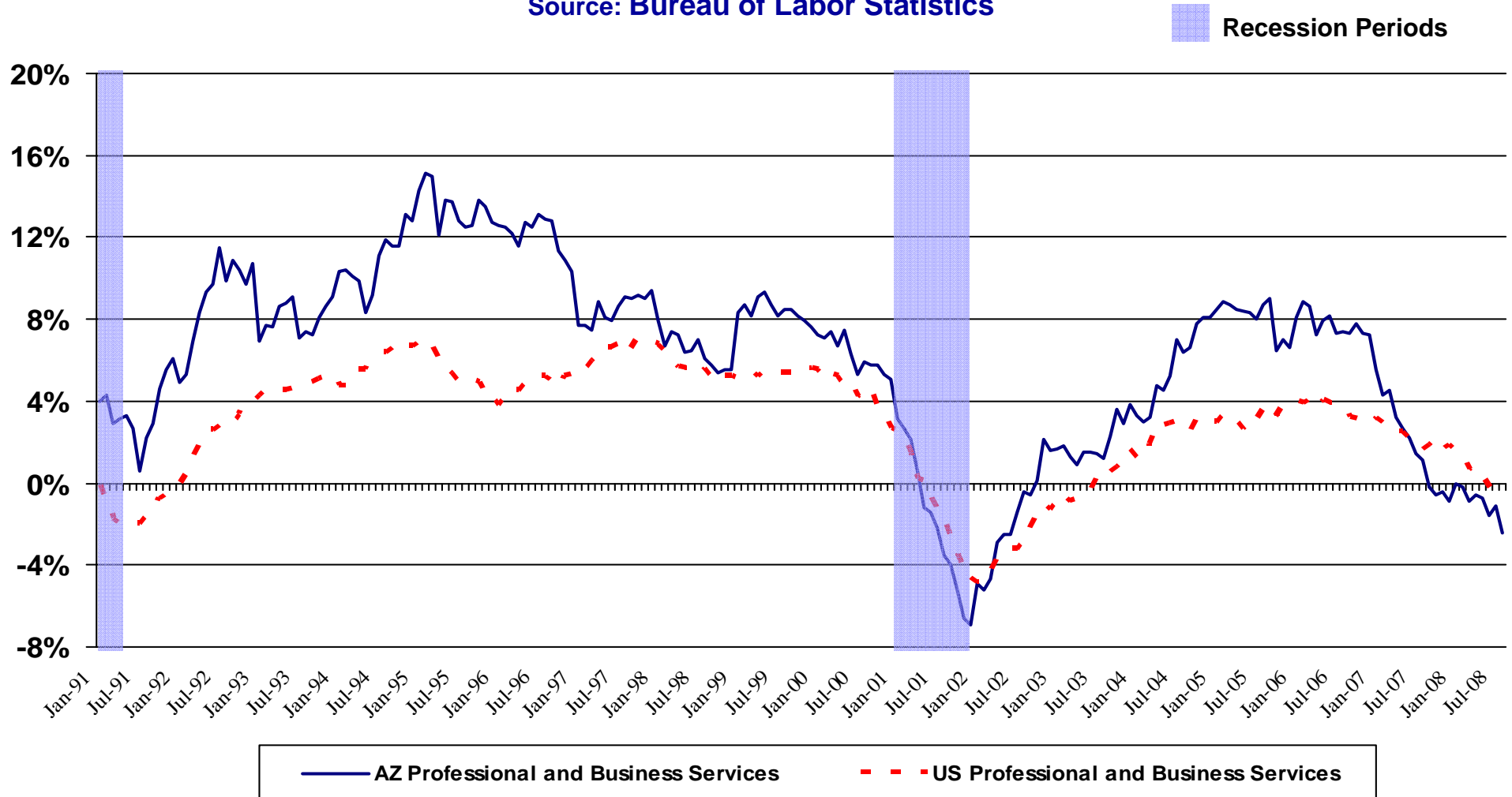


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• Data through August 2008.

Professional & Business Services Employment: Arizona v. U.S. Percent Change Year Ago 1991 – 2008*

Source: Bureau of Labor Statistics





Greater Phoenix



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Phoenix-Mesa Employment Growth

(Ranking among all metro areas greater than 1,000,000)

Source: Arizona State University, U.S. Bureau of Labor Statistics

<u>YEAR</u>	<u>RANK</u>	<u># of MSAs</u>
1991	4	20
1992	5	20
1993	2	20
1994	1	20
1995	1	21
1996	1	23
1997	2	23
1998	1	24
1999	3	26
2000	8	26
2001	6	28
2002	5	28
2003	3	29
2004	4	29
2005	1	30
2006	1	31
2007	10	32
2008 YTD August	28	32





**Worst year
(relatively)
on record**



Phoenix-Mesa Employment

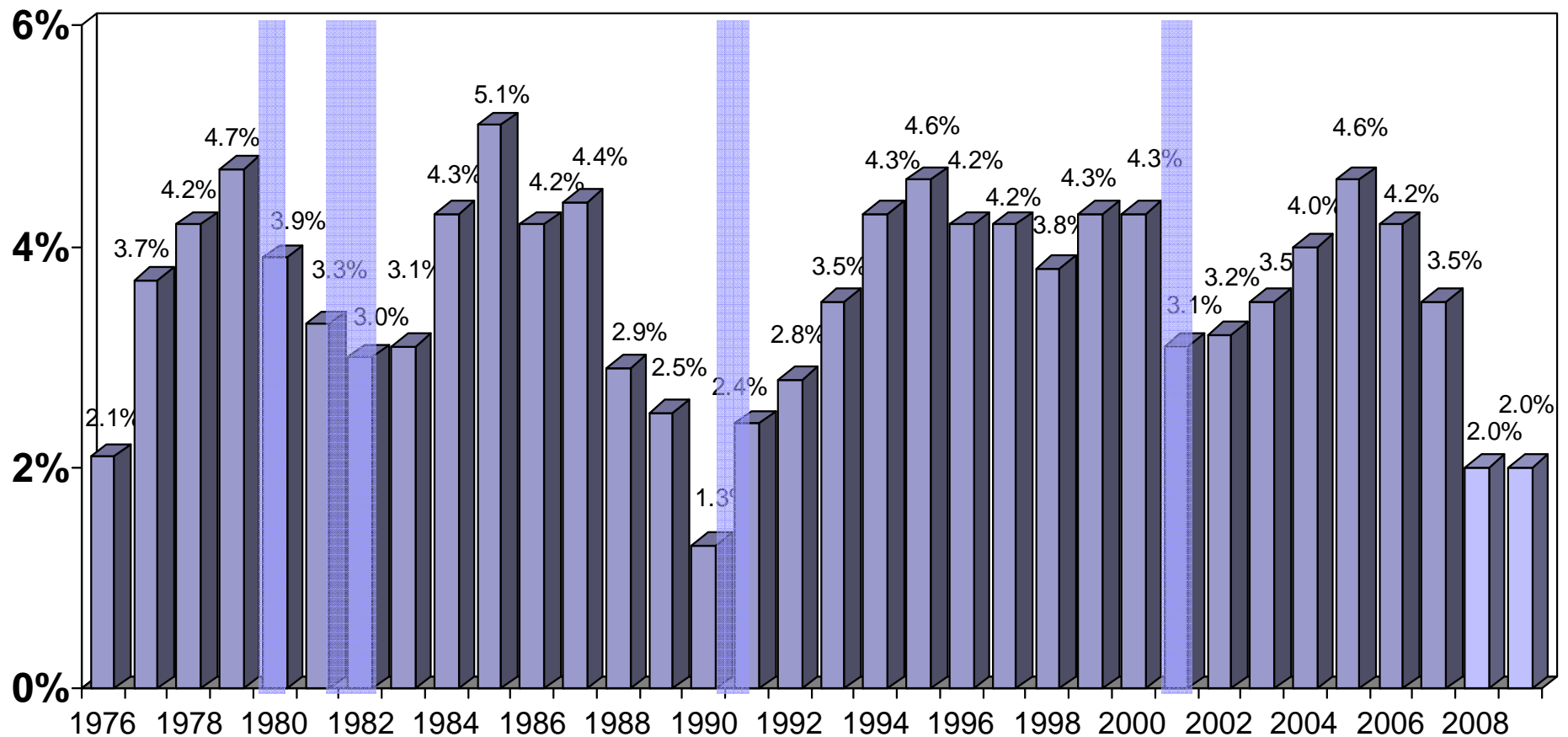
Source: Arizona Department of Commerce, Research Administration

<u>Sectors (-)</u>	<u>YTD %</u>	<u>% of Total</u>	<u>Sectors (+)</u>	<u>YTD %</u>	<u>% of Total</u>
Construction	-13.8%	7.8%	Mining	9.9%	0.2%
Manufacturing	-1.8%	7.2%	Trade	0.2%	16.9%
Transp. & Utilities	-2.0%	3.5%	Edu. & Health Services	4.9%	11.3%
Information	-2.1%	1.6%	Leisure & Hosp. Services	2.1%	10.0%
Financial Activities	-3.0%	7.9%	Other Services	1.1%	3.8%
Prof. and Bus. Services	-1.0%	17.0%	Government	3.1%	12.8%
Percent of Total		45.0%			55.0%



Greater Phoenix Population Annual Percent Change 1976–2009*

Source: Arizona State University & Department of Commerce, Research Administration



2006 and 2007 are estimates put out by ADES and may be subject to substantial revision.

* 2008 & 2009 forecast is from *Elliott D. Pollack & Co.*

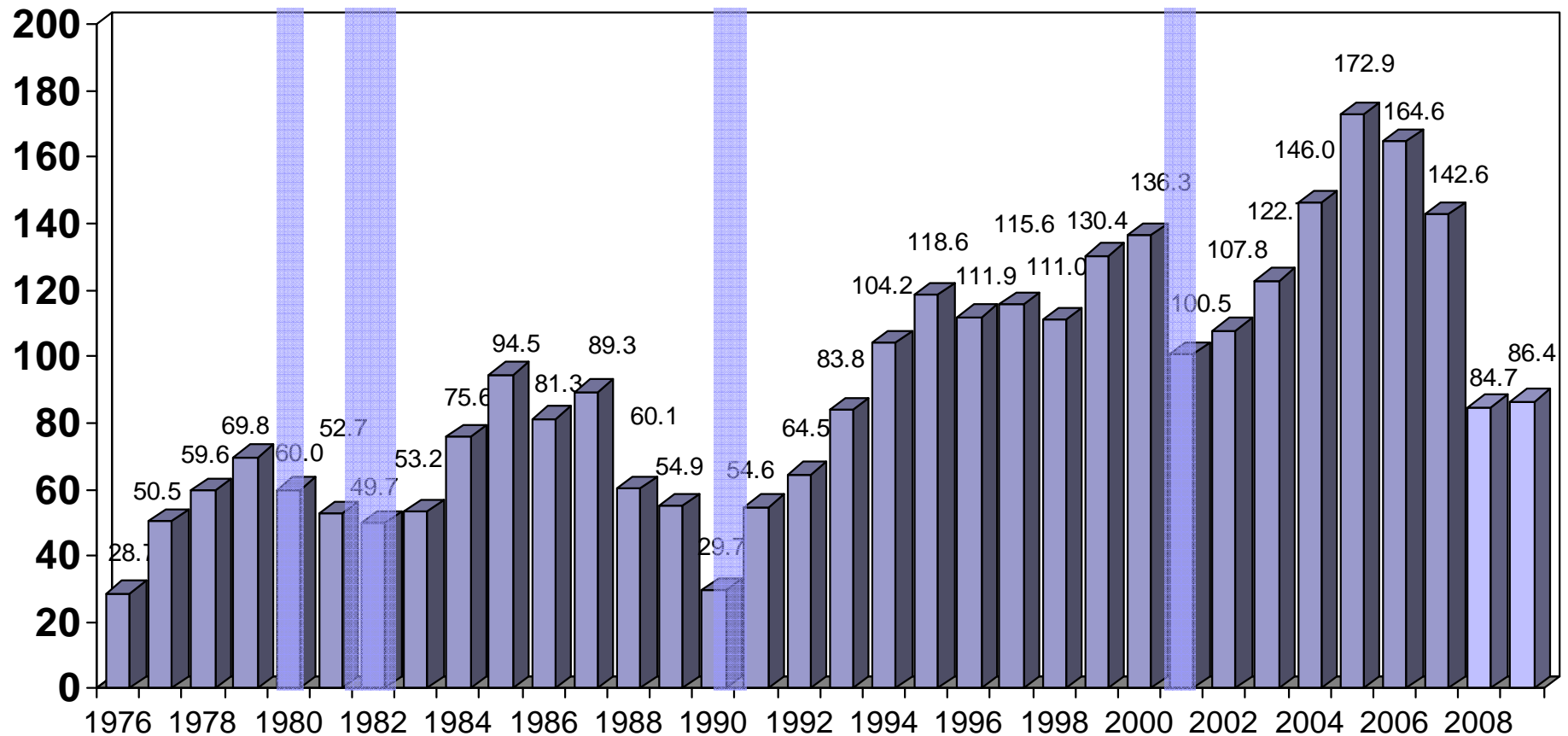
 Recession Periods



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Greater Phoenix Population Annual Percent Change 1976–2009*

Source: Arizona State University & Department of Commerce, Research Administration



2006 and 2007 are estimates put out by ADES and may be subject to substantial revision.

* 2008 & 2009 forecast is from *Elliott D. Pollack & Co.*

 **Recession Periods**



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For Greater Phoenix:

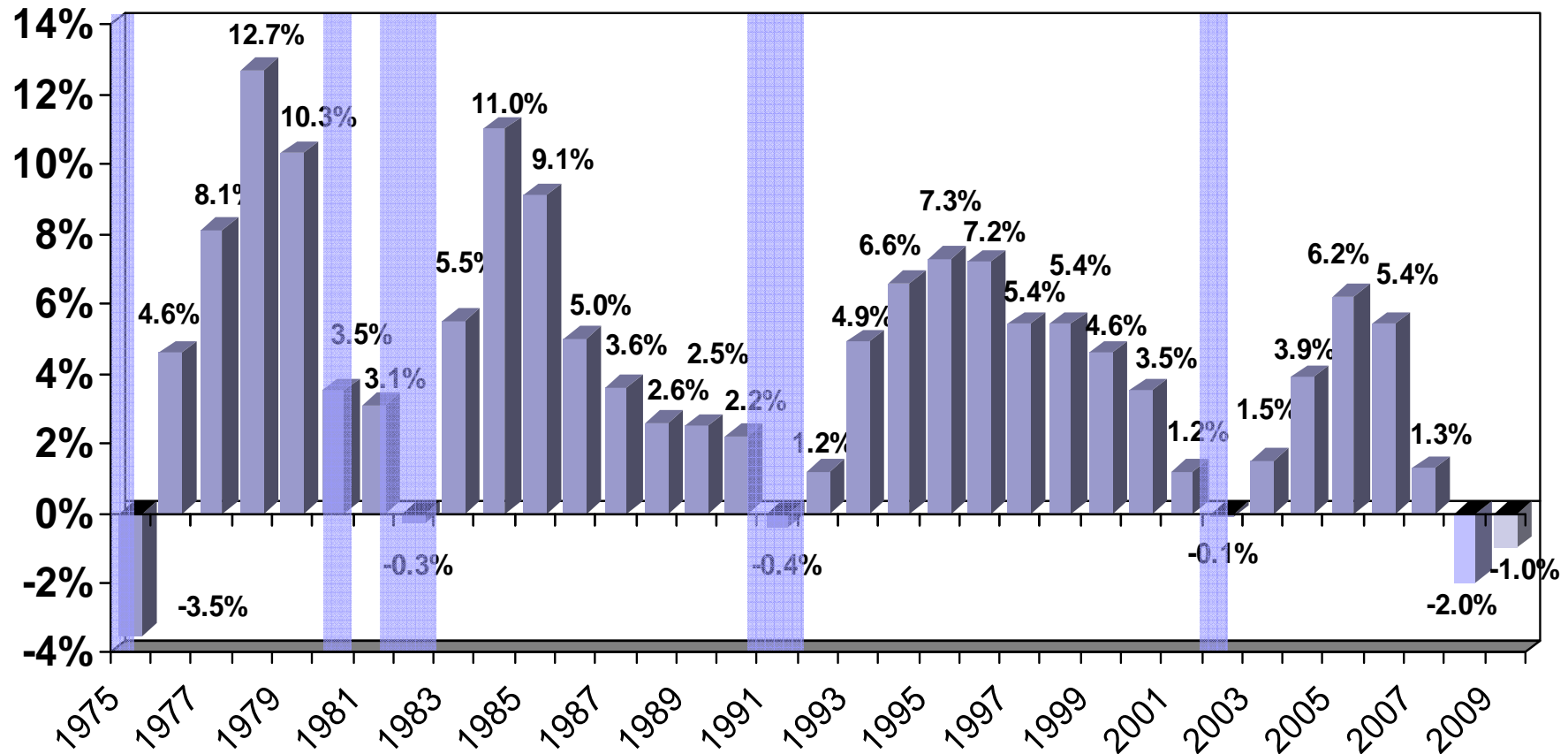
**As long as people can't sell
their homes elsewhere,
population inflows will slow.**



Phoenix-Mesa MSA Employment*

Annual Percent Change 1975–2009**

Source: Department of Commerce, Research Administration



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

** 2008 and 2009 forecast is from *Elliott D. Pollack & Co.*

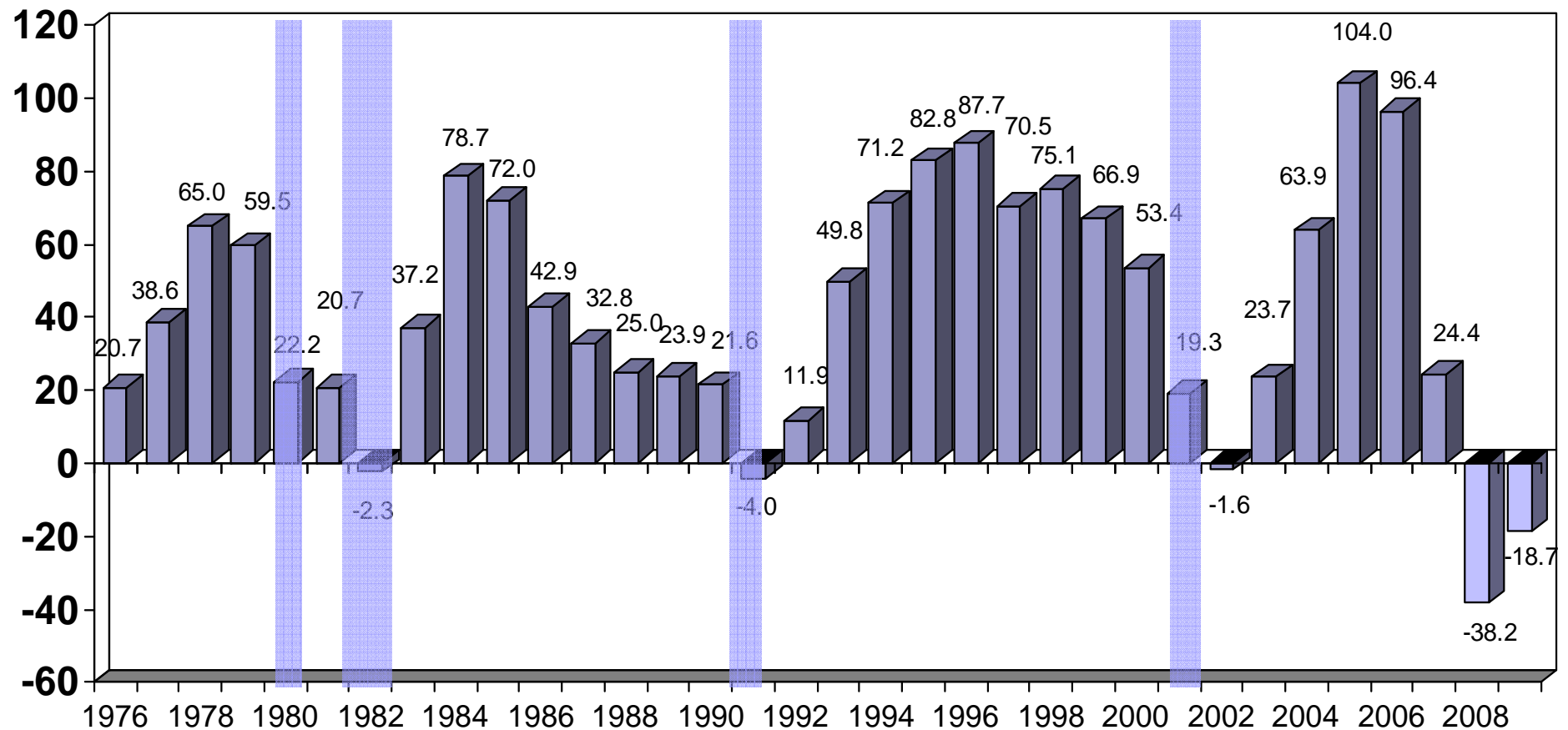
 Recession Periods



Elliott D. Pollack & Company

Phoenix-Mesa MSA Employment Annual Change 1976–2009*

Source: Arizona State University & Department of Commerce, Research Administration



2006 and 2007 are estimates put out by ADES and may be subject to substantial revision.

* 2008 & 2009 forecast is from *Elliott D. Pollack & Co.*

 Recession Periods



Elliott D. Pollack & Company

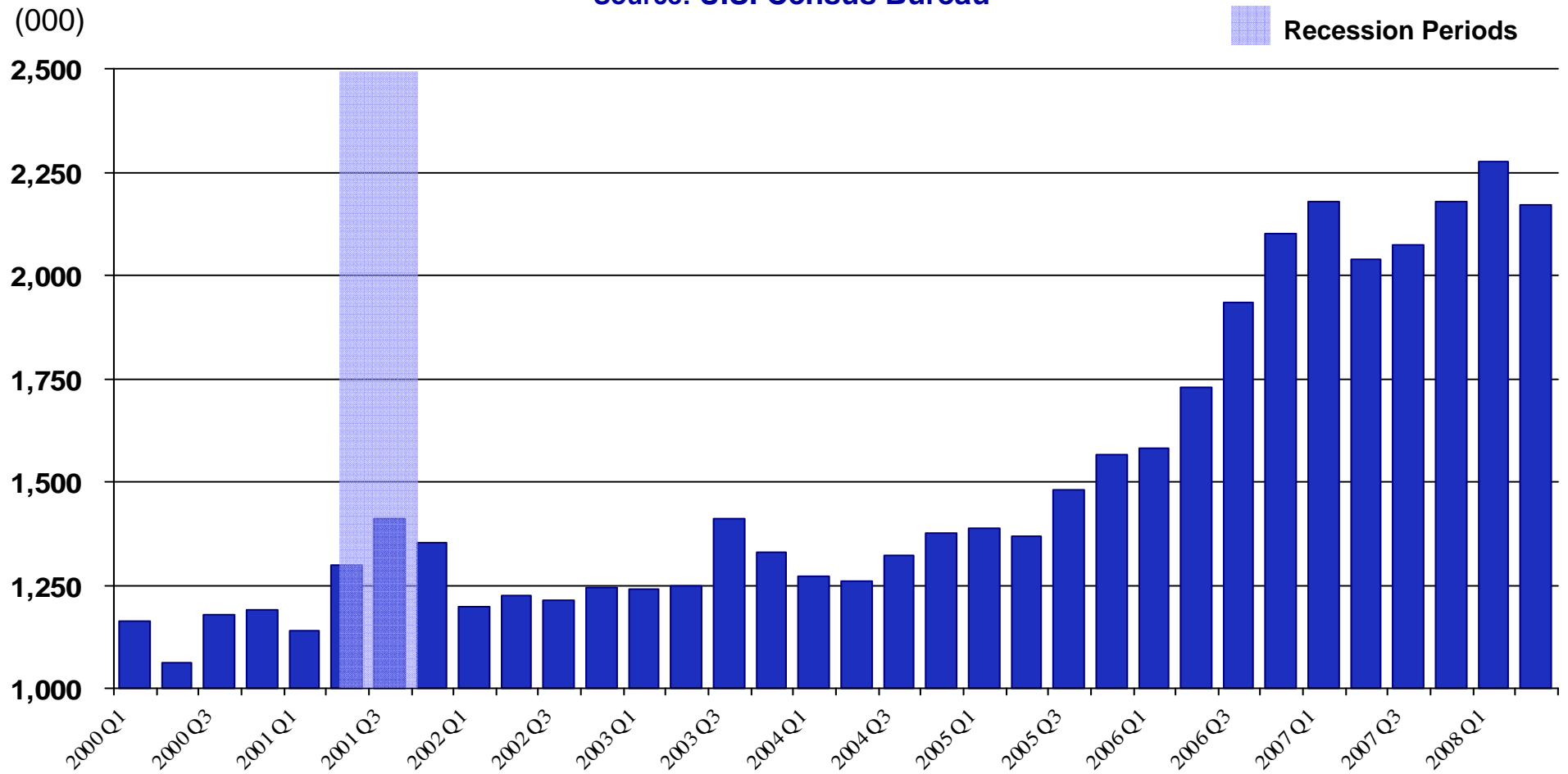
Housing Market





U.S. Number of Vacant Homes for Sale 2000 – 2008*

Source: U.S. Census Bureau



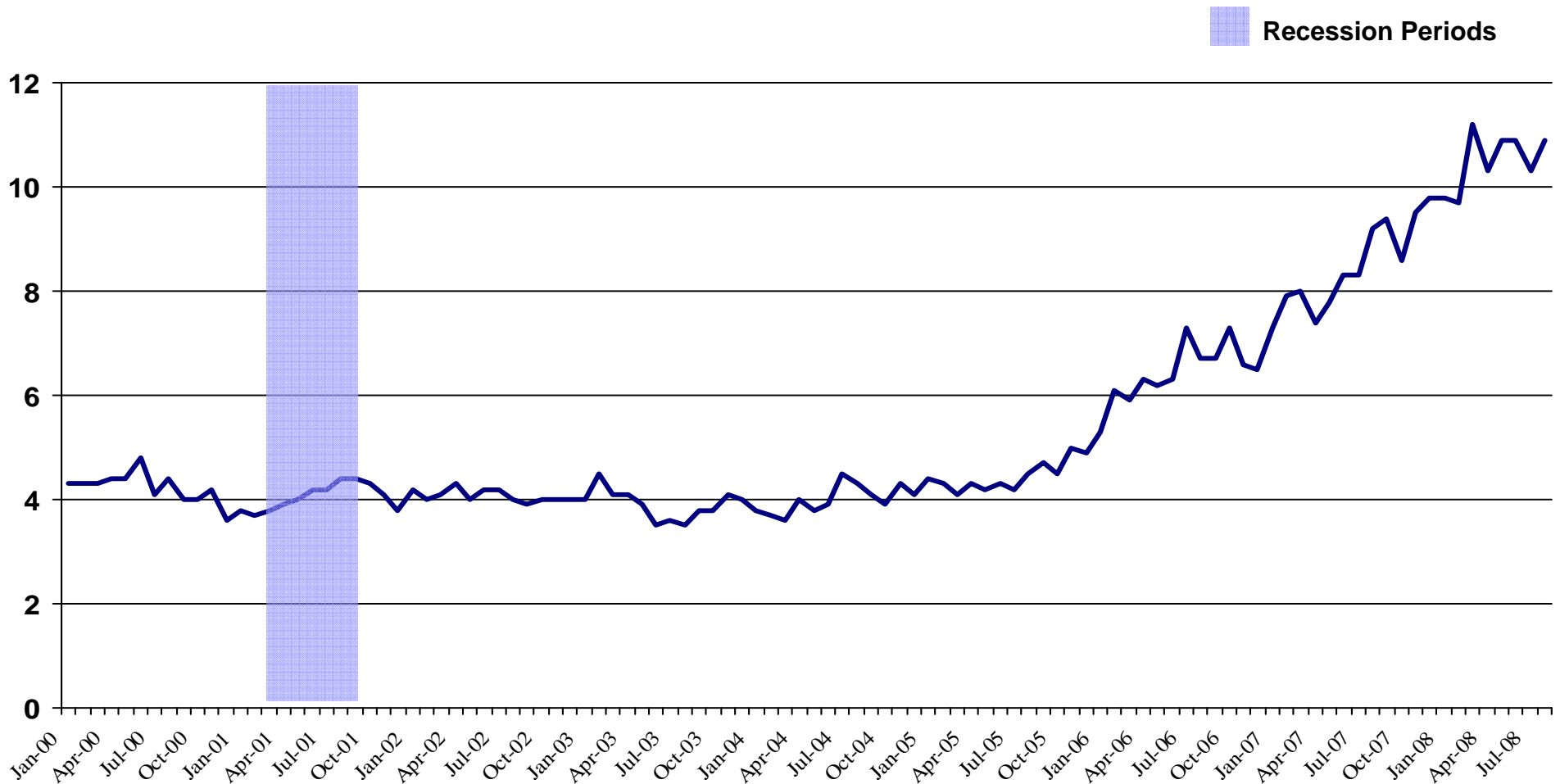
• Data through 2nd Quarter 2008.



Elliott D. Pollack & Company

United States Home Sales Months Supply – Single Family Homes 2000 – 2008*

Source: U.S. Census Bureau



• Data through August 2008.



Elliott D. Pollack & Company

Median Price of Resale Homes – U.S. Percent Change Year Ago 2003 – 2008*

Source: National Association of Home Builders

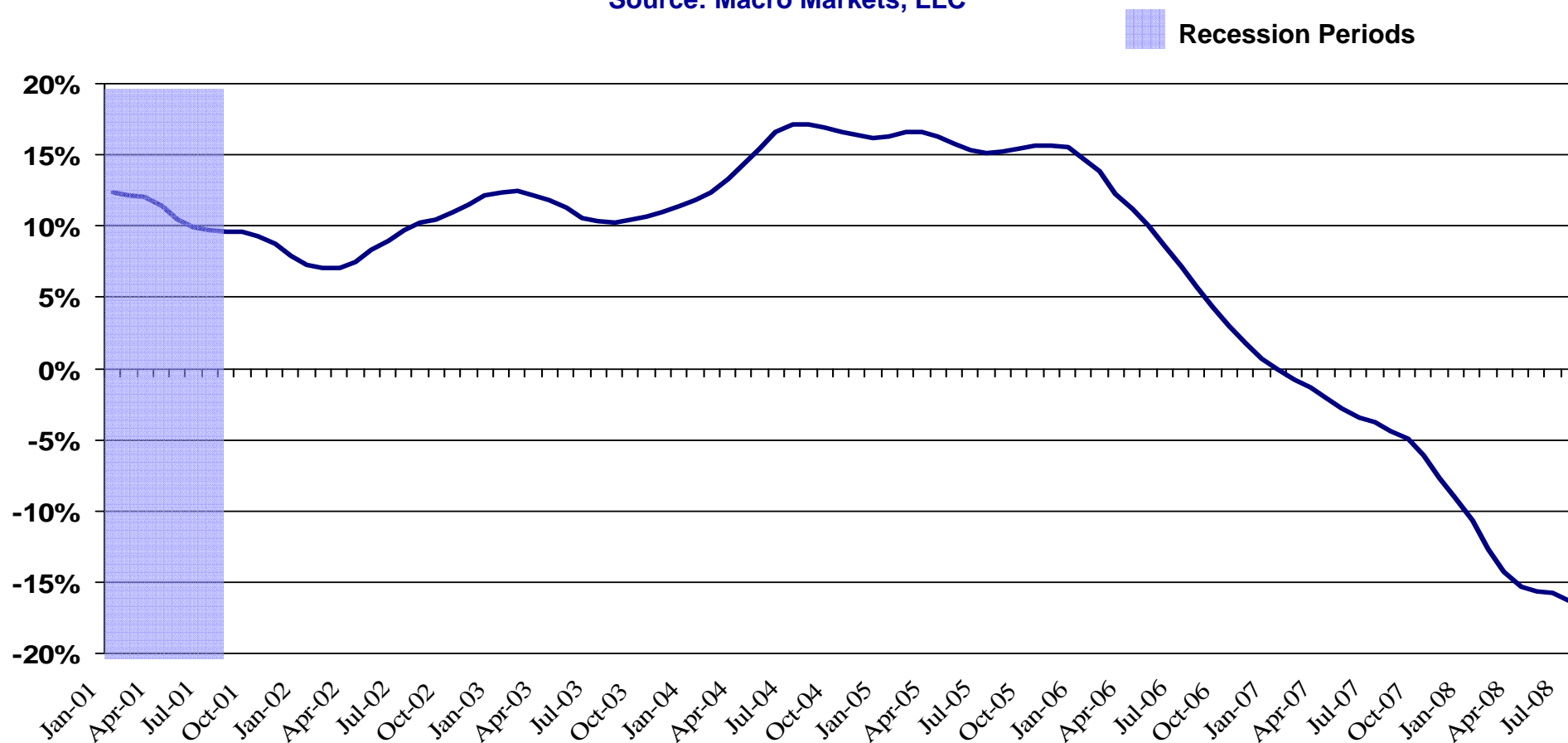


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*Data through August 2008

S&P/Case-Schiller Home Price Index** (Composite of 20 MSA's) Percent Change Year Ago 2001 – 2008*

Source: Macro Markets, LLC

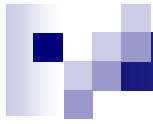


*Data through July 2008

**Measures changes in existing single family home prices given a constant level of quality.



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**Tighter lending standards
and a weak economy
have acted as a drag on the
housing market.**

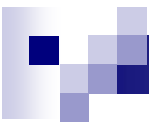


**During the first half of 2008 in
Arizona:**

**- 40.9% of all resales
were foreclosures.**

Source: ASU Realty Studies





It's Not Just Subprime

2008 Q1- Arizona

Source: Mortgage Bankers Association

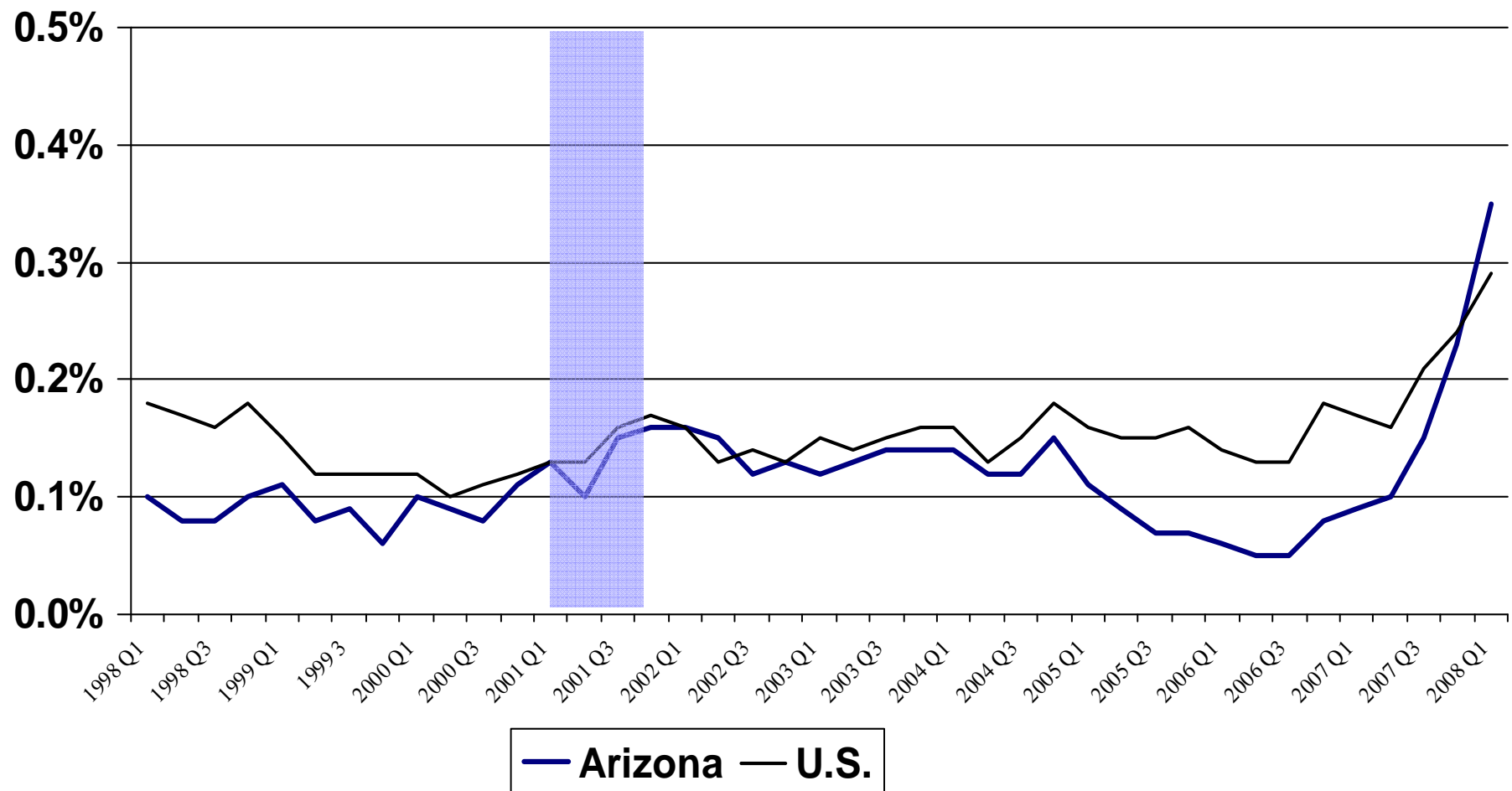
Loan Type	AZ Share of Loans	AZ Share of Foreclosures
Prime Fixed	57.2%	14.2%
Prime ARM	19.8%	23.7%
Sub Fixed	4.9%	6.4%
Sub ARM	9.8%	52.6%
FHA	4.9%	2.2%
VA	2.3%	0.7%
Other	1.1%	0.3%
Total	100%	100%



Foreclosures Started (Prime Fixed Loans) Arizona v. U.S. 1998 – 2008*

Source: Mortgage Bankers Association

 Recession Periods



* Data through first quarter 2008

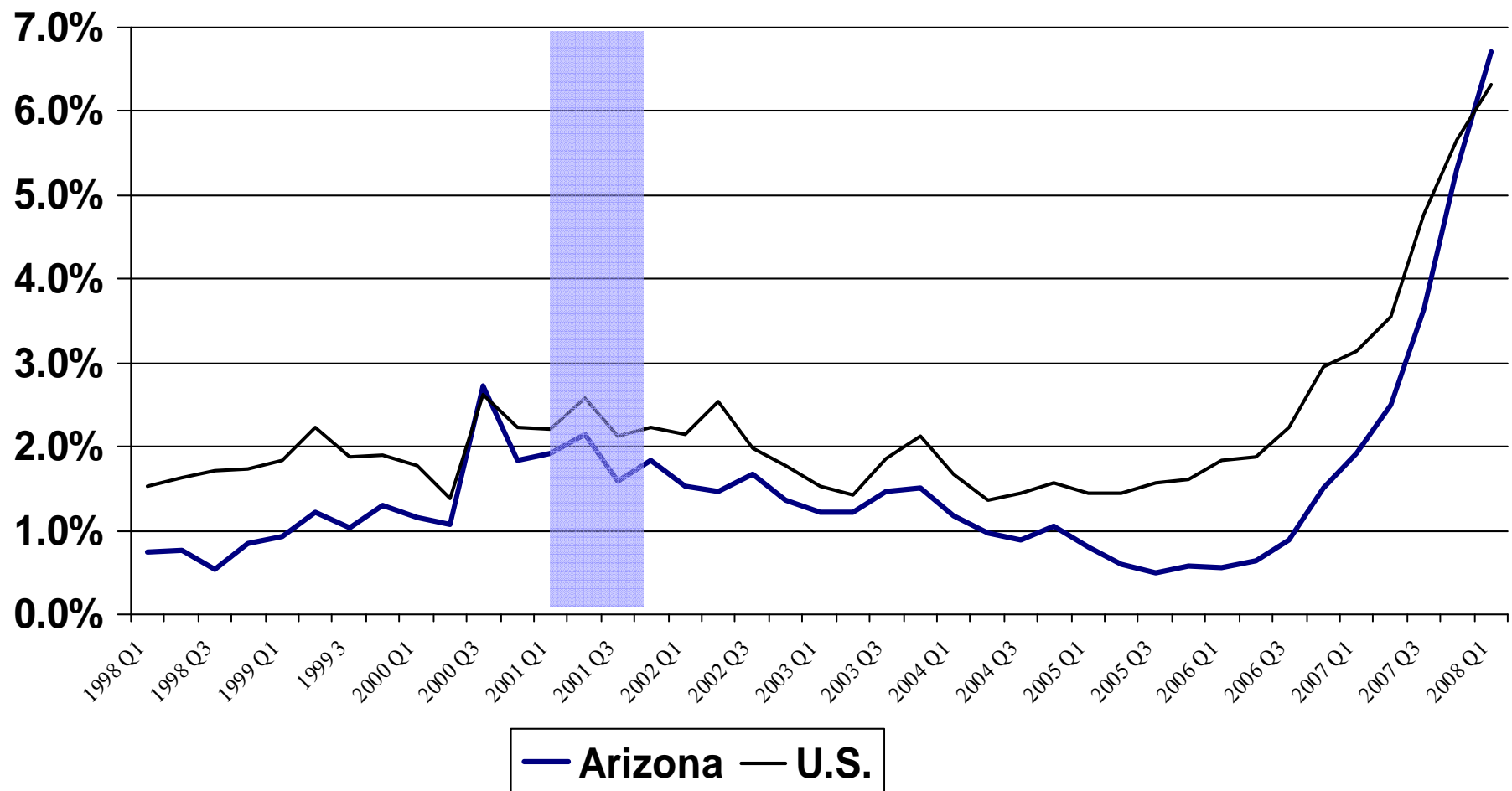


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Foreclosures Started (Subprime ARM Loans) Arizona v. U.S. 1998 – 2008*

Source: Mortgage Bankers Association

 Recession Periods



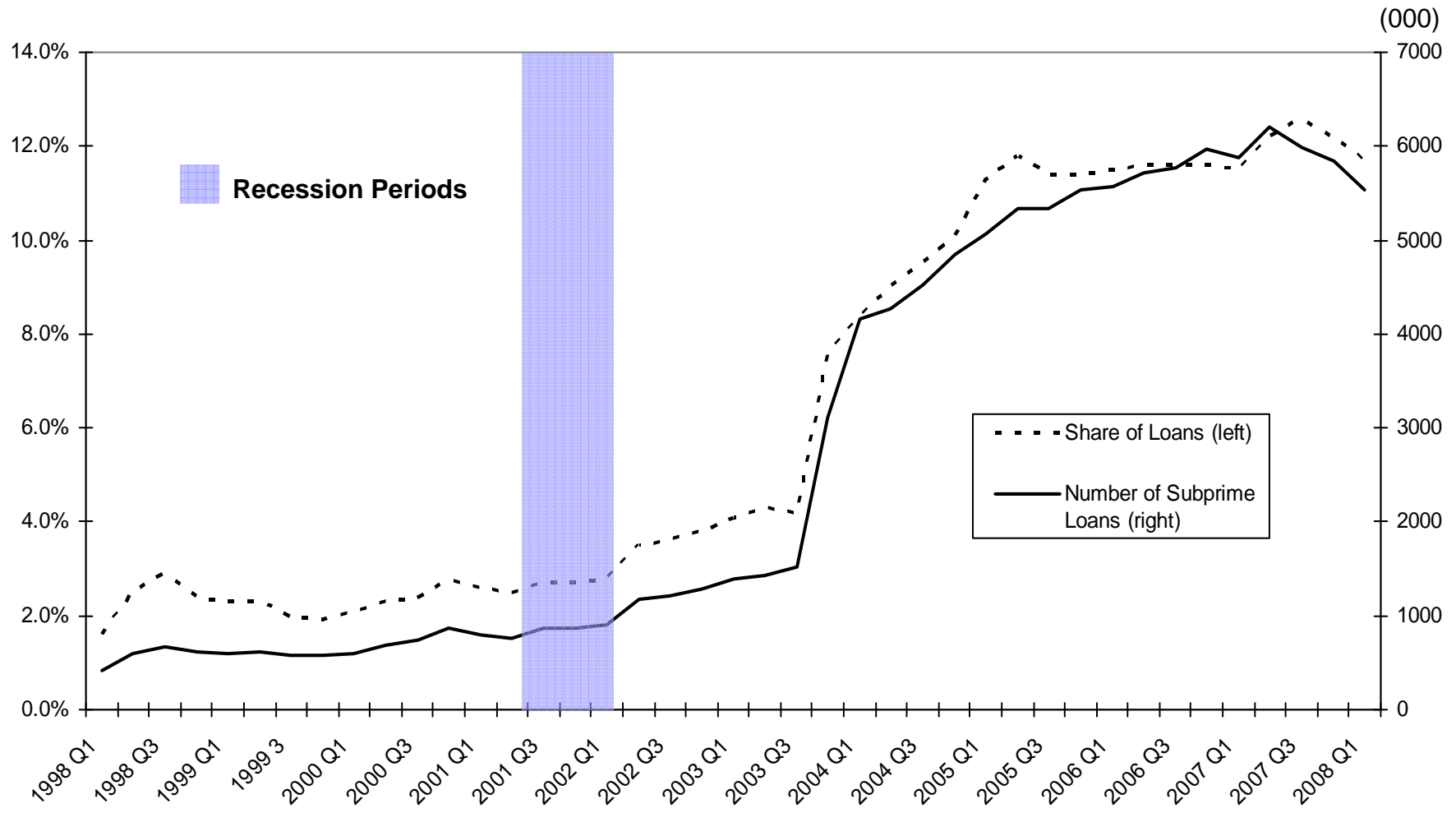
* Data through first quarter 2008



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U.S. Subprime Loans 1998 – 2008*

Source: Mortgage Bankers Association



* Data through first quarter 2008



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SUPPLY V. DEMAND





SUPPLY In Greater Phoenix



Elliott D. Pollack & Company



Greater Phoenix Permits

Source: R.L. Brown

<u>Year</u>	<u>Permits</u>	<u>% chg</u>
2002	38,914	7.6%
2003	47,720	22.6%
2004	60,872	27.6%
2005	63,570	4.4%
2006	42,423	-33.3%
2007	31,172	-26.5%
2008YTD ^{1/}	10,708	-58.7%

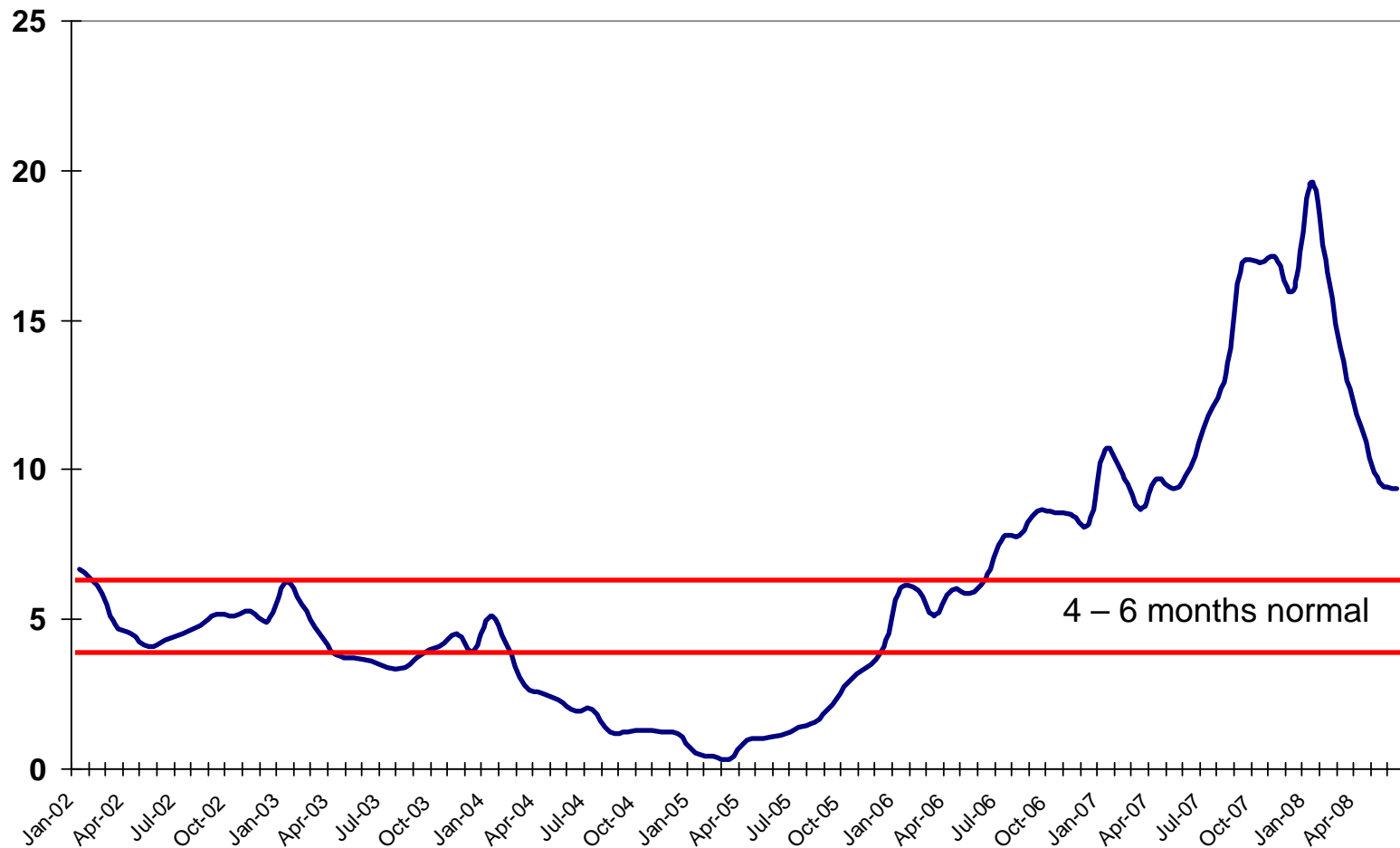




Greater Phoenix Months Supply of Resales

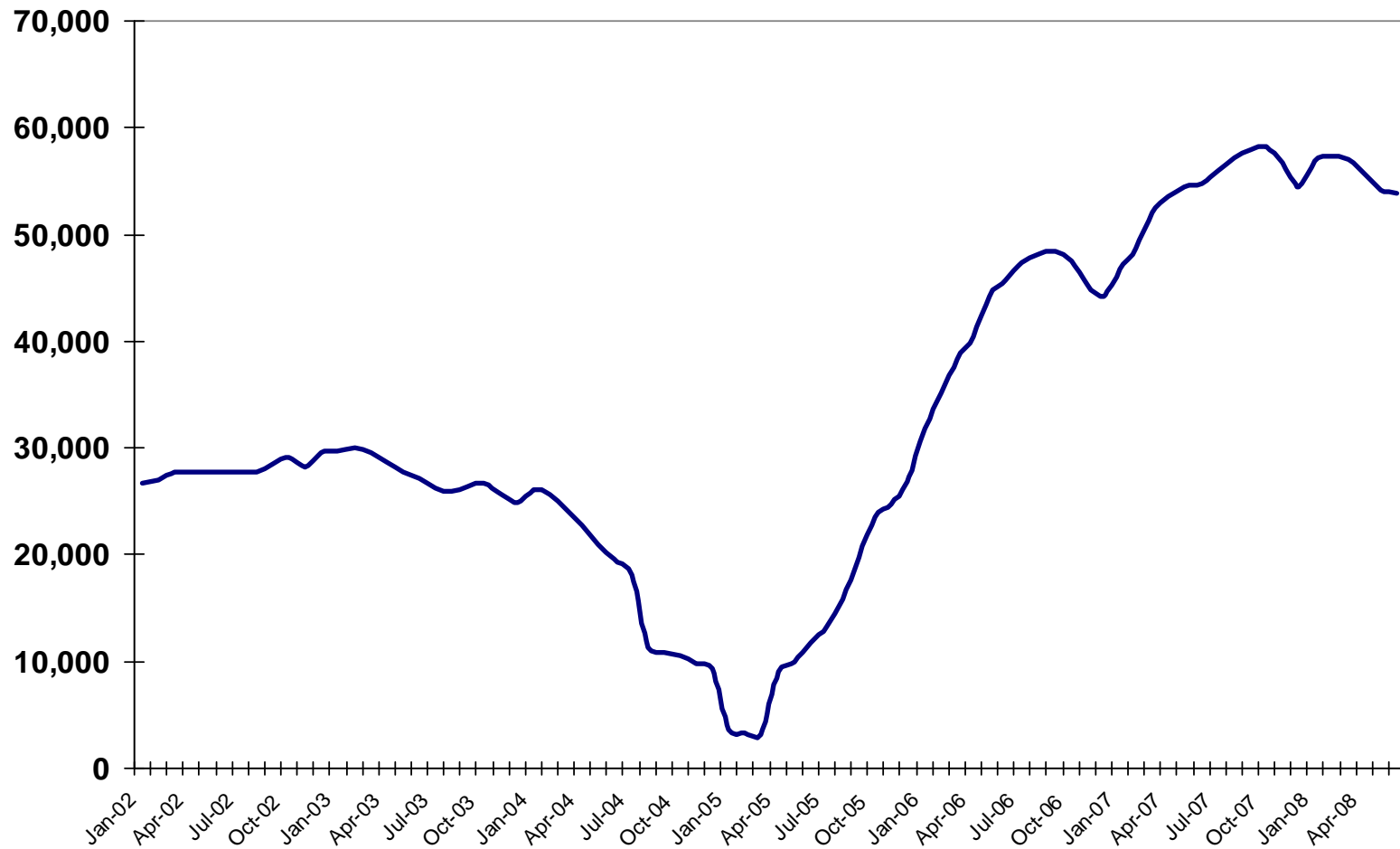
January 2002 - June 2008

Source: AMLS



Greater Phoenix Listings

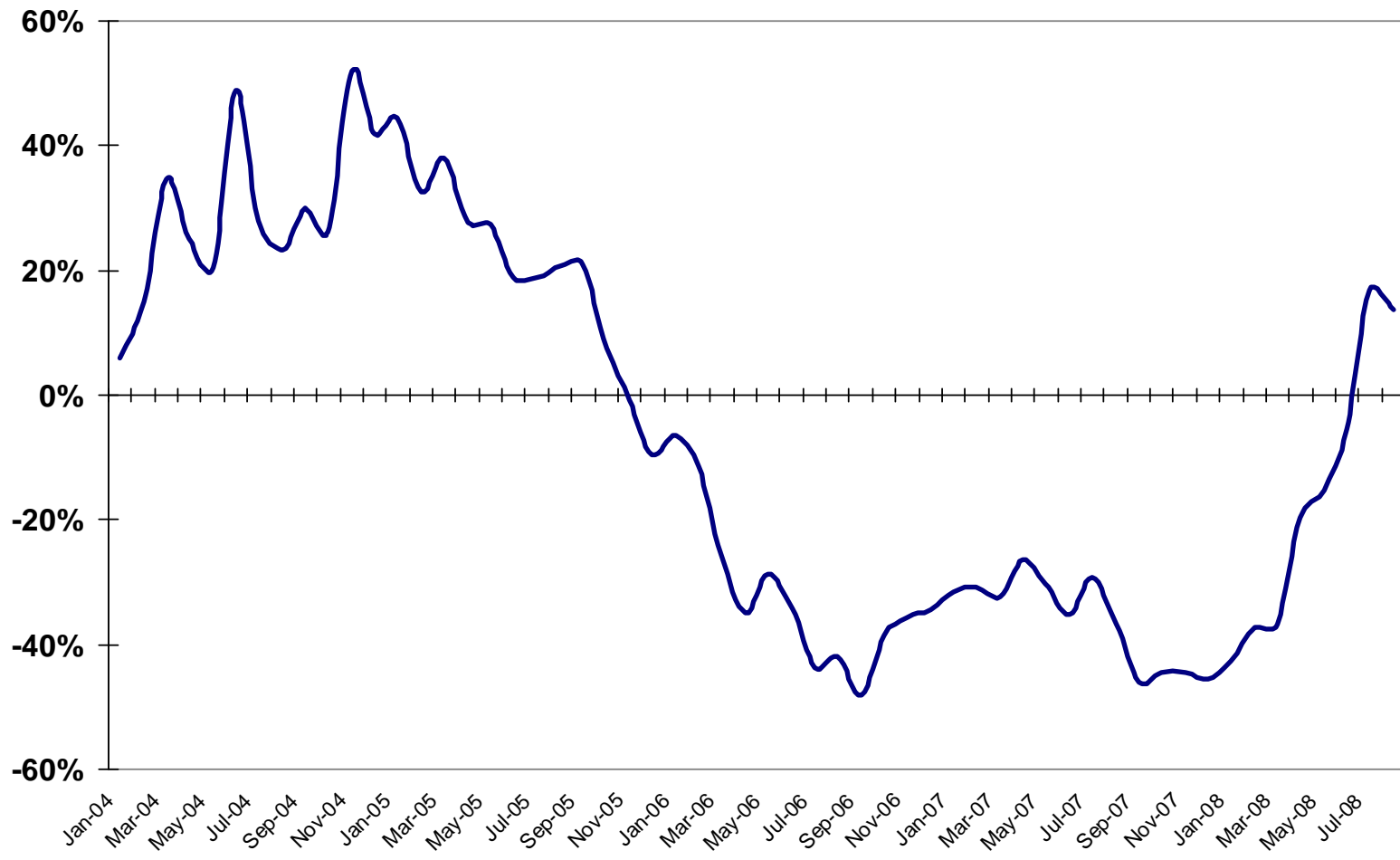
January 2002 - June 2008
Source: AMLS



Greater Phoenix Resales Percent Change Year Ago

January 2004 – August 2008

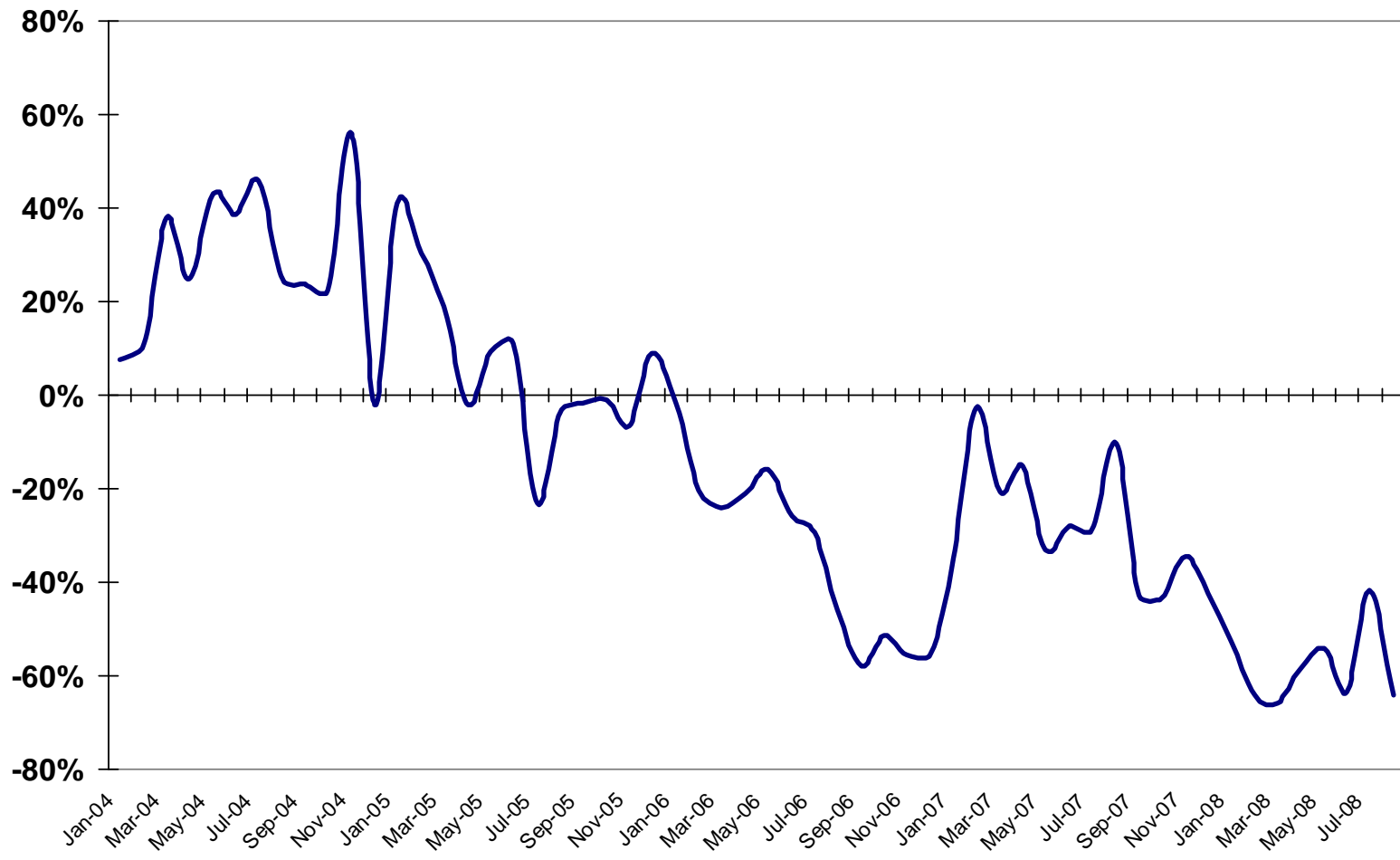
Source: R.L. Brown



Greater Phoenix Permits Percent Change Year Ago

January 2004 - August 2008

Source: R.L. Brown

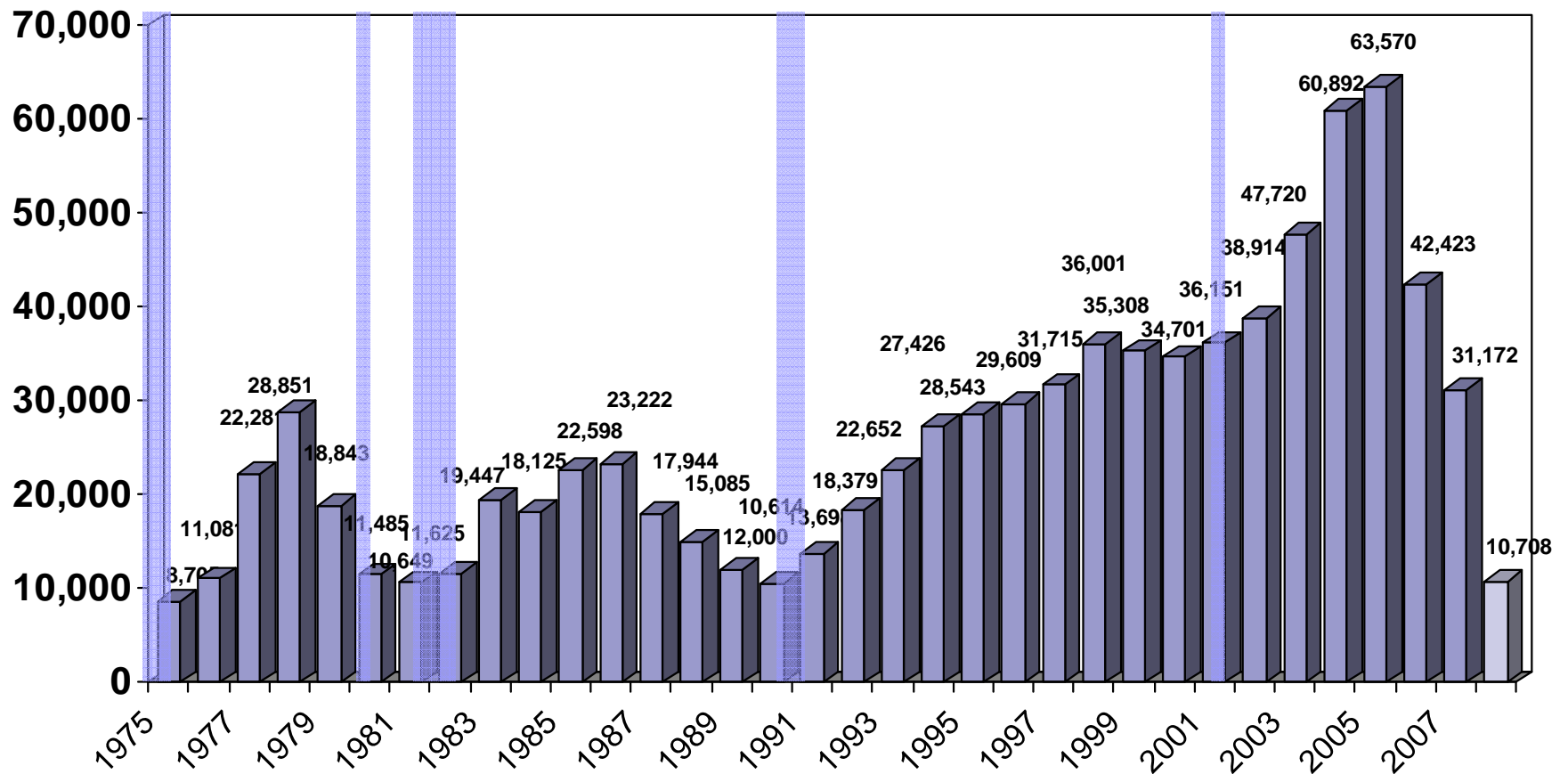


Single-Family Permits Greater Phoenix 1975–2008^{1/}

Permits

Source: PMHS / RL Brown

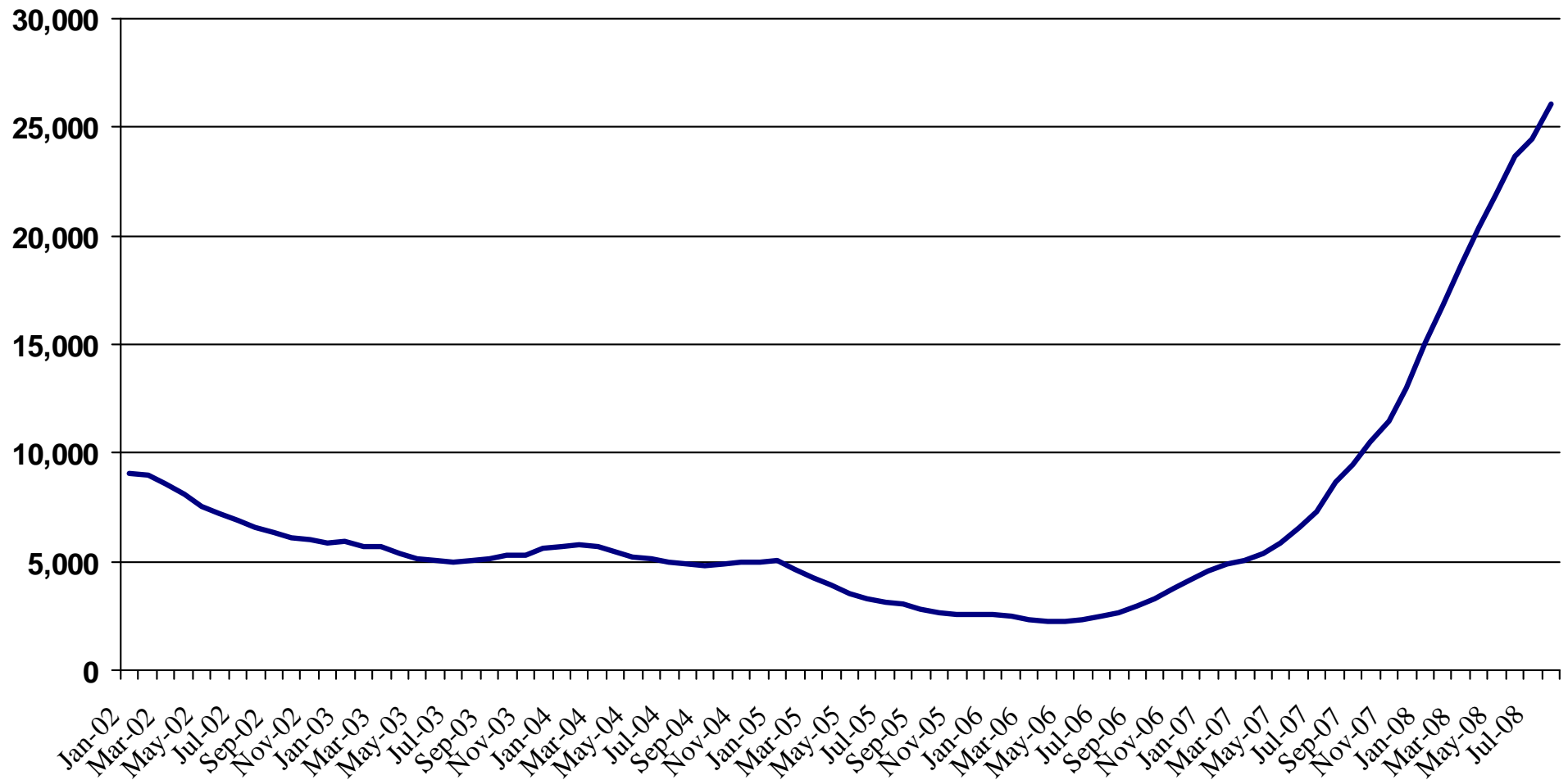
Recession Periods





Properties in the Foreclosure Process Maricopa County 2002 – 2008

Source: The Information Market




Elliott D. Pollack & Company



DEMAND For Greater Phoenix



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**Greater Phoenix long-term
demographics call for
roughly 35,000
single family units each year.**

**(It will be less in the
next 2-3 years though)**





Greater Phoenix Housing Demand

Old Analysis

125,000 new residents each year

80% single family

2.5 persons / housing unit

= 40,000 single family units

New Analysis

80,000 new residents each year

75% single family

2.7 persons / housing unit

= **19,300** single family units





Greater Phoenix Housing Demand

20,000 single family units demanded

15,000 new housing units per year

= 5,000 eating into excess each year



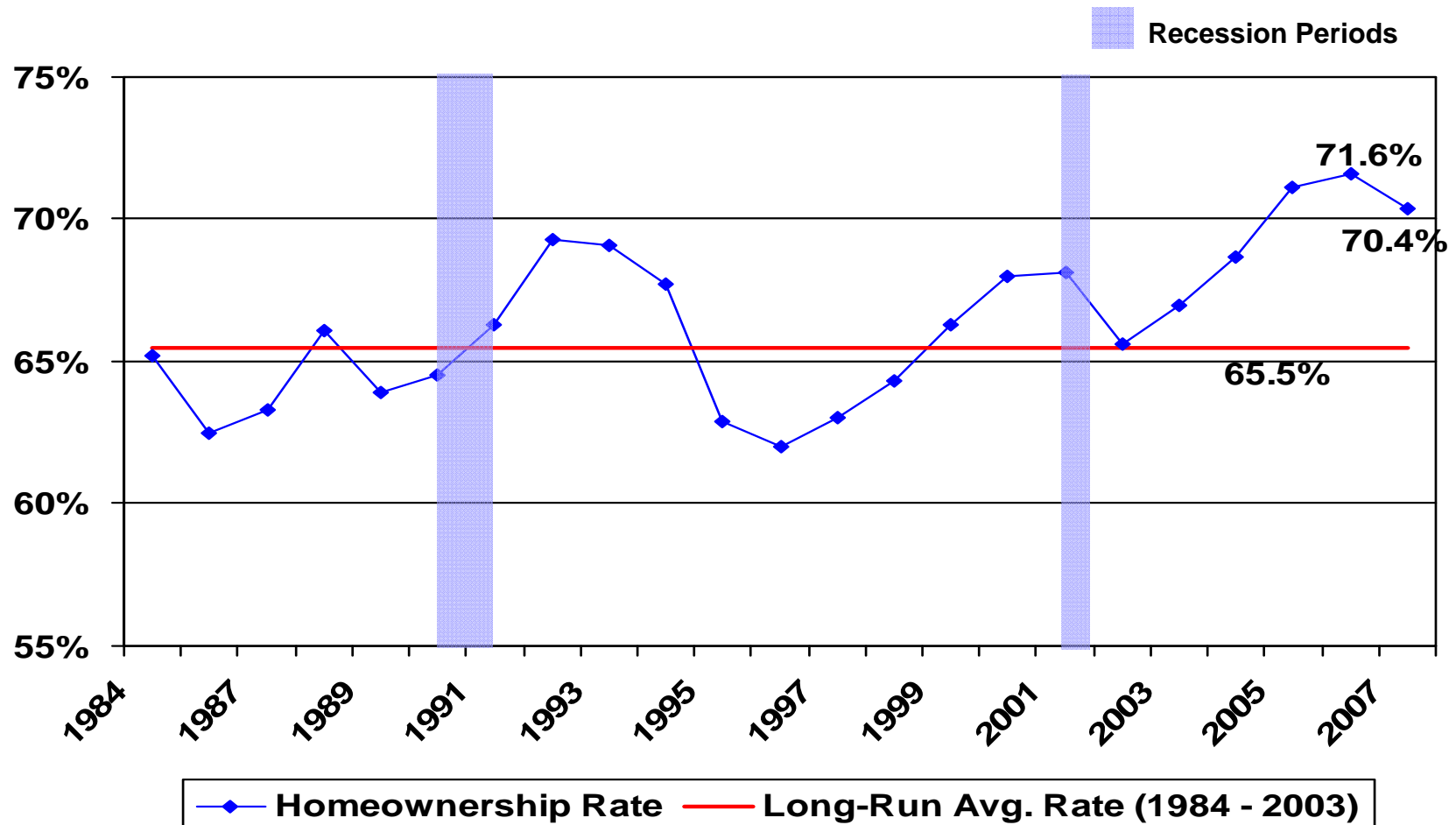


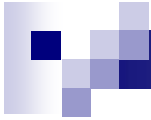
Homeownership rate
went up during the
housing bubble



Arizona Homeownership Rates 1984 - 2007

Source: U.S. Census





Greater Phoenix Housing Units

Source: ASU Realty Studies

<u>Year</u>	<u>Housing Units^{1/}</u>
-------------	-----------------------------------

2007	1,517,500
------	-----------

1% =	15,175
------	--------

2% =	30,350
------	--------

3% =	45,525
------	--------

4% =	60,700
------	--------

5% =	75,875
------	--------





**This suggests more foreclosures
and more years of a weak market.**

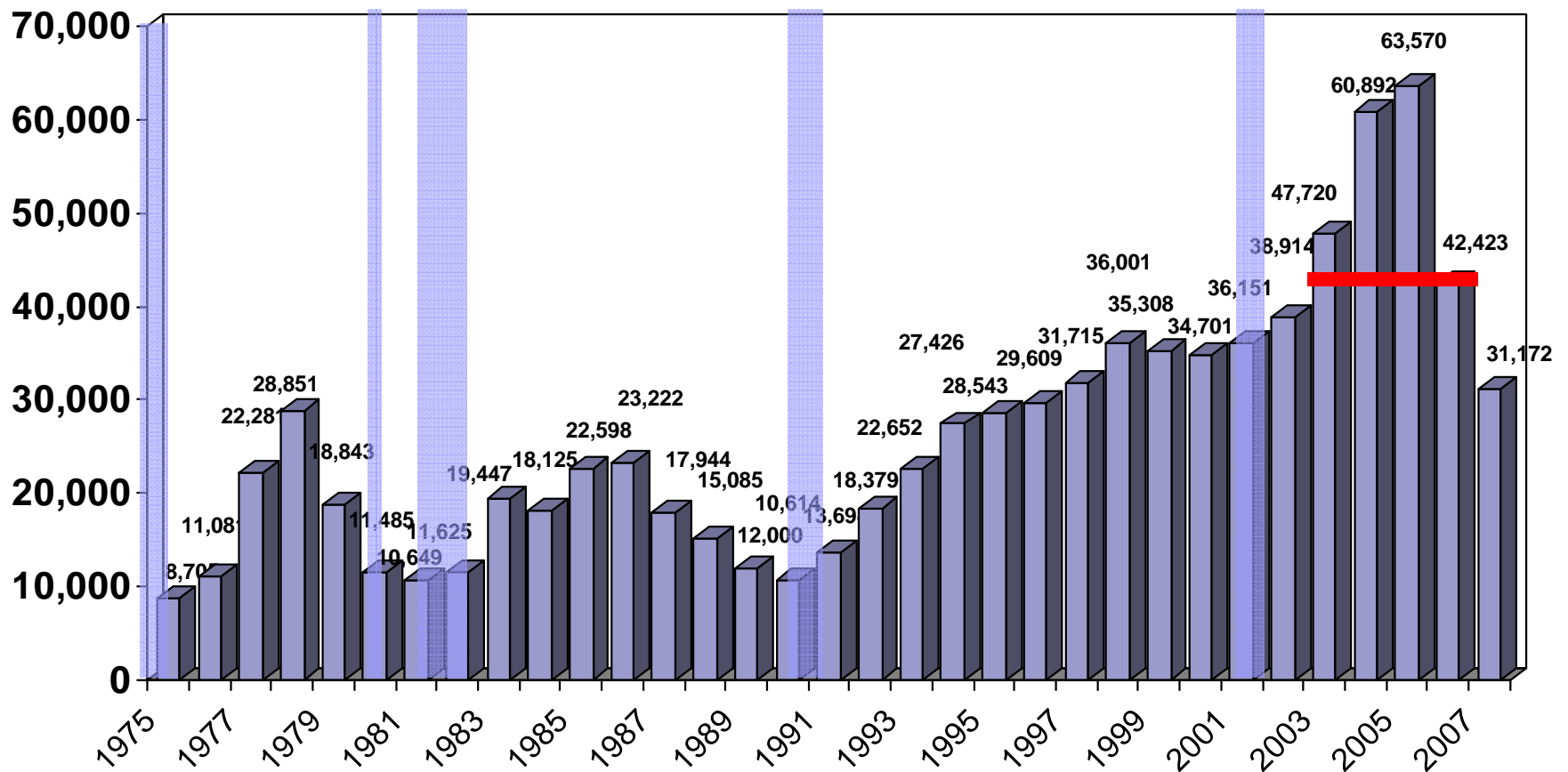


Single-Family Permits Greater Phoenix 1975–2007

Permits

Source: PMHS / RL Brown

Recession Periods




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—— Red line ——
between 2003 and 2006 implies:

- If “normal” demand is 40,000 units per year, then Greater Phoenix overbuilt **55,000** units.





If there are **45,000** to **55,000** excess units above “normal” and only eating into 11,000 units per year in 2008 and 2009...

... Then there will *still* be 30,000 – 40,000 excess units to absorb.



2012? Assuming another shoe doesn't drop!

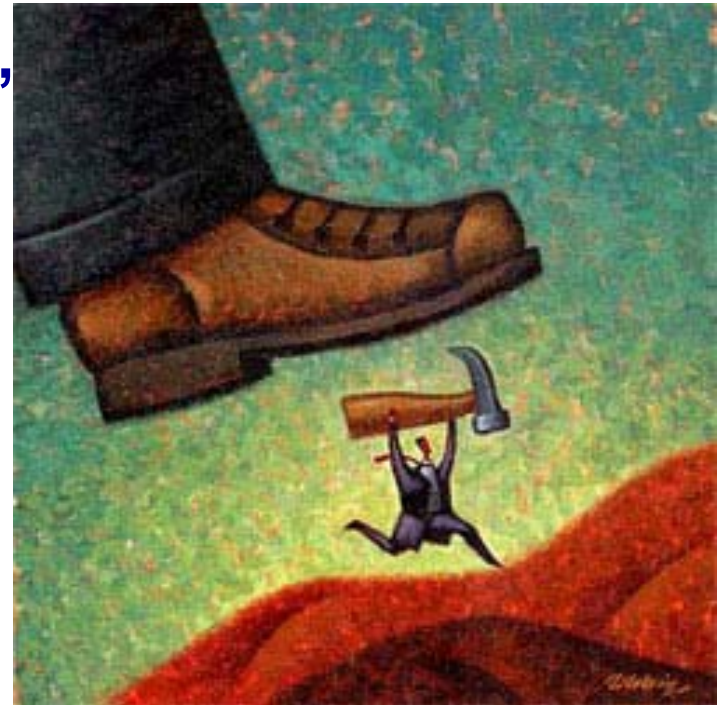


(We will grow from 15,000 permits back to a normal 35,000 permits)



Problems with quickly absorbing the excess:

- 1) Slower population growth,
- 2) Builders still holding inventory,
- 3) Oversupply of homes on MLS,
- 4) Foreclosures to worsen in 2009,
- 5) Builders still building.





The Result

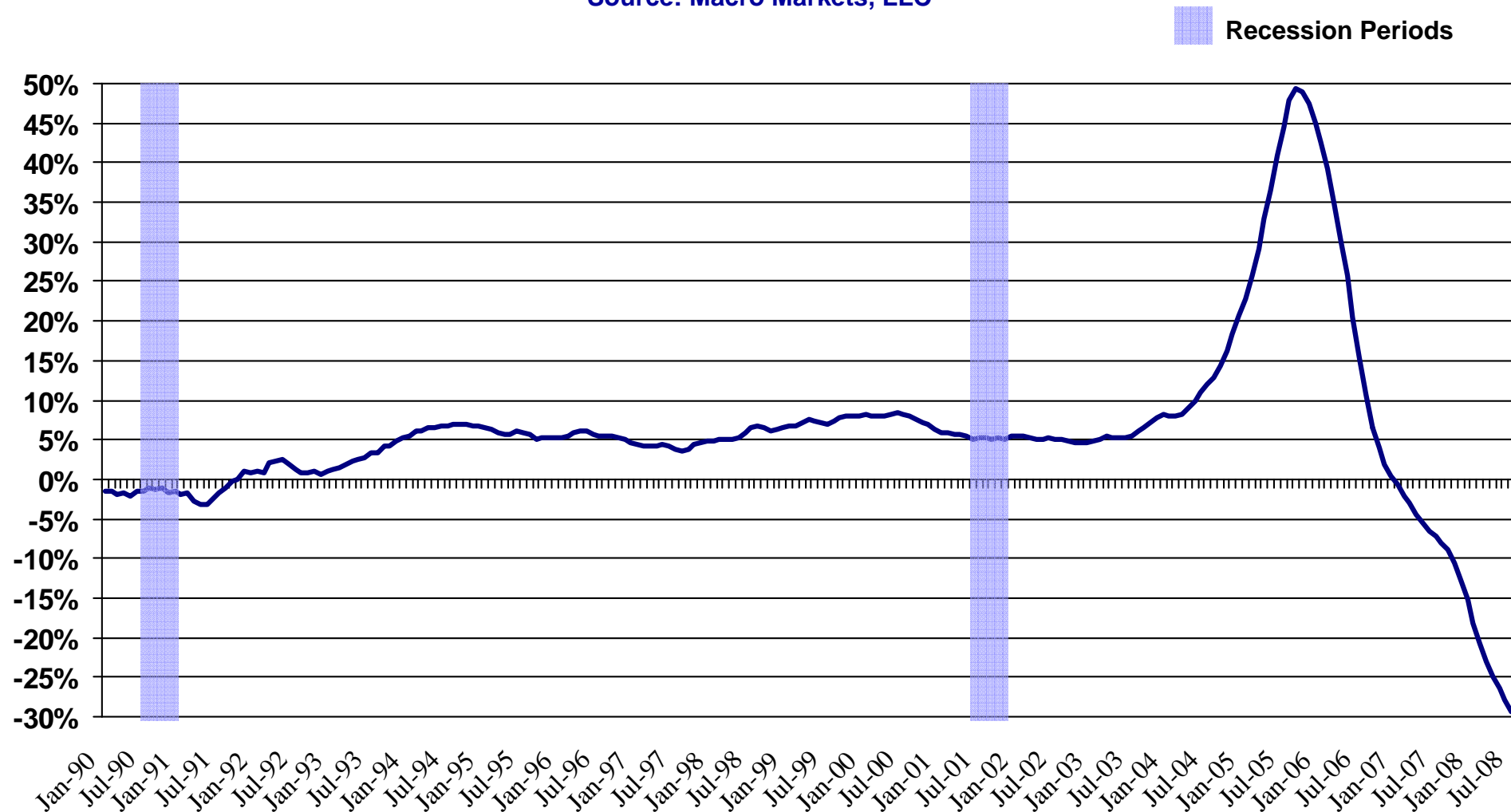


Greater Phoenix S&P/Case-Schiller Home Price Index**

Percent Change Year Ago

1990 – 2008*

Source: Macro Markets, LLC



Elliott D. Pollack & Company

*Data through July 2008

**Measures changes in existing single family home prices given a constant level of quality.



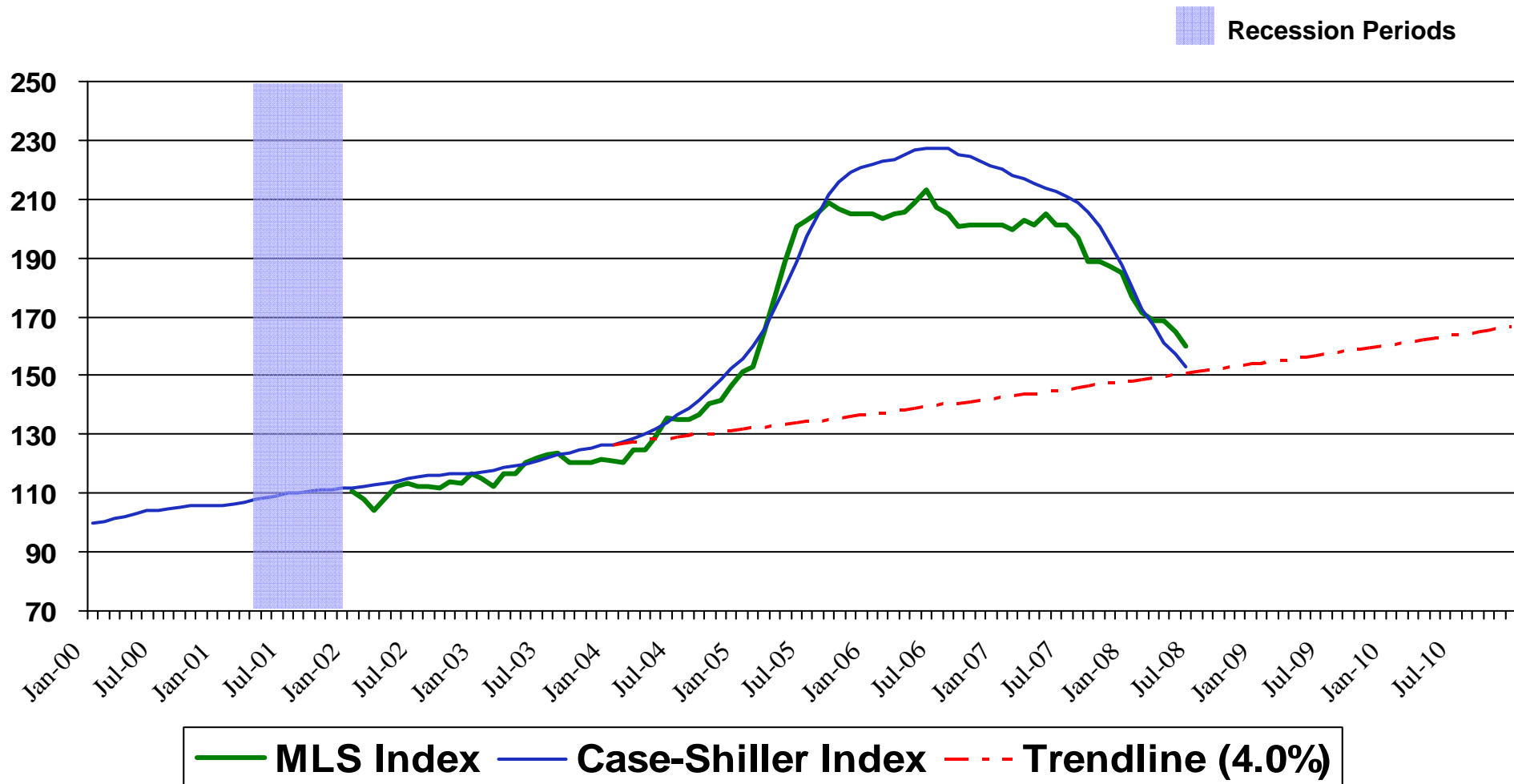
**How
will it
turn out?**



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Home Prices Indices 2000 – 2010

Source: Macro Markets, LLC; AMLS





**The bottom of the housing market
may occur in 2009,
but a full recovery
will probably take **multiple** years.**



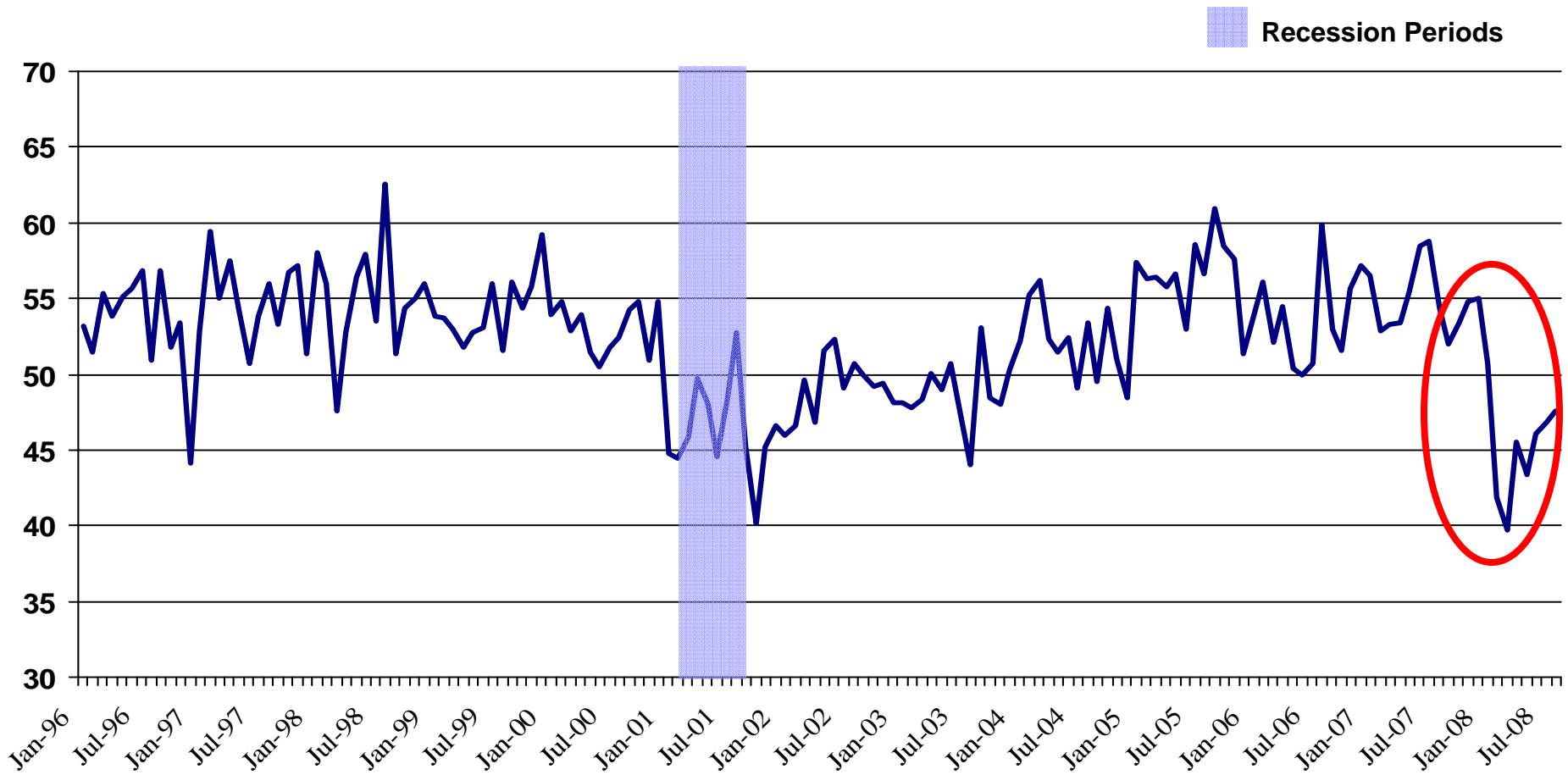
Commercial Real Estate



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Architectural Billings Index 1996 – 2008*

Source: American Institute of Architecture



*Data through August 2008

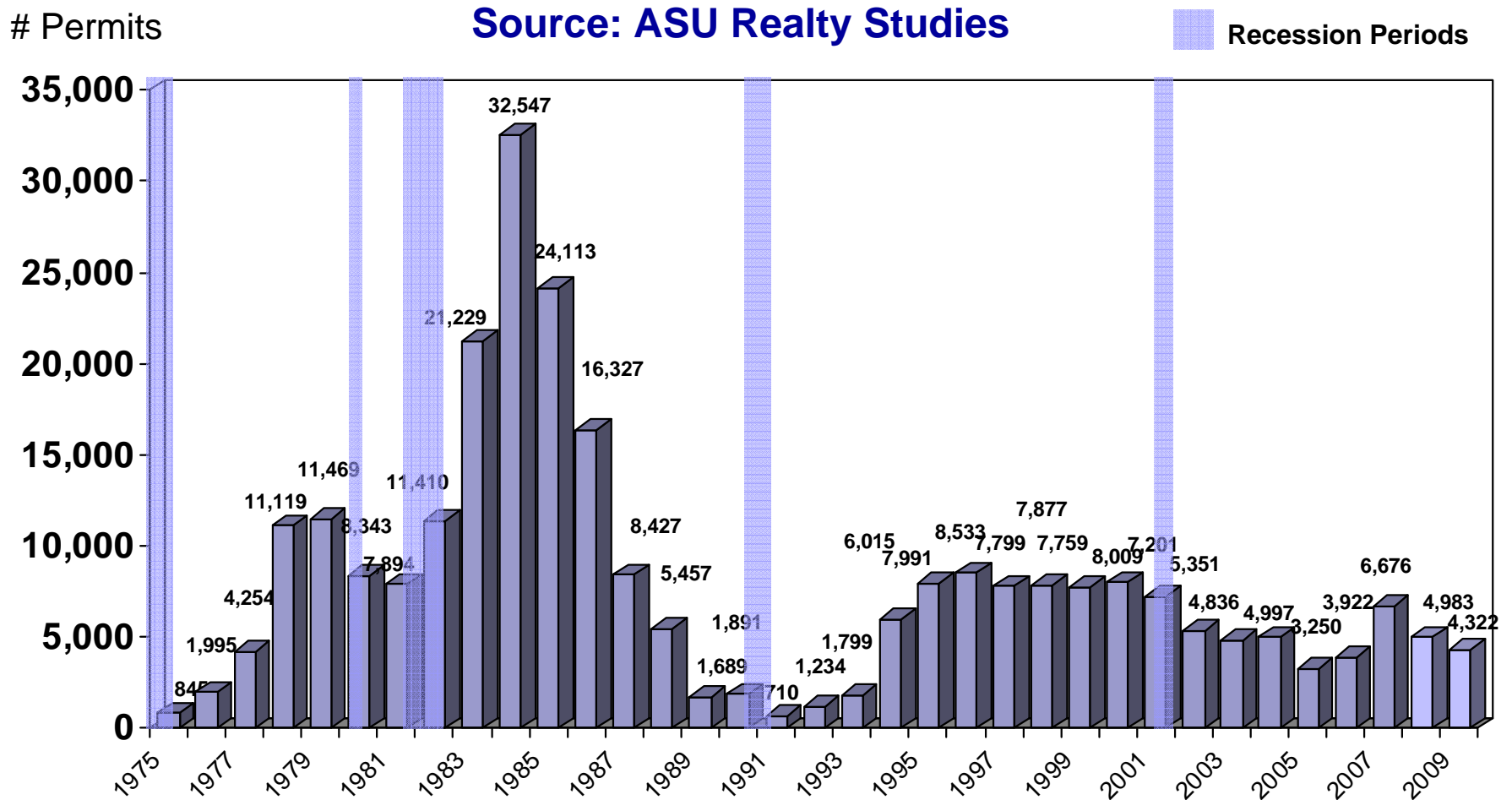


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Multi-Family Market



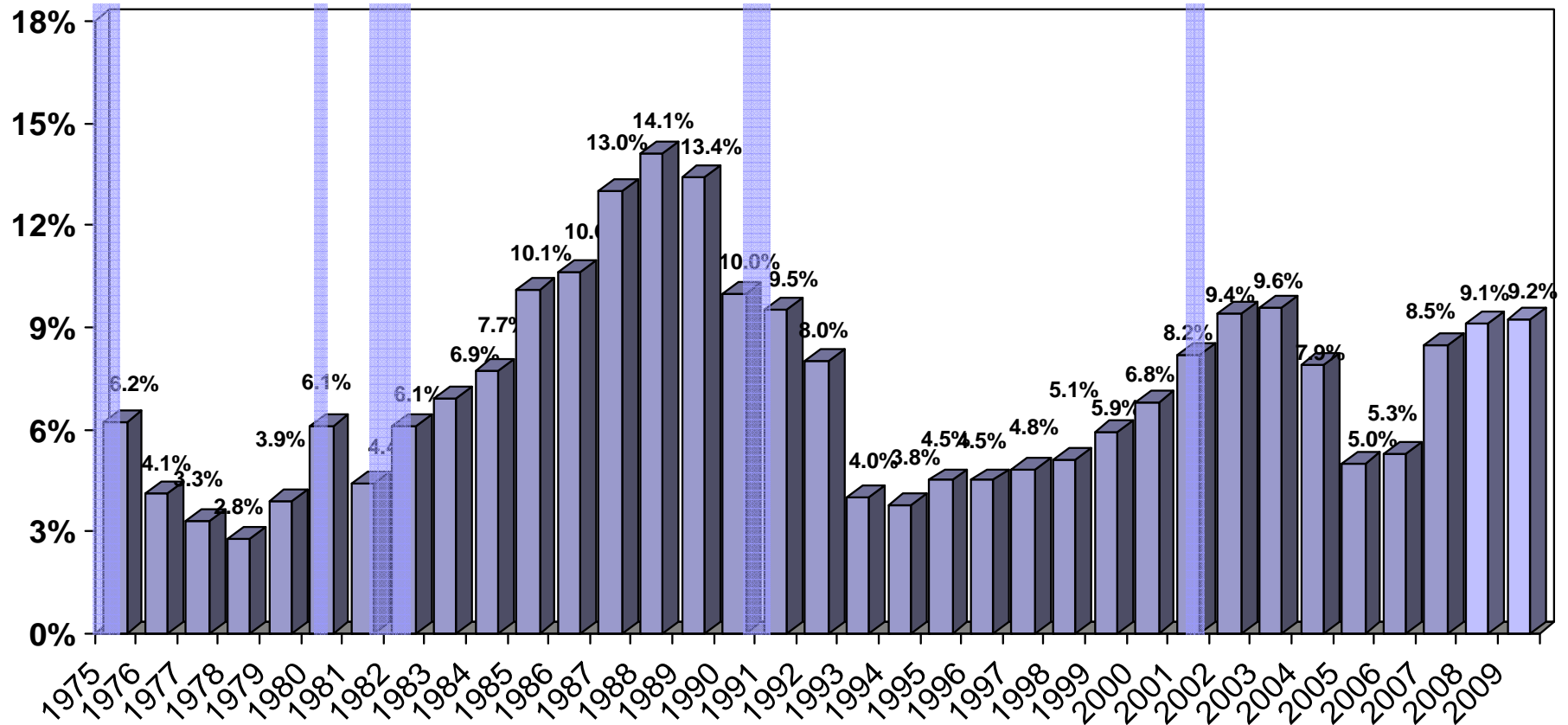
Multi-Family Permits Greater Phoenix 1975–2009*



Multi-Family Year-End Vacancy Rates Maricopa County 1986–2009*

Source: ASU Realty Studies

 Recession Periods



*2008 -2009 are forecasts from CB Richard Ellis



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Multi-Family Construction Activity

Source: PMHS

	<u>Absorption</u>	<u>Chg in Inventory*</u>
2003	3,702	4,852
2004	9,230	3,980
2005	4,756	(5,169)
2006	(4,653)	(3,828)
2007	(5,846)	(4,979)
2008q2	(1,385)	2,215

*There were 23,898 condo conversion in the Greater Phoenix area from q1 2005 through q2 2007.



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**There are currently
8,579 multi-family units under
construction (q2 08).**





What's Happening in Multi-family Market?

- Condos being rented out, but still not in multi-family data
- Potentially lots of single family units in rental pool



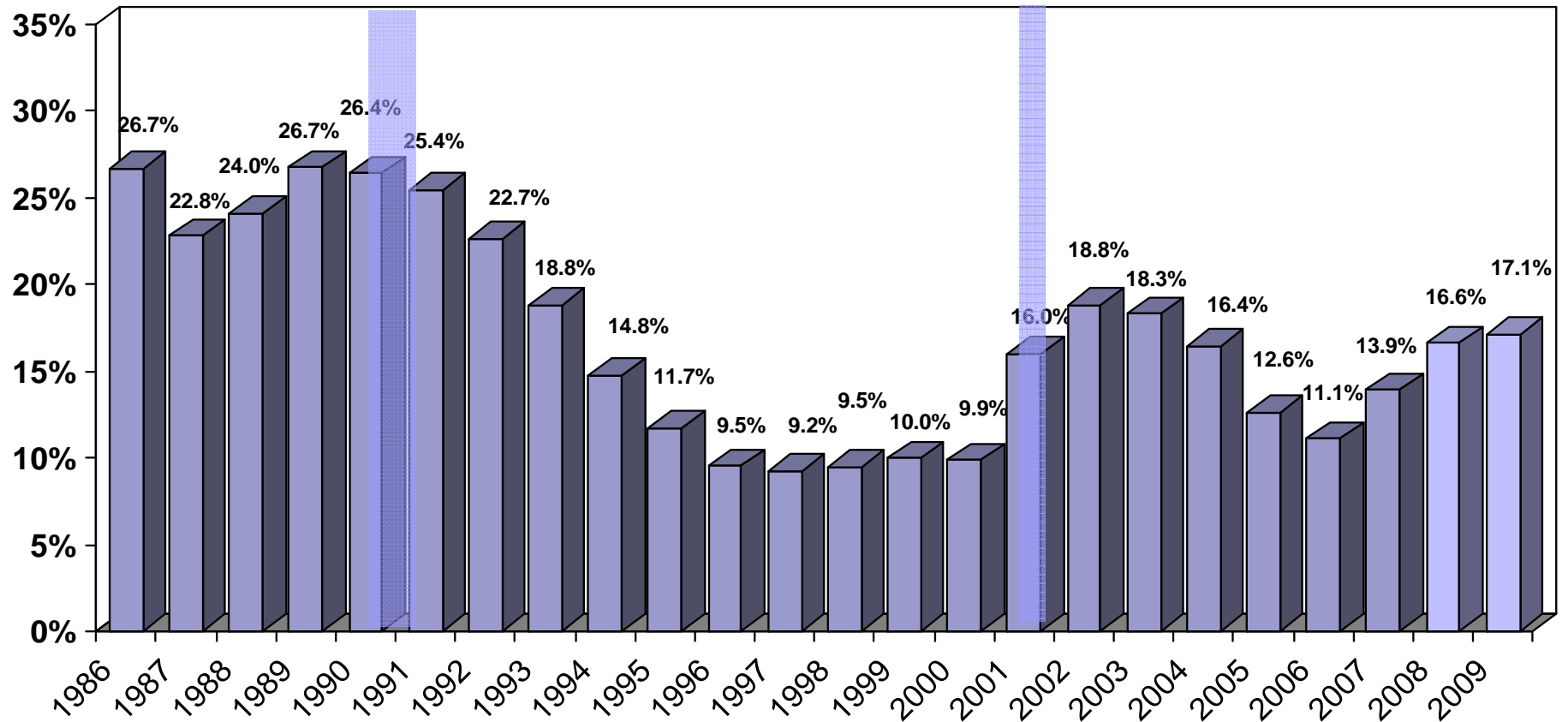
Office Market



Office Space Year-End Vacancy Rates Maricopa County 1986–2009*

Source: CB Richard Ellis


 Recession Periods



*2008 -2009 are forecasts from CB Richard Ellis



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Greater Phoenix Office Market Construction Activity*

Source: CB Richard Ellis

	<u>Absorption</u>	<u>Chg in Inventory</u>
2002	707,037 sf	2,305,591 sf
2003	1,245,156 sf	326,117 sf
2004	2,222,880 sf	1,620,860 sf
2005	3,119,293 sf	7,987 sf**
2006	3,245,888 sf	2,320,302 sf
2007	1,500,704 sf	4,905,374 sf
2008-3Q	(54,778) sf	2,529,034 sf

*Only includes multi-tenant space greater than 10,000 SF

** A number of buildings in downtown and mid-town are being converted to office condos.





**There are currently
3.9 million square feet of office
space under construction (q3 08).**



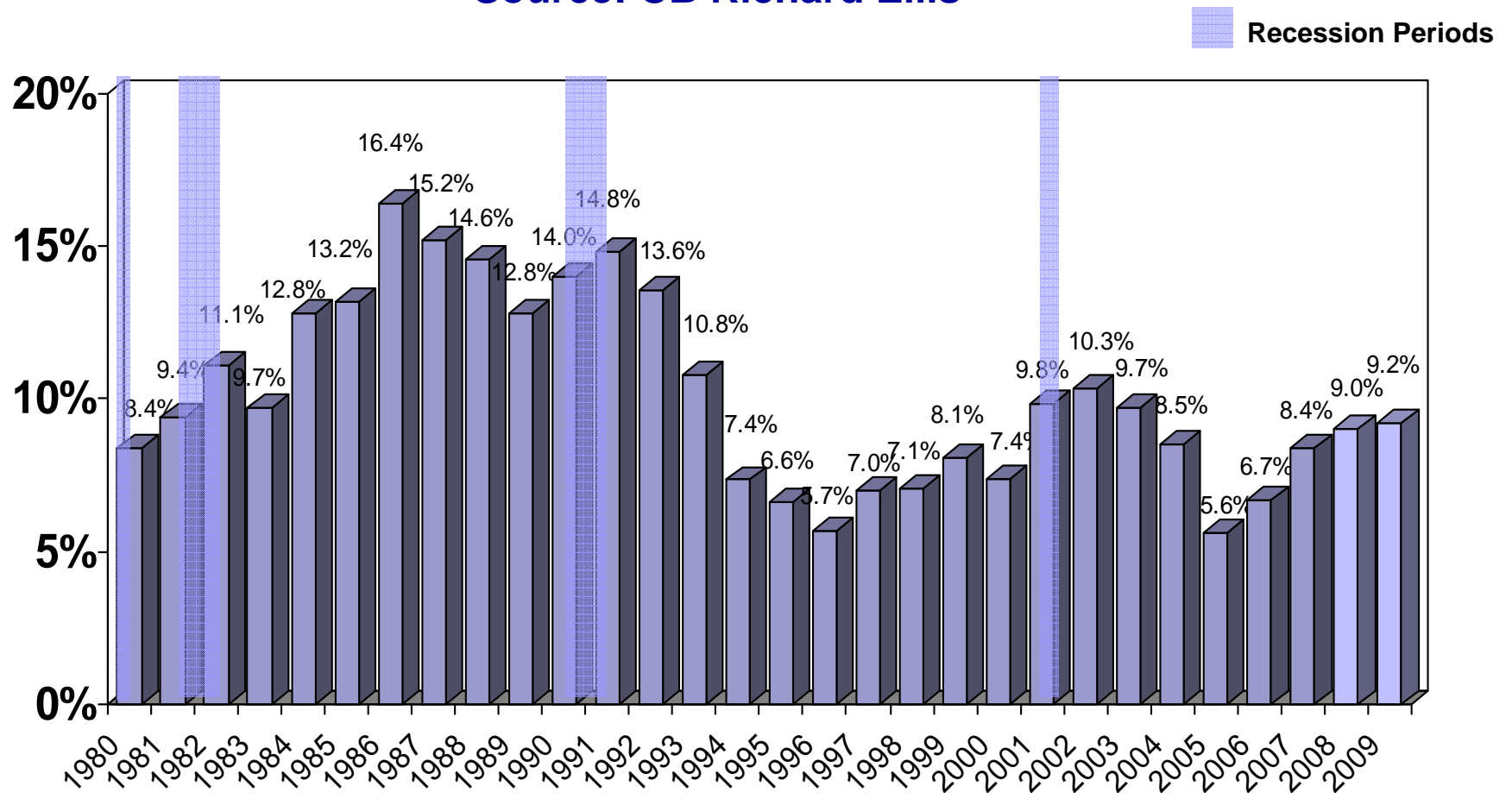


Industrial Market



Industrial Space Vacancy Rates Maricopa County 1980 – 2009*

Source: CB Richard Ellis



* 2008 - 2009 are forecasts from EDPco



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Greater Phoenix Industrial Market Construction Activity

Source: CB Richard Ellis

	<u>Absorption</u>	<u>Chg in Inventory</u>
2002	3,364,998 sf	5,650,277 sf
2003	4,406,646 sf	4,801,910 sf
2004	6,273,847 sf	7,402,396 sf
2005	12,339,591 sf	7,071,477 sf
2006	6,032,175 sf	7,829,959 sf
2007	8,359,835 sf	13,914,612 sf
2008-3Q	1,463,461 sf	11,016,260 sf





**There are currently
5.8 million square feet of
industrial space
under construction (q3 08).**



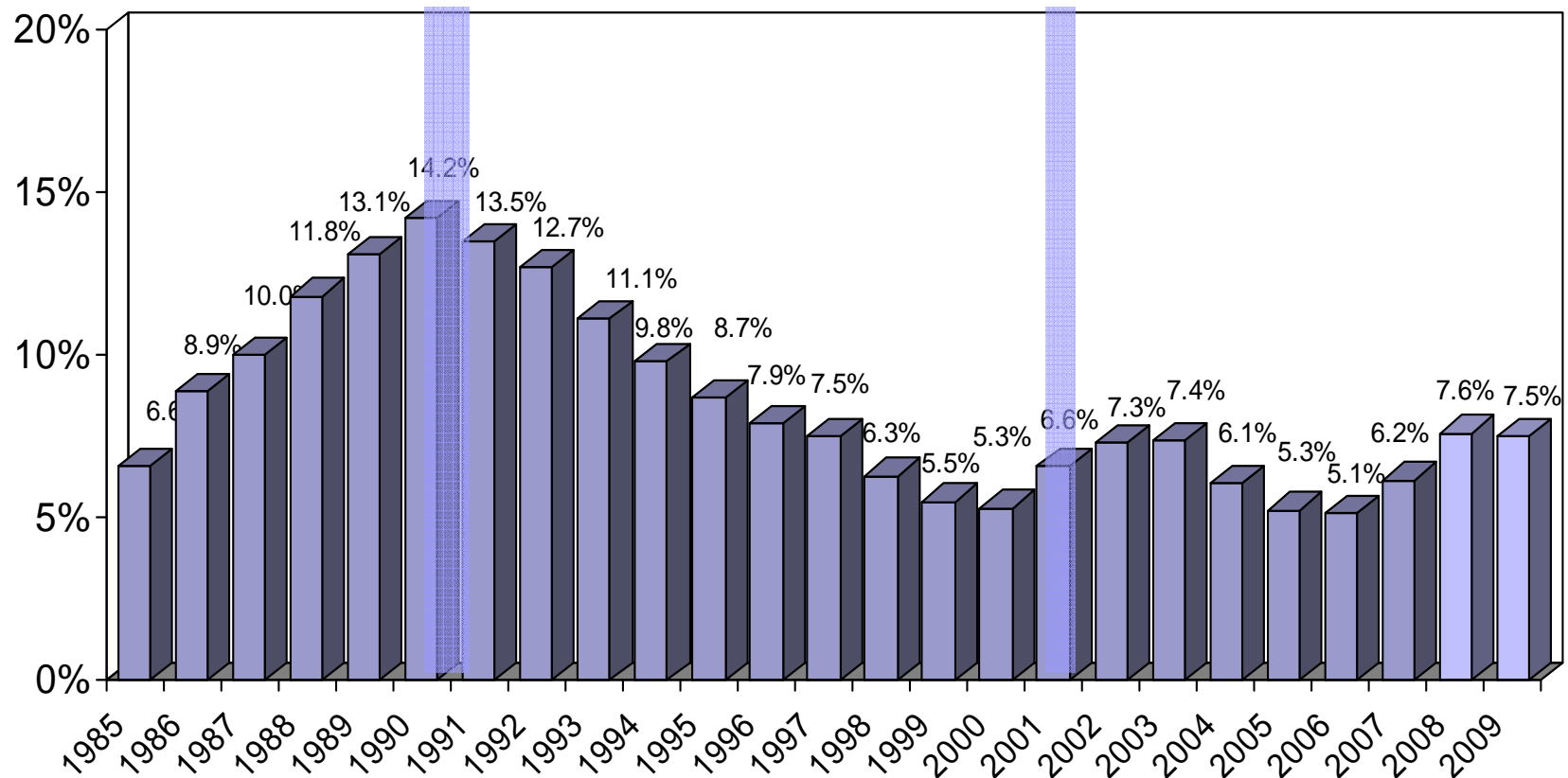
Retail Market



Retail Space* Vacancy Rates Maricopa County 1985–2009*

Source: CB Richard Ellis**

 Recession Periods



* 2008 -2009 are forecasts from CB Richard Ellis

** Data prior to 1992 is from Grubb & Ellis



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Greater Phoenix Retail Market Construction Activity

Source: CB Richard Ellis

	<u>Absorption</u>	<u>Chg in Inventory</u>
2002	3,041,142 sf	3,887,567 sf
2003	4,118,612 sf	5,013,109 sf
2004	6,664,812 sf	5,501,706 sf
2005	6,708,155 sf	6,248,789 sf
2006	5,244,600 sf	4,582,618 sf
2007	9,424,362 sf	11,104,865 sf
2008-3Q	3,628,784 sf	5,497,194 sf





**There are currently
5.6 million square feet of
retail space
under construction (q3 08).**





Greater Phoenix **ECONOMIC OUTLOOK** **2008 - 2009**





**The
economic
outlook
in the near
term is
UGLY.**

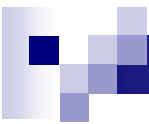




**Arizona's economic
fundamentals have not really
changed.**

**The long term economic outlook
remains favorable.**





Greater Phoenix Forecast

2008 – 2009

Annual Growth Rates

<u>Indicator</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Population	4.2%	3.5%	2.0%	2.0%
Employment	5.4%	1.3%	-2.0%	-1.0%
Personal Income	8.4%	6.5%	5.0%	5.5%
Retail Sales	7.9%	0.1%	-1.5%	2.5%

Source: *Elliott D. Pollack & Company*, Greater Phoenix Blue Chip, Department of Commerce, Research Administration



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ELLIOTT D. POLLACK
& Company

Economic and Real Estate Consulting

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7505 East Sixth Avenue, Suite 100 Scottsdale, Arizona 85251

480-423-9200 P

480-423-5942 F

www.arizoneconomy.com



Elliott D. Pollack & Company

Growth? What Growth?

Presented to:
JLBC Finance Advisory Committee

October 15, 2008

Pete Ewen

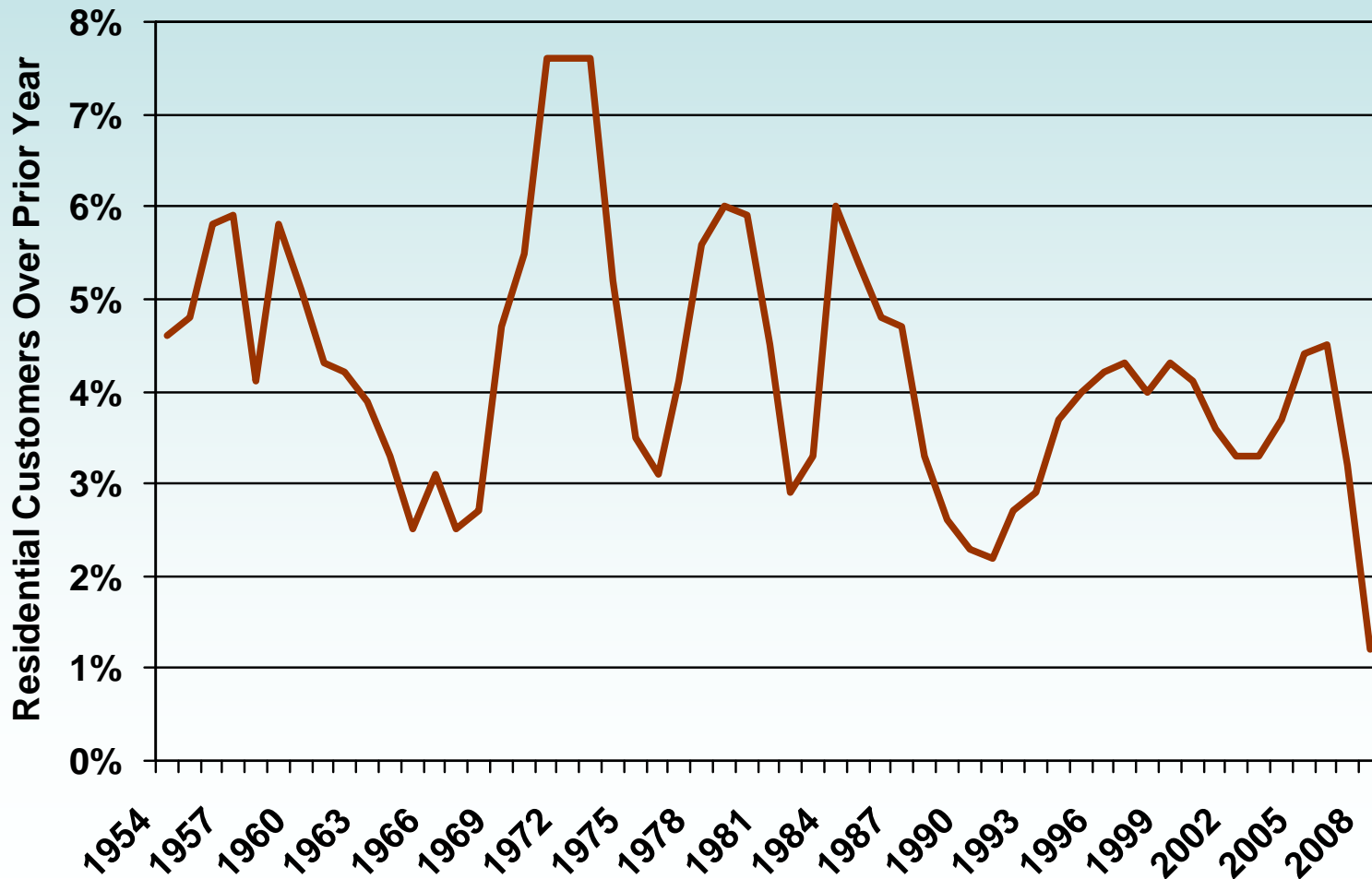


Current Situation

- Growth is the weakest in 40 years
- Excess housing supply growing
- Construction jobs still at risk
- Other engines of growth lacking
- Return to growth likely several years off



APS Experiencing Slowest Growth in 40 years

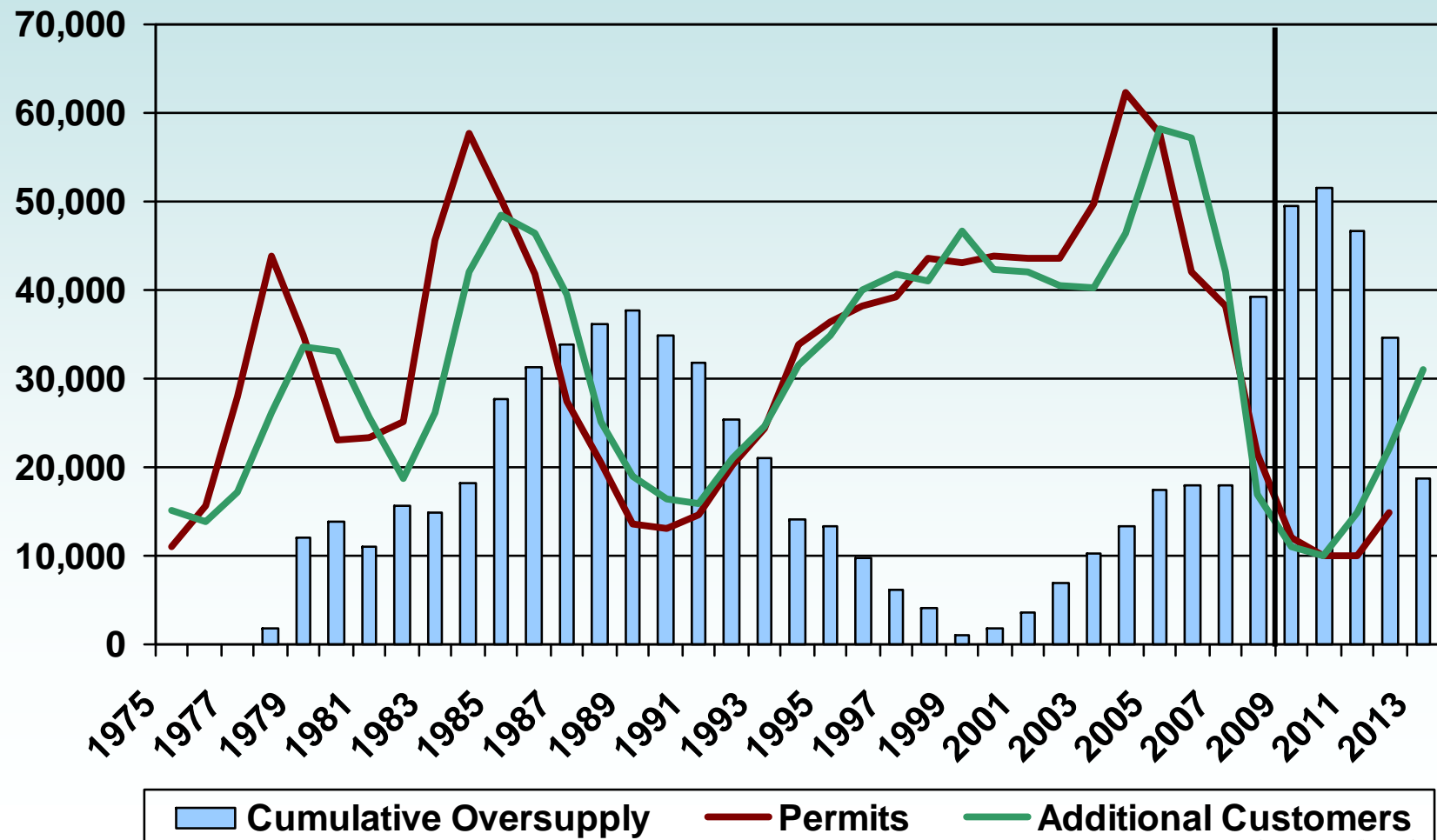


Source: APS



Housing Overbuilt 50k Units – 5 year recovery

Phoenix-Metro APS & SRP Customer Growth

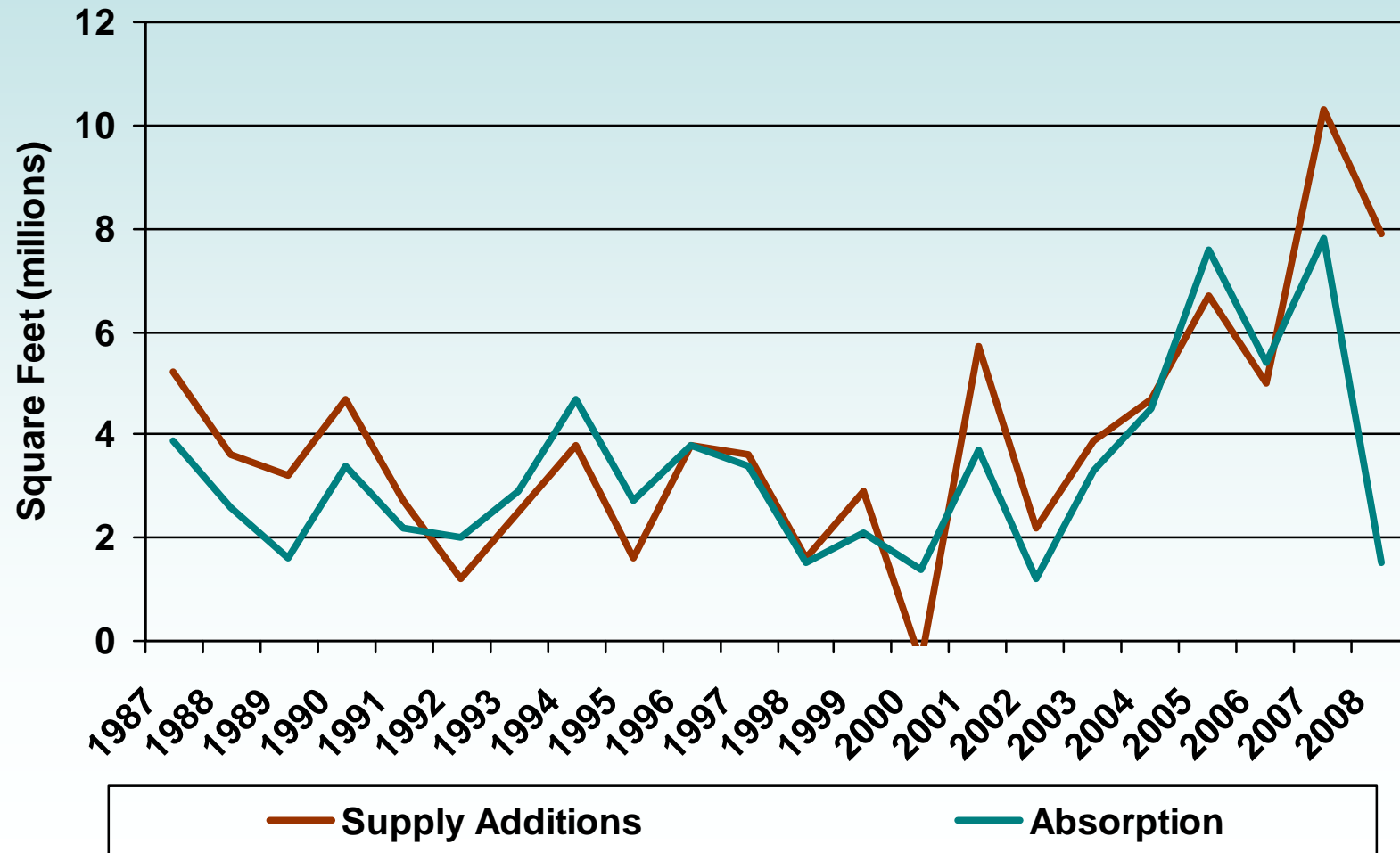


Source: ASU Realty Studies, APS & SRP



Retail Overbuild – Vacancies Rising

Phoenix Metro Retail Space

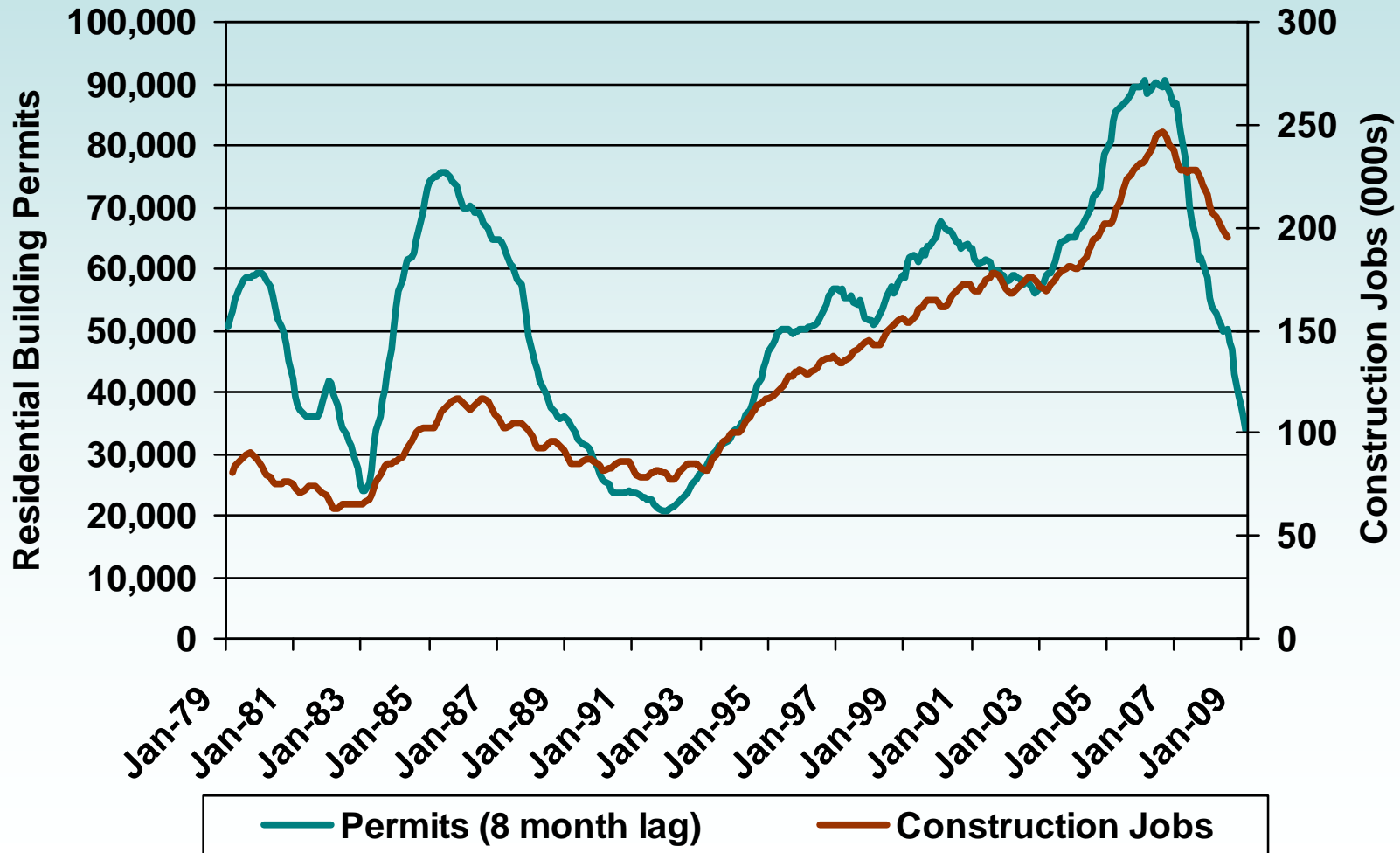


Source: ASU Realty Studies



50K Construction Jobs Lost Since '06 – May Lose 50K More

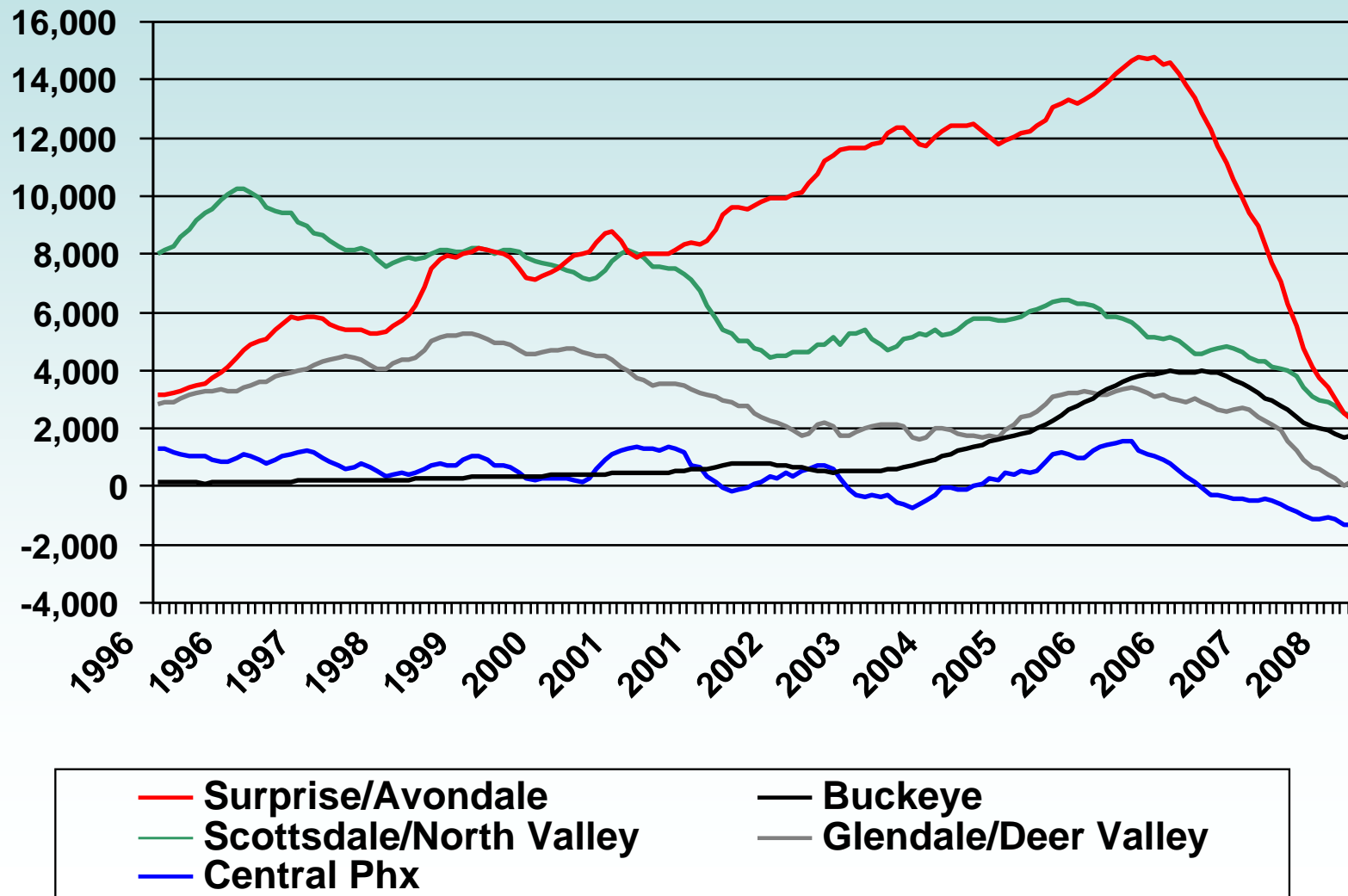
State of Arizona Construction Jobs & Building Permits



Source: Census Bureau, Bureau of Labor Statistics



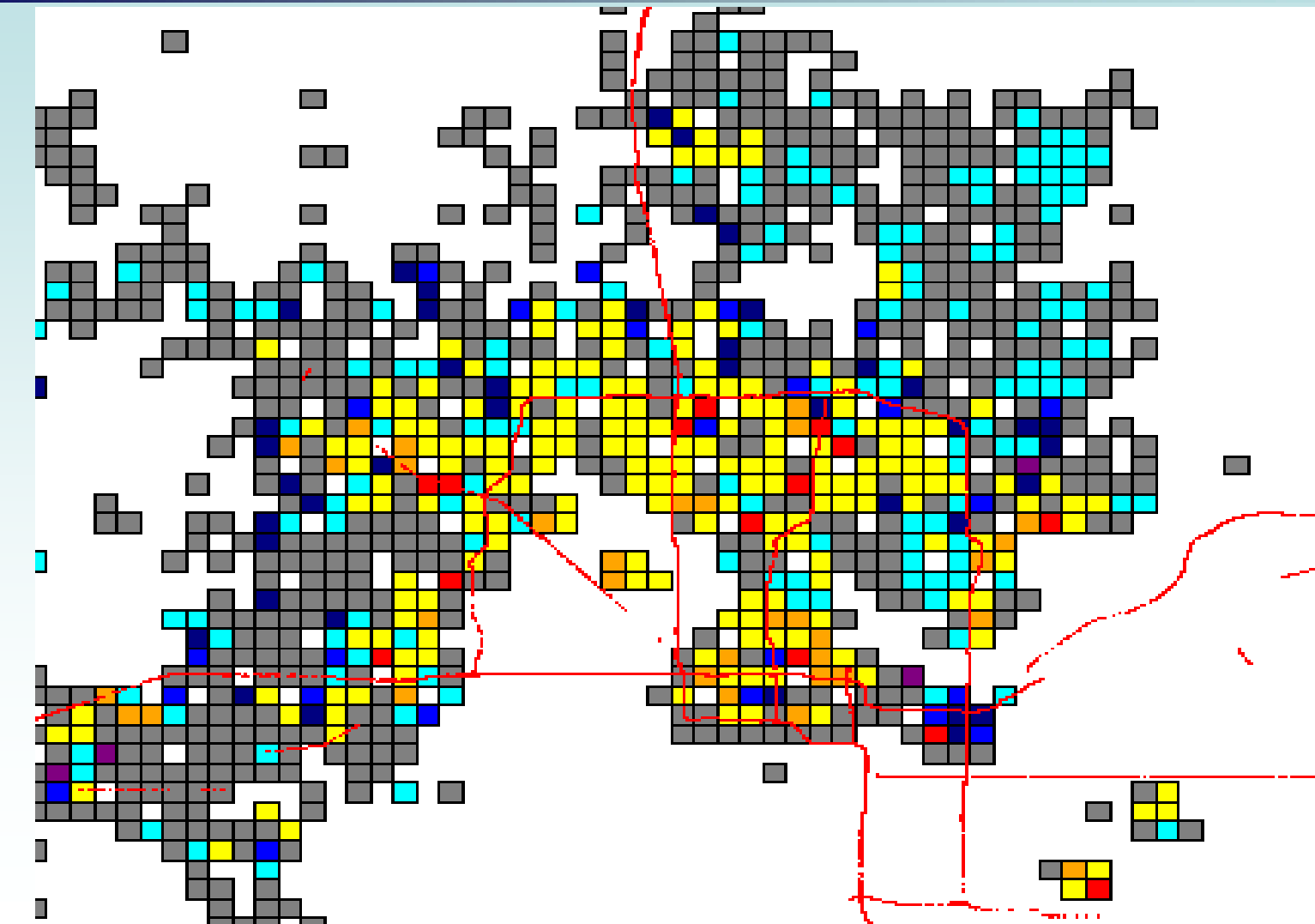
Customer Growth Inside of Maricopa County



Source: APS



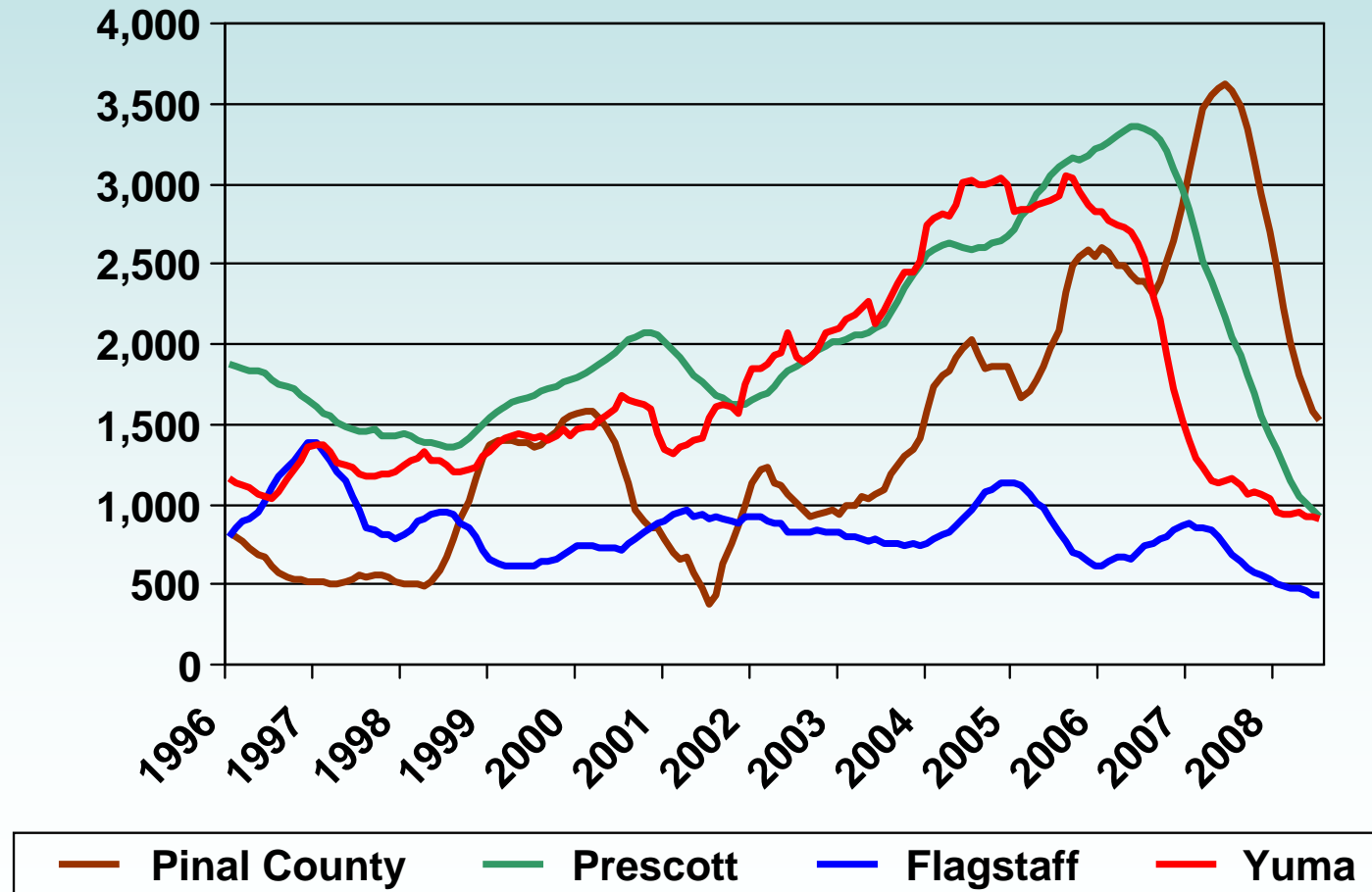
Areas of Growth/Decline in Metro Phoenix



Change in customers	-300	-75	-25	0	25	75	300	500



Customer Growth Outside of Maricopa County

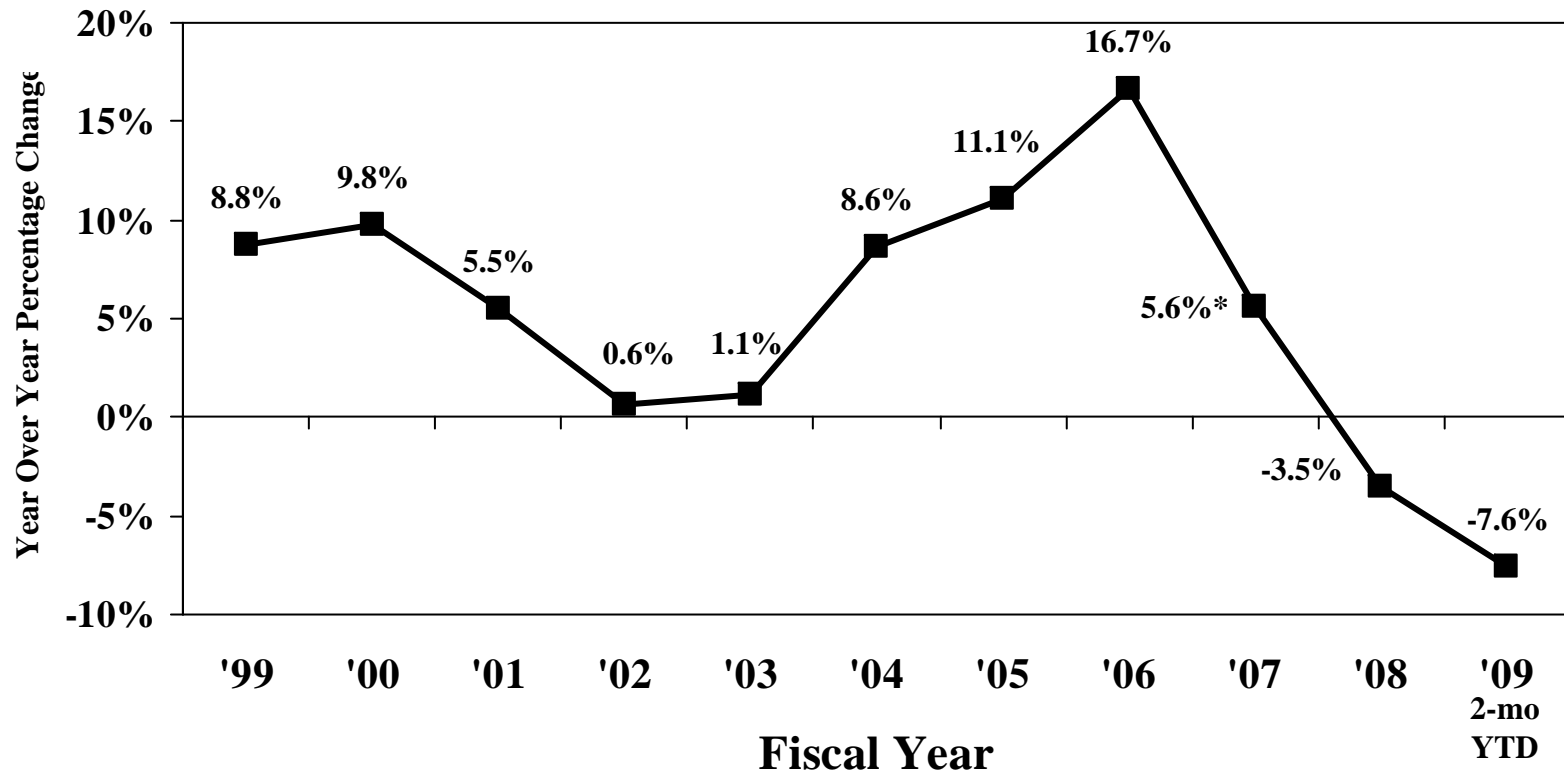


Source: APS



Sales Tax

Sales Tax Growth Rate



* The '07 increase of 5.6% does not include the one-time impact of the revised June estimated payment threshold from \$100,000 to \$1.0 million enacted by the Legislature.

Including the impact of the one-time change, actual collections grew by 4.3%

Arizona Sales Tax - Total General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change
FY 2005	↑ July 2004	297,753,472	9.8%	9.8%
	Aug 2004	286,991,921	9.7%	9.8%
	Sept 2004	291,524,219	9.2%	9.6%
	Oct 2004	294,146,223	10.7%	9.9%
	Nov 2004	289,546,242	8.3%	9.5%
	Dec 2004	287,618,657	9.9%	9.6%
	Jan 2005	356,818,639	13.6%	10.3%
	Feb 2005	282,930,176	9.7%	10.2%
	Mar 2005	291,854,753	10.4%	10.2%
	Apr 2005	332,806,103	10.7%	10.3%
	May 2005	315,664,510	13.8%	10.6%
	↓ June 2005	333,513,707	16.6%	11.1%
FY 2006	↑ July 2005	347,621,329	16.7%	16.7%
	Aug 2005	334,204,902	16.5%	16.6%
	Sept 2005	343,784,559	17.9%	17.0%
	Oct 2005	344,584,769	17.1%	17.1%
	Nov 2005	334,011,412	15.4%	16.7%
	Dec 2005	341,852,219	18.9%	17.1%
	Jan 2006	420,282,327	17.8%	17.2%
	Feb 2006	330,582,460	16.8%	17.2%
	Mar 2006	345,767,996	18.5%	17.3%
	Apr 2006	384,904,139	15.7%	17.1%
	May 2006	362,497,362	14.8%	16.9%
	↓ June 2006	383,265,378	14.9%	16.7%
FY 2007	↑ July 2006	390,460,231	12.3%	12.3%
	Aug 2006	353,466,457	5.8%	9.1%
	Sept 2006	379,889,665	10.5%	9.6%
	Oct 2006	376,890,480	9.4%	9.5%
	Nov 2006	365,372,337	9.4%	9.5%
	Dec 2006	362,236,390	6.0%	8.9%
	Jan 2007	439,996,411	4.7%	8.2%
	Feb 2007	359,643,938	8.8%	8.3%
	Mar 2007	353,088,173	2.1%	7.6%
	Apr 2007	398,196,373	3.5%	7.1%
	May 2007	357,610,064	-1.3%	6.3%
	↓ June 2007	320,780,323	-16.3%	4.3%
FY 2008	↑ July 2007	392,889,822	0.6%	0.6%
	Aug 2007	366,627,555	3.7%	2.1%
	Sept 2007	366,842,873	-3.4%	0.2%
	Oct 2007	373,831,498	-0.8%	0.0%
	Nov 2007	366,084,157	0.2%	0.0%
	Dec 2007	362,105,035	0.0%	0.0%
	Jan 2008	406,881,740	-7.5%	-1.2%
	Feb 2008	342,061,289	-4.9%	-1.7%
	Mar 2008	349,634,579	-1.0%	-1.6%
	Apr 2008	373,838,251	-6.1%	-2.1%
	May 2008	353,973,221	-1.0%	-2.0%
	↓ June 2008	298,794,828	-6.9%	-2.3%
FY 2009	↑ July 2008	356,253,718	-9.3%	-9.3%
	Aug 2008	345,178,741	-5.9%	-7.6%
	Sept 2008			
	Oct 2008			
	Nov 2008			
	Dec 2008			
	Jan 2009			
	Feb 2009			
	Mar 2009			
	Apr 2009			
	May 2009			
	↓ June 2009			

Arizona Sales Tax - Retail General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2005	↑	July 2004	135,655,865	6.3%	6.3%
		Aug 2004	129,780,078	9.5%	7.9%
		Sept 2004	129,817,746	4.2%	6.6%
		Oct 2004	133,734,938	11.1%	7.7%
		Nov 2004	131,620,393	9.1%	8.0%
		Dec 2004	138,559,574	8.9%	8.1%
		Jan 2005	186,350,807	10.4%	8.6%
		Feb 2005	130,567,977	7.2%	8.4%
		Mar 2005	136,300,442	10.3%	8.6%
		Apr 2005	158,048,274	9.3%	8.7%
		May 2005	148,086,810	12.4%	9.0%
	↓	June 2005	149,656,276	10.6%	9.2%
FY 2006	↑	July 2005	159,056,661	17.3%	17.3%
		Aug 2005	151,650,858	16.9%	17.1%
		Sept 2005	155,323,150	19.6%	17.9%
		Oct 2005	151,719,291	13.4%	16.8%
		Nov 2005	150,085,277	14.0%	16.2%
		Dec 2005	157,743,736	13.8%	15.8%
		Jan 2006	213,093,761	14.4%	15.5%
		Feb 2006	148,801,215	14.0%	15.4%
		Mar 2006	155,769,534	14.3%	15.2%
		Apr 2006	175,368,144	11.0%	14.8%
		May 2006	169,266,627	14.3%	14.7%
	↓	June 2006	168,160,318	12.4%	14.5%
FY 2007	↑	July 2006	169,723,491	6.7%	6.7%
		Aug 2006	155,842,572	2.8%	4.8%
		Sept 2006	163,988,894	5.6%	5.0%
		Oct 2006	158,869,642	4.7%	5.0%
		Nov 2006	153,908,793	2.5%	4.5%
		Dec 2006	167,464,043	6.2%	4.8%
		Jan 2007	215,189,656	1.0%	4.1%
		Feb 2007	157,706,055	6.0%	4.3%
		Mar 2007	158,858,656	2.0%	4.0%
		Apr 2007	181,559,289	3.5%	4.0%
		May 2007	177,671,344	5.0%	4.1%
	↓	June 2007	166,994,609	-0.7%	3.7%
FY 2008	↑	July 2007	168,701,610	-0.6%	-0.6%
		Aug 2007	155,843,067	0.0%	-0.3%
		Sept 2007	157,758,362	-3.8%	-1.5%
		Oct 2007	155,232,586	-2.3%	-1.7%
		Nov 2007	155,481,940	1.0%	-1.2%
		Dec 2007	161,715,960	-3.4%	-1.6%
		Jan 2008	206,954,506	-3.8%	-2.0%
		Feb 2008	141,687,651	-10.2%	-2.9%
		Mar 2008	151,347,983	-4.7%	-3.1%
		Apr 2008	171,895,140	-5.3%	-3.4%
		May 2008	154,399,548	-13.1%	-4.3%
	↓	June 2008	158,533,239	-5.1%	-4.4%
FY 2009	↑	July 2008	151,221,528	-10.4%	-10.4%
		Aug 2008	141,997,515	-8.9%	-9.7%
		Sept 2008			
		Oct 2008			
		Nov 2008			
		Dec 2008			
		Jan 2009			
		Feb 2009			
		Mar 2009			
		Apr 2009			
		May 2009			
	↓	June 2009			

Arizona Sales Tax - Contracting

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2005	↑	July 2004	56,625,508	17.6%	17.6%
		Aug 2004	53,051,419	15.5%	16.6%
		Sept 2004	56,478,418	20.0%	17.7%
		Oct 2004	56,912,069	18.0%	17.8%
		Nov 2004	54,698,652	10.9%	16.4%
		Dec 2004	55,495,541	26.2%	17.9%
		Jan 2005	64,083,984	23.1%	18.7%
		Feb 2005	48,999,303	17.1%	18.5%
		Mar 2005	53,376,960	21.3%	18.8%
		Apr 2005	64,008,264	25.4%	19.5%
		May 2005	61,389,981	22.5%	19.8%
	↓	June 2005	66,300,608	33.0%	21.0%
FY 2006	↑	July 2005	73,449,566	29.7%	29.7%
		Aug 2005	65,280,791	23.1%	26.5%
		Sept 2005	69,736,836	23.5%	25.5%
		Oct 2005	71,875,989	26.3%	25.7%
		Nov 2005	65,866,408	20.4%	24.6%
		Dec 2005	73,197,845	31.9%	25.8%
		Jan 2006	83,495,930	30.3%	26.6%
		Feb 2006	65,409,736	33.5%	27.3%
		Mar 2006	70,980,348	33.0%	27.9%
		Apr 2006	82,734,326	29.3%	28.1%
		May 2006	76,269,575	24.2%	27.7%
	↓	June 2006	82,977,855	25.2%	27.5%
FY 2007	↑	July 2006	89,602,967	22.0%	22.0%
		Aug 2006	75,238,759	15.3%	18.8%
		Sept 2006	80,938,291	16.1%	17.9%
		Oct 2006	87,594,136	21.9%	18.9%
		Nov 2006	80,499,919	22.2%	19.5%
		Dec 2006	76,849,517	5.0%	17.0%
		Jan 2007	95,496,438	14.4%	16.6%
		Feb 2007	73,418,261	12.2%	16.1%
		Mar 2007	70,403,512	-0.8%	14.2%
		Apr 2007	81,956,142	-0.9%	12.5%
		May 2007	76,125,717	-0.2%	11.3%
	↓	June 2007	80,475,472	-3.0%	9.9%
FY 2008	↑	July 2007	84,908,206	-5.2%	-5.2%
		Aug 2007	78,149,544	3.9%	-1.1%
		Sept 2007	75,884,177	-6.2%	-2.8%
		Oct 2007	77,120,496	-12.0%	-5.2%
		Nov 2007	76,543,383	-4.9%	-5.1%
		Dec 2007	76,723,853	-0.2%	-4.4%
		Jan 2008	72,469,751	-24.1%	-7.6%
		Feb 2008	64,593,368	-12.0%	-8.1%
		Mar 2008	59,879,686	-14.9%	-8.7%
		Apr 2008	66,449,725	-18.9%	-9.8%
		May 2008	66,990,187	-12.0%	-10.0%
	↓	June 2008	69,569,046	-13.6%	-10.3%
FY 2009	↑	July 2008	68,881,661	-18.9%	-18.9%
		Aug 2008	65,910,704	-15.7%	-17.3%
		Sept 2008			
		Oct 2008			
		Nov 2008			
		Dec 2008			
		Jan 2009			
		Feb 2009			
		Mar 2009			
		Apr 2009			
		May 2009			
	↓	June 2009			

Arizona Sales Tax - Utilities

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2005	↑	July 2004	27,013,184	3.2%	3.2%
		Aug 2004	30,325,703	6.4%	4.8%
		Sept 2004	31,741,960	8.2%	6.0%
		Oct 2004	30,740,200	4.9%	5.7%
		Nov 2004	25,266,623	2.2%	5.1%
		Dec 2004	20,437,208	9.9%	5.7%
		Jan 2005	22,887,268	15.4%	6.8%
		Feb 2005	23,568,912	8.4%	6.9%
		Mar 2005	21,093,834	0.0%	6.3%
		Apr 2005	20,088,226	3.4%	6.0%
		May 2005	19,934,242	5.1%	6.0%
	↓	June 2005	23,163,752	6.9%	6.0%
FY 2006	↑	July 2005	30,123,635	11.5%	11.5%
		Aug 2005	33,750,711	11.3%	11.4%
		Sept 2005	35,125,817	10.7%	11.1%
		Oct 2005	33,780,817	9.9%	10.8%
		Nov 2005	29,135,783	15.3%	11.6%
		Dec 2005	22,091,021	8.1%	11.2%
		Jan 2006	27,326,797	19.4%	12.2%
		Feb 2006	25,560,400	8.4%	11.8%
		Mar 2006	22,568,311	7.0%	11.3%
		Apr 2006	24,117,190	20.1%	12.0%
		May 2006	22,105,984	10.9%	11.9%
	↓	June 2006	27,844,657	20.2%	12.6%
FY 2007	↑	July 2006	34,298,139	13.9%	13.9%
		Aug 2006	35,017,585	3.8%	8.5%
		Sept 2006	43,094,371	22.7%	13.5%
		Oct 2006	37,109,678	9.9%	12.6%
		Nov 2006	31,261,217	7.3%	11.7%
		Dec 2006	24,939,936	12.9%	11.8%
		Jan 2007	27,586,109	0.9%	10.4%
		Feb 2007	32,562,551	27.4%	12.2%
		Mar 2007	29,526,457	30.8%	13.8%
		Apr 2007	25,414,142	5.4%	13.1%
		May 2007	24,034,224	8.7%	12.8%
	↓	June 2007	29,476,016	5.9%	12.2%
FY 2008	↑	July 2007	38,942,178	13.5%	13.5%
		Aug 2007	37,039,168	5.8%	9.6%
		Sept 2007	38,939,736	-9.6%	2.2%
		Oct 2007	43,658,875	17.6%	6.1%
		Nov 2007	34,702,176	11.0%	6.9%
		Dec 2007	28,029,896	12.4%	7.6%
		Jan 2008	27,510,799	-0.3%	6.7%
		Feb 2008	35,515,285	9.1%	6.9%
		Mar 2008	34,338,536	16.3%	7.9%
		Apr 2008	24,546,221	-3.4%	7.0%
		May 2008	27,297,353	13.6%	7.4%
	↓	June 2008	30,641,891	4.0%	7.2%
FY 2009	↑	July 2008	37,561,735	-3.5%	-3.5%
		Aug 2008	46,879,131	26.6%	11.1%
		Sept 2008			
		Oct 2008			
		Nov 2008			
		Dec 2008			
		Jan 2009			
		Feb 2009			
		Mar 2009			
		Apr 2009			
		May 2009			
	↓	June 2009			

Arizona Sales Tax - Restaurants and Bars

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2005	↑	July 2004	22,708,857	9.2%	9.2%
		Aug 2004	21,278,820	10.3%	9.7%
		Sept 2004	21,320,496	8.5%	9.3%
		Oct 2004	21,984,775	6.6%	8.6%
		Nov 2004	23,818,505	14.2%	9.8%
		Dec 2004	22,326,535	1.9%	8.4%
		Jan 2005	26,300,293	16.2%	9.6%
		Feb 2005	24,490,839	7.4%	9.3%
		Mar 2005	26,750,839	11.6%	9.6%
		Apr 2005	27,538,659	5.2%	9.1%
		May 2005	27,671,032	16.8%	9.8%
	↓	June 2005	26,359,625	12.9%	10.1%
FY 2006	↑	July 2005	25,760,478	13.4%	13.4%
		Aug 2005	23,621,671	11.0%	12.3%
		Sept 2005	24,552,209	15.2%	13.2%
		Oct 2005	25,332,188	15.2%	13.7%
		Nov 2005	26,717,800	12.2%	13.4%
		Dec 2005	26,402,748	18.3%	14.2%
		Jan 2006	28,524,262	8.5%	13.3%
		Feb 2006	27,902,255	13.9%	13.3%
		Mar 2006	29,389,750	9.9%	12.9%
		Apr 2006	31,522,229	14.5%	13.1%
		May 2006	30,057,423	8.6%	12.6%
	↓	June 2006	29,045,199	10.2%	12.4%
FY 2007	↑	July 2006	28,025,509	8.8%	8.8%
		Aug 2006	25,406,213	7.6%	8.2%
		Sept 2006	25,474,093	3.8%	6.7%
		Oct 2006	27,567,943	8.8%	7.3%
		Nov 2006	32,249,878	20.7%	10.1%
		Dec 2006	28,295,767	7.2%	9.6%
		Jan 2007	30,950,667	8.5%	9.4%
		Feb 2007	30,649,098	9.8%	9.5%
		Mar 2007	29,694,899	1.0%	8.4%
		Apr 2007	34,392,336	9.1%	8.5%
		May 2007	31,957,682	6.3%	8.3%
	↓	June 2007	29,936,887	3.1%	7.8%
FY 2008	↑	July 2007	29,101,596	3.8%	3.8%
		Aug 2007	26,935,024	6.0%	4.9%
		Sept 2007	26,786,010	5.2%	5.0%
		Oct 2007	28,689,796	4.1%	4.7%
		Nov 2007	29,377,274	-8.9%	1.6%
		Dec 2007	30,275,107	7.0%	2.5%
		Jan 2008	27,452,580	-11.3%	0.3%
		Feb 2008	29,995,413	-2.1%	0.0%
		Mar 2008	30,895,077	4.0%	0.5%
		Apr 2008	34,037,313	-1.0%	0.3%
		May 2008	30,786,989	-3.7%	-0.1%
	↓	June 2008	31,854,667	6.4%	0.4%
FY 2009	↑	July 2008	26,987,359	-7.3%	-7.3%
		Aug 2008	25,927,019	-3.7%	-5.6%
		Sept 2008			
		Oct 2008			
		Nov 2008			
		Dec 2008			
		Jan 2009			
		Feb 2009			
		Mar 2009			
		Apr 2009			
		May 2009			
	↓	June 2009			

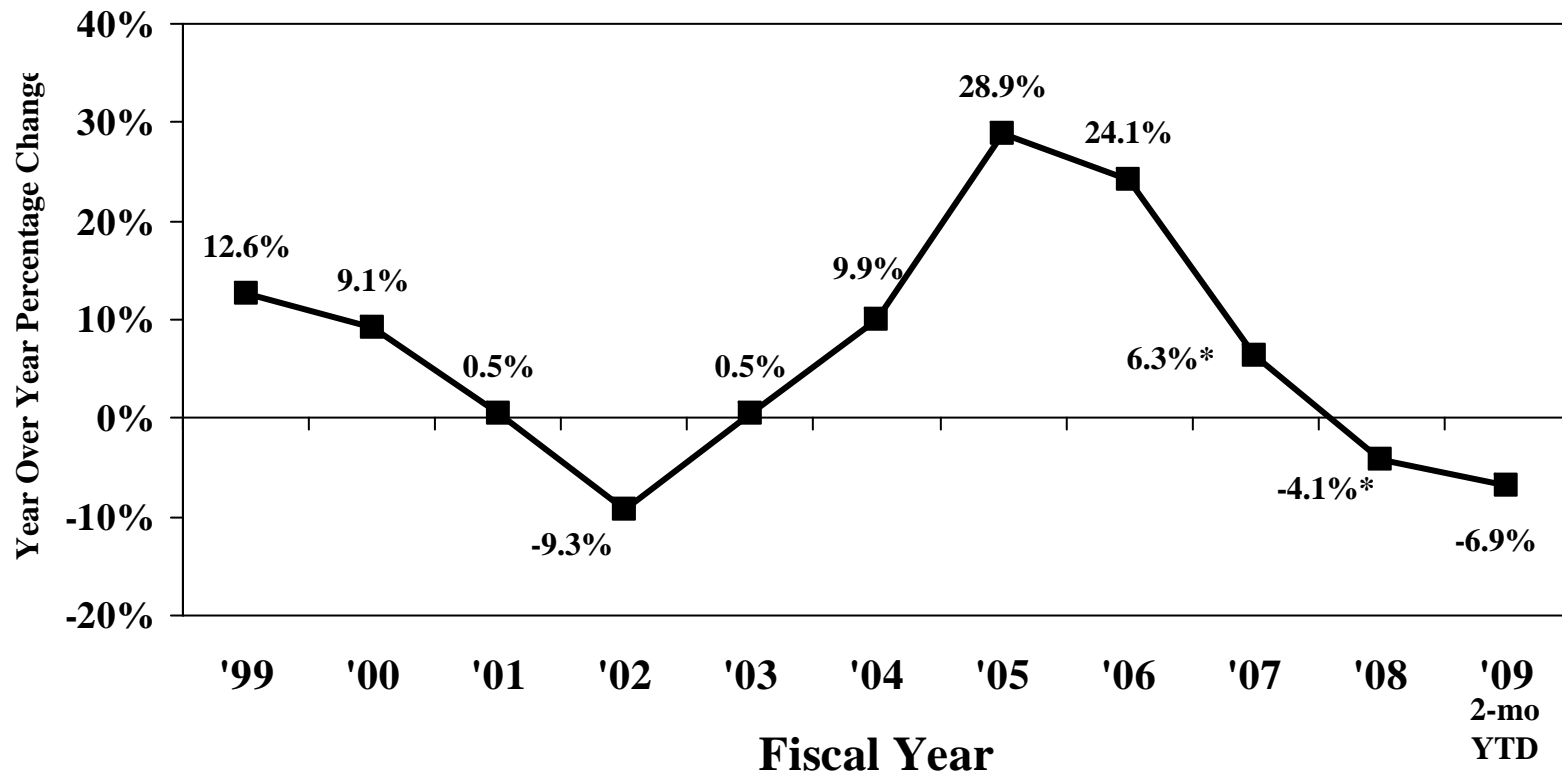
Arizona Use Tax

General Fund Collections

		Collections (\$)	Year-to-Year % Change	Year-to-Date % Change	
FY 2005	↑	July 2004	22,547,132	26.2%	26.2%
		Aug 2004	22,557,101	13.4%	19.5%
		Sept 2004	22,229,731	14.1%	17.7%
		Oct 2004	20,607,802	10.0%	15.8%
		Nov 2004	21,355,148	4.2%	13.3%
		Dec 2004	19,586,986	5.0%	12.0%
		Jan 2005	24,134,289	21.2%	13.3%
		Feb 2005	21,758,390	23.4%	14.5%
		Mar 2005	18,691,567	5.6%	13.6%
		Apr 2005	22,354,083	5.4%	12.7%
		May 2005	21,652,224	13.6%	12.7%
	↓	June 2005	22,141,203	2.6%	11.8%
FY 2006	↑	July 2005	23,872,256	5.9%	5.9%
		Aug 2005	26,621,874	18.0%	11.9%
		Sept 2005	25,990,396	16.9%	13.6%
		Oct 2005	28,124,088	36.5%	19.0%
		Nov 2005	25,350,591	18.7%	18.9%
		Dec 2005	25,520,731	30.3%	20.6%
		Jan 2006	31,316,999	29.8%	22.1%
		Feb 2006	26,149,998	20.2%	21.8%
		Mar 2006	26,624,546	42.4%	23.8%
		Apr 2006	26,326,619	17.8%	23.2%
		May 2006	21,682,845	0.1%	21.1%
	↓	June 2006	18,617,865	-15.9%	17.9%
FY 2007	↑	July 2006	28,987,773	21.4%	21.4%
		Aug 2006	25,431,547	-4.5%	7.8%
		Sept 2006	28,561,796	9.9%	8.5%
		Oct 2006	28,527,152	1.4%	6.6%
		Nov 2006	27,484,263	8.4%	7.0%
		Dec 2006	23,756,958	-6.9%	4.7%
		Jan 2007	31,899,499	1.9%	4.2%
		Feb 2007	23,123,752	-11.6%	2.3%
		Mar 2007	22,628,801	-15.0%	0.3%
		Apr 2007	27,021,534	2.6%	0.6%
		May 2007	6,153,618	-71.6%	-4.9%
	↓	June 2007	29,434,170	58.1%	-1.0%
FY 2008	↑	July 2007	31,300,389	8.0%	8.0%
		Aug 2007	29,103,528	14.4%	11.0%
		Sept 2007	29,437,063	3.1%	8.3%
		Oct 2007	30,750,858	7.8%	8.1%
		Nov 2007	30,042,343	9.3%	8.4%
		Dec 2007	26,487,663	11.5%	8.8%
		Jan 2008	33,730,459	5.7%	8.3%
		Feb 2008	27,581,711	19.3%	9.5%
		Mar 2008	26,927,528	19.0%	10.4%
		Apr 2008	28,924,084	7.0%	10.0%
		May 2008	27,402,823	345.3%	17.6%
	↓	June 2008	19,220,885	-34.7%	12.5%
FY 2009	↑	July 2008	31,696,678	1.3%	1.3%
		Aug 2008	30,505,018	4.8%	3.0%
		Sept 2008			
		Oct 2008			
		Nov 2008			
		Dec 2008			
		Jan 2009			
		Feb 2009			
		Mar 2009			
		Apr 2009			
		May 2009			
	↓	June 2009			

Individual Income Tax

Individual Income Tax Growth Rate



* The '07 and '08 percentages do not include the impact of the 10% rate reduction passed by the Legislature, and phased in over 2 years beginning in tax year 2006. Including the rate reduction, actual '07 growth was 1.6%, and '08 was (9.1)%.

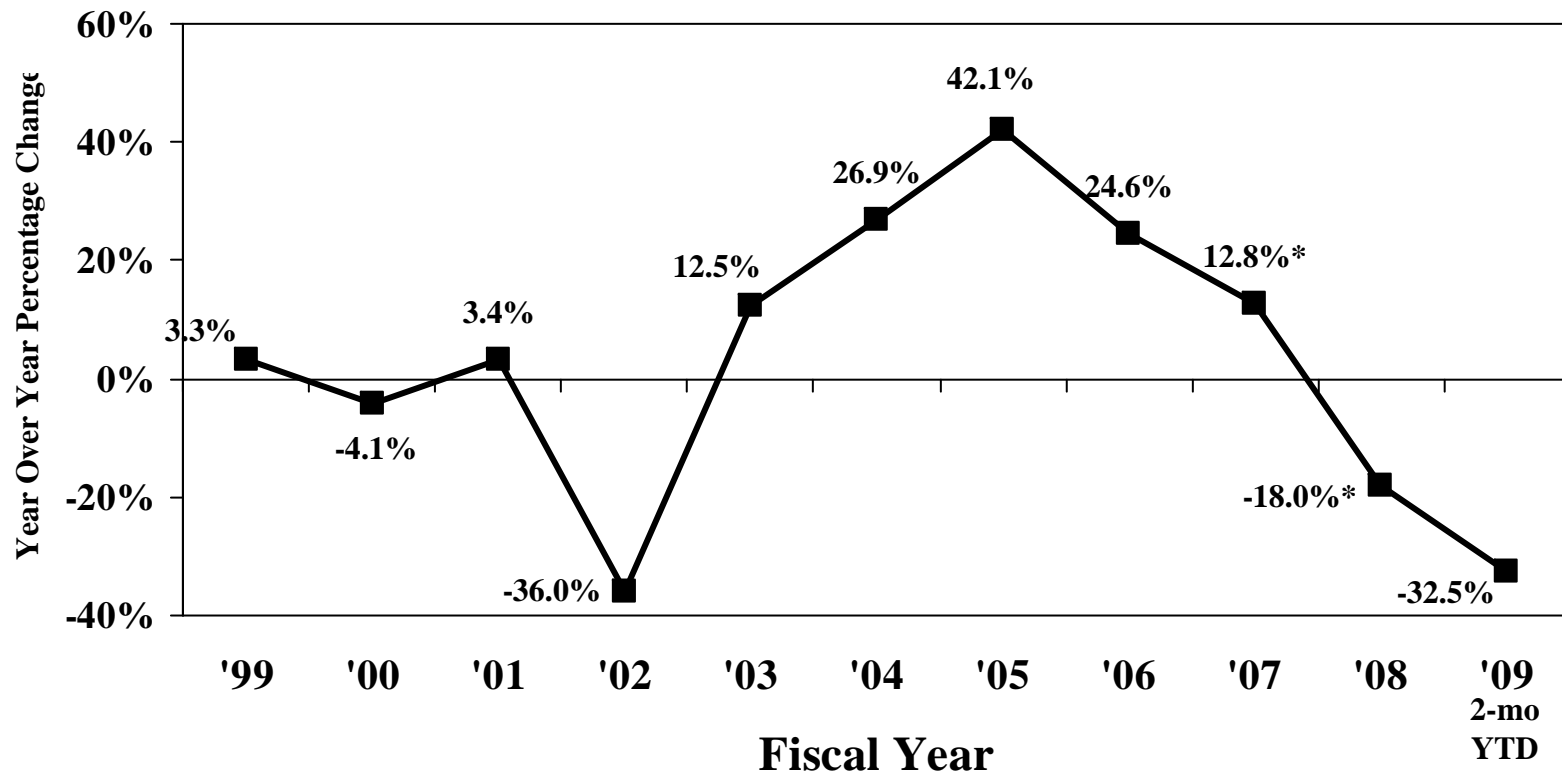
% Change From Prior Year

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

Actual Collections															
	FY2005			FY2006			FY2007			FY2008			FY2009		
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final
Jul	7,982,042	3,053,848	4,928,193	15,395,021	4,885,194	10,509,827	17,937,645	6,371,696	11,565,948	17,879,385	6,507,747	11,371,639	20,362,785	6,533,304	13,829,481
Aug	17,256,736	4,162,399	13,094,337	25,713,368	7,683,379	18,029,988	23,419,716	7,456,858	15,962,858	25,938,503	5,666,480	20,272,023	14,090,255	5,827,130	8,263,125
Sep	85,967,739	78,273,024	7,694,715	118,564,270	110,531,138	8,033,132	157,891,628	145,469,802	12,421,826	150,661,494	135,849,436	14,812,058	-	-	-
Oct	27,192,307	5,023,144	22,169,162	27,206,826	7,685,799	19,521,027	65,184,764	11,339,308	53,845,457	68,191,868	10,396,440	57,795,428	-	-	-
Nov	11,359,321	3,013,046	8,346,275	16,055,089	5,885,793	10,169,296	31,853,112	5,472,606	26,380,506	17,879,843	4,759,688	13,120,155	-	-	-
Dec	81,181,241	73,782,471	7,398,770	111,812,195	104,933,642	6,878,553	90,557,275	80,299,660	10,257,616	62,901,960	55,908,594	6,993,366	-	-	-
Jan	119,604,915	113,808,450	5,796,464	182,419,323	176,696,056	5,723,266	239,701,160	224,055,775	15,645,386	195,882,391	186,098,584	9,783,807	-	-	-
Feb	12,489,817	2,222,960	10,266,858	18,041,261	3,446,602	14,594,659	18,072,039	3,192,180	14,879,859	17,557,877	2,689,455	14,868,423	-	-	-
Mar	39,089,384	4,321,854	34,767,531	43,912,674	3,710,949	40,201,725	45,377,904	5,005,202	40,372,702	48,363,442	4,708,386	43,655,056	-	-	-
Apr	512,208,256	60,279,400	451,928,857	618,672,832	76,814,795	541,858,037	642,965,695	56,965,976	585,999,719	675,341,552	68,112,029	607,229,523	-	-	-
May	84,231,869	4,464,003	79,767,865	259,114,481	9,724,645	249,389,836	172,843,132	27,485,026	145,358,105	32,424,806	4,895,158	27,529,649	-	-	-
Jun	106,817,719	93,912,110	12,905,609	145,568,069	127,531,819	18,036,250	138,268,468	125,906,046	12,362,422	119,010,089	108,562,477	10,447,612	-	-	-
Total	1,105,381,346	446,316,710	659,064,637	1,582,475,408	639,529,812	942,945,597	1,644,072,537	699,020,134	945,052,403	1,432,033,211	594,154,473	837,878,738			
Percent Change															
	FY2005			FY2006			FY2007			FY2008			FY2009		
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final
Jul	-18.7%	10.1%	-30.0%	92.9%	60.0%	113.3%	16.5%	30.4%	10.0%	-0.3%	2.1%	-1.7%	13.9%	0.4%	21.6%
Aug	31.3%	52.3%	25.8%	49.0%	84.6%	37.7%	-8.9%	-2.9%	-11.5%	10.8%	-24.0%	27.0%	-45.7%	2.8%	-59.2%
Sep	20.7%	20.3%	24.7%	37.9%	41.2%	4.4%	33.2%	31.6%	54.6%	-4.6%	-6.6%	19.2%			
Oct	27.3%	33.2%	26.0%	0.1%	53.0%	-11.9%	139.6%	47.5%	175.8%	4.6%	-8.3%	7.3%			
Nov	35.3%	18.7%	42.4%	41.3%	95.3%	21.8%	98.4%	-7.0%	159.4%	-43.9%	-13.0%	-50.3%			
Dec	42.6%	43.7%	32.7%	37.7%	42.2%	-7.0%	-19.0%	-23.5%	49.1%	-30.5%	-30.4%	-31.8%			
Jan	51.0%	54.4%	6.0%	52.5%	55.3%	-1.3%	31.4%	26.8%	173.4%	-18.3%	-16.9%	-37.5%			
Feb	3.1%	84.7%	-5.9%	44.4%	55.0%	42.2%	0.2%	-7.4%	2.0%	-2.8%	-15.7%	-0.1%			
Mar	8.5%	42.0%	5.4%	12.3%	-14.1%	15.6%	3.3%	34.9%	0.4%	6.6%	-5.9%	8.1%			
Apr	57.4%	36.8%	60.6%	20.8%	27.4%	19.9%	3.9%	-25.8%	8.1%	5.0%	19.6%	3.6%			
May	80.3%	22.4%	85.2%	207.6%	117.8%	212.6%	-33.3%	182.6%	-41.7%	-81.2%	-82.2%	-81.1%			
Jun	38.4%	39.3%	32.5%	36.3%	35.8%	39.8%	-5.0%	-1.3%	-31.5%	-13.9%	-13.8%	-15.5%			
Total	45.9%	38.9%	51.1%	43.2%	43.3%	43.1%	3.9%	9.3%	0.2%	-12.9%	-15.0%	-11.3%			
Percent to Total															
	FY2005			FY2006			FY2007			FY2008			FY2009		
	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final	Total	Estimated	Final
Jul	0.7%	0.7%	0.7%	1.0%	0.8%	1.1%	1.1%	0.9%	1.2%	1.2%	1.1%	1.4%	N/A	N/A	N/A
Aug	1.6%	0.9%	2.0%	1.6%	1.2%	1.9%	1.4%	1.1%	1.7%	1.8%	1.0%	2.4%	N/A	N/A	N/A
Sep	7.8%	17.5%	1.2%	7.5%	17.3%	0.9%	9.6%	20.8%	1.3%	10.5%	22.9%	1.8%	N/A	N/A	N/A
Oct	2.5%	1.1%	3.4%	1.7%	1.2%	2.1%	4.0%	1.6%	5.7%	4.8%	1.7%	6.9%	N/A	N/A	N/A
Nov	1.0%	0.7%	1.3%	1.0%	0.9%	1.1%	1.9%	0.8%	2.8%	1.2%	0.8%	1.6%	N/A	N/A	N/A
Dec	7.3%	16.5%	1.1%	7.1%	16.4%	0.7%	5.5%	11.5%	1.1%	4.4%	9.4%	0.8%	N/A	N/A	N/A
Jan	10.8%	25.5%	0.9%	11.5%	27.6%	0.6%	14.6%	32.1%	1.7%	13.7%	31.3%	1.2%	N/A	N/A	N/A
Feb	1.1%	0.5%	1.6%	1.1%	0.5%	1.5%	1.1%	0.5%	1.6%	1.2%	0.5%	1.8%	N/A	N/A	N/A
Mar	3.5%	1.0%	5.3%	2.8%	0.6%	4.3%	2.8%	0.7%	4.3%	3.4%	0.8%	5.2%	N/A	N/A	N/A
Apr	46.3%	13.5%	68.6%	39.1%	12.0%	57.5%	39.1%	8.1%	62.0%	47.2%	11.5%	72.5%	N/A	N/A	N/A
May	7.6%	1.0%	12.1%	16.4%	1.5%	26.4%	10.5%	3.9%	15.4%	2.3%	0.8%	3.3%	N/A	N/A	N/A
Jun	9.7%	21.0%	2.0%	9.2%	19.9%	1.9%	8.4%	18.0%	1.3%	8.3%	18.3%	1.2%	N/A	N/A	N/A
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			

Corporate Income Tax

Corporate Income Tax Growth Rate



* The '07 and '08 percentages do not include the impact of tax law changes passed by the Legislature. Including these changes, actual '07 growth was 12.3%, and '08 was (17.2)%.

Arizona Corporate Income Tax General Fund Collections

		Gross	Year-to-Year	Year-to-Date		Year-to-Year	Year-to-Date	Net	Year-to-Year	Year-to-Date	
		Revenue (\$)	% Change	% Change	Refunds (\$)	% Change	% Change	Revenue (\$)	% Change	% Change	
FY 2005	↑	July 2004	25,278,574	8.5%	8.5%	(4,286,201)	-32.3%	-32.3%	20,992,373	23.7%	23.7%
		Aug 2004	23,683,196	110.1%	41.6%	(2,429,217)	-39.5%	-35.1%	21,253,979	192.9%	74.4%
		Sept 2004	128,929,320	36.4%	37.8%	(6,570,919)	-0.1%	-21.5%	122,358,400	39.2%	46.8%
		Oct 2004	41,115,100	10.6%	31.7%	(6,005,157)	-69.5%	-47.3%	35,109,943	100.6%	54.0%
		Nov 2004	17,598,692	-38.1%	21.6%	(11,805,464)	-34.6%	-43.1%	5,793,228	-44.1%	46.8%
		Dec 2004	148,651,887	36.4%	26.9%	(11,419,097)	-52.0%	-45.8%	137,232,790	61.1%	52.2%
		Jan 2005	26,481,318	31.1%	27.1%	(4,271,547)	98.0%	-41.9%	22,209,771	23.1%	50.0%
		Feb 2005	18,432,601	87.4%	28.9%	(11,908,414)	-4.1%	-36.9%	6,524,188	-352.2%	54.3%
		Mar 2005	67,086,220	57.9%	32.2%	(3,257,603)	-78.4%	-42.7%	63,828,617	132.7%	62.4%
		Apr 2005	108,261,223	8.1%	27.1%	(7,157,472)	158.8%	-37.6%	101,103,751	3.8%	46.8%
		May 2005	70,241,233	79.7%	31.1%	(2,192,513)	102.2%	-36.3%	68,048,720	79.1%	49.8%
↓	June 2005	110,861,193	17.8%	29.1%	(13,192,824)	273.9%	-26.8%	97,668,369	7.8%	42.1%	
FY 2006	↑	July 2005	39,403,420	55.9%	55.9%	(4,125,396)	-3.8%	-3.8%	35,278,025	68.1%	68.1%
		Aug 2005	25,696,715	8.5%	33.0%	(2,266,943)	-6.7%	-4.8%	23,429,772	10.2%	39.0%
		Sept 2005	176,288,184	36.7%	35.7%	(5,907,796)	-10.1%	-7.4%	170,380,388	39.2%	39.2%
		Oct 2005	32,084,843	-22.0%	24.9%	(3,496,533)	-41.8%	-18.1%	28,588,309	-18.6%	29.0%
		Nov 2005	17,504,745	-0.5%	23.0%	(11,649,227)	-1.3%	-11.7%	5,855,519	1.1%	28.2%
		Dec 2005	148,830,193	0.1%	14.2%	(13,593,465)	19.0%	-3.5%	135,236,728	-1.5%	16.3%
		Jan 2006	40,013,321	51.1%	16.5%	(6,007,037)	40.6%	0.6%	34,006,284	53.1%	18.6%
		Feb 2006	29,206,362	58.4%	18.3%	(26,798,202)	125.0%	25.8%	2,408,160	-63.1%	17.2%
		Mar 2006	81,512,645	21.5%	18.8%	(6,684,270)	105.2%	30.0%	74,828,375	17.2%	17.2%
		Apr 2006	164,532,013	52.0%	24.7%	(2,648,528)	-63.0%	20.4%	161,883,485	60.1%	25.3%
	↓	May 2006	56,587,649	-19.4%	20.1%	(3,743,958)	70.8%	21.9%	52,843,691	-22.3%	19.9%
	June 2006	152,469,682	37.5%	22.6%	(2,988,945)	-77.3%	6.4%	149,480,737	53.0%	24.5%	
FY 2007	↑	July 2006	43,353,146	10.0%	10.0%	(4,319,904)	4.7%	4.7%	39,033,242	10.6%	10.6%
		Aug 2006	36,550,203	42.2%	22.7%	(4,532,437)	99.9%	38.5%	32,017,766	36.7%	21.0%
		Sept 2006	191,640,170	8.7%	12.5%	(478,252)	-91.9%	-24.1%	191,161,918	12.2%	14.5%
		Oct 2006	59,655,446	85.9%	21.1%	(5,716,861)	63.5%	-4.7%	53,938,585	88.7%	22.7%
		Nov 2006	18,008,043	2.9%	20.0%	(12,842,981)	10.2%	1.6%	5,165,061	-11.8%	21.9%
		Dec 2006	199,892,212	34.3%	24.8%	(30,301,417)	122.9%	41.8%	169,590,795	25.4%	23.1%
		Jan 2007	40,561,661	1.4%	22.9%	(3,294,750)	-45.2%	30.7%	37,266,911	9.6%	22.0%
		Feb 2007	22,671,285	-22.4%	20.3%	(1,544,406)	-94.2%	-14.6%	21,126,878	777.3%	26.2%
		Mar 2007	81,308,195	-0.3%	17.5%	(2,647,466)	-60.4%	-18.4%	78,660,729	5.1%	23.1%
		Apr 2007	181,878,155	10.5%	16.0%	(4,248,464)	60.4%	-15.9%	177,629,692	9.7%	19.9%
	↓	May 2007	53,261,647	-5.9%	14.4%	(5,508,206)	47.1%	-13.2%	47,753,442	-9.6%	17.7%
	June 2007	138,851,344	-8.9%	10.7%	(6,026,798)	101.6%	-9.4%	132,824,546	-11.1%	12.8%	
FY 2008	↑	July 2007	36,629,629	-15.5%	-15.5%	(2,826,419)	-34.6%	-34.6%	33,803,210	-13.4%	-13.4%
		Aug 2007	31,231,530	-14.6%	-15.1%	(2,130,868)	-53.0%	-44.0%	29,100,662	-9.1%	-11.5%
		Sept 2007	190,463,884	-0.6%	-4.9%	(12,876,823)	2592.5%	91.1%	177,587,061	-7.1%	-8.3%
		Oct 2007	66,882,299	12.1%	-1.8%	(10,751,410)	88.1%	90.0%	56,130,889	4.1%	-6.2%
		Nov 2007	20,550,859	14.1%	-1.0%	(23,194,074)	80.6%	85.7%	(2,643,215)	-151.2%	-8.5%
		Dec 2007	159,569,186	-20.2%	-8.0%	(39,476,416)	30.3%	56.8%	120,092,770	-29.2%	-15.7%
		Jan 2008	30,393,356	-25.1%	-9.1%	(44,896,658)	1262.7%	121.4%	(14,503,302)	-138.9%	-24.3%
		Feb 2008	30,326,605	33.8%	-7.6%	(8,934,899)	478.5%	130.2%	21,391,706	1.3%	-23.4%
		Mar 2008	77,714,008	-4.4%	-7.2%	(16,372,625)	518.4%	145.8%	61,341,383	-22.0%	-23.2%
		Apr 2008	132,091,079	-27.4%	-11.4%	(6,877,514)	61.9%	140.7%	125,213,565	-29.5%	-24.6%
	↓	May 2008	49,477,589	-7.1%	-11.1%	(22,932,737)	316.3%	153.6%	26,544,852	-44.4%	-25.7%
	June 2008	156,770,836	12.9%	-8.0%	(6,319,532)	4.9%	142.6%	150,451,304	13.3%	-20.4%	
FY 2009	↑	July 2008	30,855,446	-15.8%	-15.8%	(7,560,667)	167.5%	167.5%	23,294,779	-31.1%	-31.1%
		Aug 2008	27,451,899	-12.1%	-14.1%	(8,301,008)	289.6%	220.0%	19,150,891	-34.2%	-32.5%
		Sept 2008									
		Oct 2008									
		Nov 2008									
		Dec 2008									
		Jan 2009									
		Feb 2009									
		Mar 2009									
		Apr 2009									
↓	May 2009										
	June 2009										

Economic Indicators

Recent Economic Indicators

NATIONAL

According to the Bureau of Economic Analysis' revised estimate of the real **Gross Domestic Product (GDP)**, the economy grew at an annual rate of 3.3% in the 2nd quarter of 2008. This is a 1.4% increase from the advance GDP estimate of 1.9% for the 2nd quarter we reported last month. The largest contributors to real GDP growth continue to be personal consumption expenditures and net exports.

After falling to a 16-year low in June, the Conference Board's **U.S. Consumer Confidence Index** increased for the second straight month – to a reading of 56.9 in August. The 9.6% month-over-month increase is believed to reflect a belief that better times may be ahead, while still indicating current conditions remain weak. At its current level, the index is down (46.1)% from last year's reading.

The Conference Board's **U.S. Index of Leading Economic Indicators** fell by (0.7)% in July, the largest decline since August 2007. The July reading was a departure from the prior 5 months during which time the index remained largely unchanged. Five of the 10 components that make up the composite index decreased in July. Of these components, building permits, stock prices, and new unemployment claims were by far the strongest negative contributors to July's reading of 101.2. Two components – the interest spread (between the yield on 10-year Treasury bonds and the federal funds rate) and consumer expectations – helped offset some of the index's decline in July.

The **U.S. Consumer Price Index** (3-month moving average) increased by 0.8% in July. The year-over-year increase was 4.8%. Compared to the 3 month average, July consumer prices increased year-over-year by 5.6%, the largest such increase since January 1991. Most of the increase was attributable to the price of energy (especially gasoline and natural gas), which as of July 2008 was 29.3% higher than in the same month last year.

ARIZONA

Arizona economic indicators remain largely negative, especially with regard to employment, housing, and consumer confidence.

Arizona's **unemployment rate** was a reported 5.1% in July. This is an increase of 0.3% over June and 1.4% over July in the prior year. The state has not experienced a year-over-year increase of such magnitude since July 2002.

The Research Administration of the Arizona Department of Commerce has expanded its labor market information to include data of unemployment insurance (UI) claims. The most recent reports indicate that there were a total of 24,509 initial claims for jobless benefits filed in June. This was an increase of 21.8% compared to the same month last year. The month of June also marked the 20th consecutive month with year-over-year increases in initial UI claims.

July total statewide **non-farm employment** decreased month over month by (1.4)%, and year-over-year by (1.6)%. The last time the state experienced a larger year-over-year job loss (in percentage terms) was in

September 1982.

Construction employment decreased by (1.5)% in July and by (15.1)% year-over-year. The construction sector now employs about the same number of workers as in June 2004.

Manufacturing employment for July was down by (0.1)% compared to the prior month and (2.0)% compared to the prior year. July was the 21st consecutive month with year-over-year job losses.

Between April and May, the number of authorized building permits (3-month moving average) statewide totaled 2,855, including 2,024 **single-family residential building permits** and 831 **multi-family building permits**. Month-over-month, the number of permits authorized in the single family and multi-family segments have increased 3.0% and 17.6%, respectively. Year-over-year authorized permits in the single family segment are down (48.8)%, while permits in the multi-family segment are up 10.0%. However, permitting activity in the multi-family segment remains volatile.

The Real Estate Center at Arizona State University reported statistics for July that reflect both traditional transactions and foreclosed transactions.

Based on the report, the Greater Phoenix **single-family median resale home price** in July for traditional and foreclosed properties was \$200,750 and \$159,200, respectively. The number of **single-family homes sold** increased 15.1% from a year ago in the traditional market, to 4,695 homes. While July sales were only 2.8% above June, they were

Recent Economic Indicators (Continued)

significantly above the 4,080 homes sold in July of 2007. Sales of foreclosed homes totaled 3,470 - an increase of 425.8% from a year ago.

In July, the **townhouse-condominium median price** was \$160,700 for traditional transactions and \$125,800 for foreclosed transactions. At these levels, the median price for traditional and foreclosed sales declined (11.0)% and (23.9)%, respectively, from a year ago. Year-over-year, the number of **townhouse-condominium units** changing ownership included 590 traditional sales and 280 foreclosed sales. The 870 combined transactions fell (19.8)% from July 2007 levels.

An alternative method to gauge changes in housing prices in the Phoenix Metropolitan area is the **S&P/Case-Shiller Home Price Index**. This index tracks repeat sales of the same home, thereby eliminating the impact changes in the average square feet of sold homes has on prices. In June, the index for Phoenix stood at 153.19, or (27.9)% below June 2007 levels. Of the metropolitan areas tracked, only Las Vegas and Miami saw higher year-over-year declines of (28.6)% and (28.3)%, respectively.

The Phoenix metropolitan area single-family **supply of housing** indicator totaled 10 months in July, which is (0.8) of a month below June and (2.8) months below levels a year ago. The measure is a ratio between the number of single-family homes listed for sale on the Arizona Regional Multiple Listing Service (ARMLS) and the seasonally adjusted number of homes sold. Using a seasonally adjusted sales figure reflects the variations in sales activity throughout the year. For example, sales in the summer

months have historically been higher than those in the winter months.

The **Phoenix Sky Harbor International Airport** publishes passenger statistics monthly. In June, a total of 3,431,977 passengers entered and exited aircraft, (1.6)% less than May totals and (6.3)% fewer than the number of passengers in June 2007.

In August, **AHCCCS caseloads** increased by 0.32%, or 3,608 members from July levels, to a total caseload of 1,118,242. The AHCCCS population is 5.3% greater than in August 2007. The FY 2009 budget funded a projected caseload growth of 2.6%, or a total of 1,189,224 members.

There were a reported 76,465 **TANF recipients** in the state in June, a (3.5)% decrease from May levels. Year-over-year, caseload is down (3.1)%. The FY 2009 budget assumes the TANF caseload will grow by 2.5% during the fiscal year.

The **Department of Corrections' (ADC) inmate population** increased by an average of 96 inmates per month between May and July, to an average population of 38,866 inmates. In FY 2009, ADC received funding for an average monthly increase of 180 net new inmates per month. In July however, ADC's population decreased by 15 inmates. (Hans Olofsson, Martin Lorenzo)

Recent Economic Indicators *(Continued)*

Table 5

RECENT ECONOMIC INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
- Unemployment Rate	July	5.1%	0.3%	1.4%
- Initial Unemployment Insurance Claims	June	24,509	13.8%	21.8%
- Non-Farm Employment – Total	July	2.57 million	(1.4)%	(1.6)%
Manufacturing	July	177,900	(0.1)%	(2.0)%
Construction	July	192,600	(1.5)%	(15.1)%
- Contracting Tax Receipts (3-month average)	May-July	\$68.5 million	1.2%	(14.9)%
- Retail Sales Tax Receipts (3-month average)	May-July	\$154.7 million	(4.3)%	(9.6)%
- Residential Building Permits (3-month moving average)				
Single-unit	April-June	2,024	3.0%	(48.8)%
Multi-unit	April-June	831	17.6%	10.0%
- Greater Phoenix Existing Home Sales				
Single-Family, Traditional Sales	July	4,695	2.8%	15.1%
Single-Family, Foreclosed Sales	July	3,470	6.0%	425.8%
Townhouse/Condominium, Traditional Sales	July	590	(5.6)%	(42.7)%
Townhouse/Condominium, Foreclosed Sales	July	280	21.7%	409.1%
- Greater Phoenix Median Home Sales Price				
Single-Family, Traditional Sales	July	\$200,750	(7.9)%	(25.6)%
Single-Family, Foreclosed Sales	July	\$159,200	(6.3)%	(27.7)%
Townhouse/Condominium, Traditional Sales	July	\$160,000	(3.0)%	(11.0)%
Townhouse/Condominium, Foreclosed Sales	July	\$125,800	(5.6)%	(23.9)%
S&P/Case-Shiller Home Price Index	June	153.19	(2.6)%	(27.9)%
- Months Supply of Housing (ARMLS)	July	10.0 months	(0.8) months	(2.8) months
- Phoenix Sky Harbor Air Passengers	June	3.4 million	(1.6)%	(6.2)%
- Arizona Average Natural Gas Price (\$ per thousand cubic feet)	May	\$9.92	N/A	19.5%
- Consumer Confidence Index	1 st Quarter 2008	73.4	(8.0)%	(31.0)%
- Business Leaders Confidence Index	3 rd Quarter 2008	38.5	4.3%	(23.8)%
- Arizona Personal Income	1 st Quarter 2008	\$213.9 billion	1.1%	3.8%
- Arizona Population	July 1, 2007	6.34 million	173,066	2.8%
- AHCCCS Recipients	August	1,118,242	0.32	5.3%
- TANF Recipients	June	76,465	(3.5)%	(3.1)%
- DOC Inmate Growth (3-month average)	May-July	38,866	96 inmates	1,846 inmates
United States				
- Real Gross Domestic Product (seasonally adjusted annual growth rate)	2 nd Quarter 2008	\$11.7 trillion	3.3%	2.2%
- Consumer Confidence Index	August	56.9	9.6%	(46.1)%
- Leading Indicators Index	July	101.2	(0.7)%	(3.3)%
- U.S. Semiconductor Billings (3-month moving average)	Apr-Jun	\$3.40 billion	0.7%	2.8%
- Consumer Price Index, SA (3-month moving average)	May-Jul	217.2	0.8%	4.8%

JLBC FINANCE ADVISORY COMMITTEE (FAC) MEMBERS

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

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

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

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

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

Dennis Doby is the Senior Director of Research Administration in the Arizona Department of Commerce. Research Administration transitioned from the Department of Economic Security to Commerce in December 2007. Mr. Doby has served in various capacities with the Department of Economic Security for most of the past 18 years. He also served as an economist with JLBC from 1993 to 1996.

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

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

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

Elliott D. Pollack is President of Elliott D. Pollack and Company in Scottsdale, Arizona, an economic and real estate consulting firm established in 1987. Mr. Pollack served as Chief Economist of Valley National Bank in Arizona for 14 years prior to establishing his consulting firm and is currently a member of the Economic Estimates Commission. He has been a member of the FAC since its inception.

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

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