

Summary

March 2024 General Fund revenues totaled \$1.08 billion, which is an increase of 19.2% above March 2023. March collections were \$103 million above the JLBC January Baseline revenue forecast. We have accounted for these above-forecast results in the April revenue estimates released on April 11.

Individual Income Tax

Following the trend seen last month, the Individual Income Tax (IIT) category was again the largest contributor to the revenue growth during the month, due to a decline in the dollar amount of refunds being issued.

As noted in our prior *Monthly Fiscal Highlights*, a decline in refunds was generally expected under the JLBC January Baseline forecast as the state's new withholding forms have better aligned taxpayer withholding with the state's current 2.5% single tax rate.

However, during March, the dollar amount of refunds issued was significantly lower-than-expected. While the Baseline forecast assumed March refunds would decline by (17.4)%, refunds instead declined by (35.0)% during the month. This larger decline generated a forecast gain of \$98 million during March.

The forecast gain from lower refunds was partially offset by forecast losses in income tax payments and withholding collections.

March payments (both estimated and final) declined by (18.1)% compared to the prior year – however, because March is a smaller month for payments during the tax filing season, the April payment results will be much more important for the overall trend of FY 2024 IIT collections.

In addition, income tax withholding only grew by 0.8% during the month – while this growth was lower-than-expected, we will need additional months of data to determine if this represents a new trajectory for withholding collections.

Insurance Premium Tax

Insurance Premium Tax (IPT) was the second largest contributor to the state's forecast gain in March. The revenue category grew by 14.1% during the month and posted a forecast gain of \$22 million.

Beginning in March 2024, IPT taxpayers begin to make payments based on actual calendar year 2023 premium revenues – given this payment schedule, the March revenue gains likely reflect recent insurance premium increases for home and automobile policies.

Sales Tax

March Sales Tax revenue (which represent February sales activity) grew by 2.1% above March 2023. This resulted in a forecast gain of \$6 million during the month.

The generally slower growth for the category continues to be driven by collections from the retail sales and restaurant/bar subcategories. The contracting subcategory continues to see stronger growth, however, that level of growth appears to be gradually trending back to more normal levels.

Corporate Income Tax

March Corporate Income Tax (CIT) collections increased by 1.9% compared to March 2023. Because the JLBC January Baseline forecast assumed FY 2024 declines in CIT revenue, this modest growth actually generated a forecast gain of \$15 million during March. The upcoming data for the significant month of April will provide more insight into the overall direction of CIT revenue.

Year-to-Date Results

Year-to-date through March, excluding Urban Revenue Sharing and the one-time tax rebate, FY 2024 General Fund revenues are (3.1)% below the prior year. With the March results, after 3 months of tracking against the JLBC January Baseline forecast, the state has generated a cumulative forecast gain of \$128 million.

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March Revenues

	FY 2024 Collections	Difference From Baseline Forecast	Difference From FY 2023
March	\$ 1,075.7	\$ 103.5	\$ 173.4
Year-to-Date	\$ 10,164.2	\$ 128.3	\$ (1,063.1)

Sales Tax collections of \$629.0 million were 2.1% above March of last year and \$5.7 million above the Baseline forecast. Year to date, sales tax revenue is up by 3.4% and is \$17.7 million above forecast.

Table 2 shows the March growth rate for the 5 major sales tax categories, which together make up approximately 90% of total sales tax collections.

	March	YTD
Retail/Remote Seller ^{1/}	2.2%	3.8%
Contracting	8.0%	14.9%
Use Tax ^{2/}	(10.6)%	(31.1)%
Restaurant & Bar	1.5%	2.8%
Utilities ^{3/}	5.6%	26.2%

^{1/} Absent DOR's technical corrections in August and October of 2023, Retail/Remote Seller YTD growth would have been 2.3%.
^{2/} Absent DOR's technical corrections in August and October of 2023, Use Tax YTD growth would have been (13.3)%.
^{3/} Absent a large taxpayer refund of \$40 million issued in October 2022 (which artificially lowered the FY 2023 revenue base), Utilities YTD growth would have been 13.4%.

The combined Retail/Remote Seller category increased year-over-year by 2.2% in March. Retail sales excluding remote sellers (referred to as "standard" retail sales) increased a modest 1.2% in March.

Detailed industry data from the Department of Revenue indicates that the weakness in March's standard retail sales was primarily attributable to either declines or slow growth in the following retail sectors (all growth rates are year-over-year compared to the prior March):

- Department stores, Warehouse Clubs and Supercenters: (5.6)%
- Motor Vehicles and Parts: (1.2)%
- Building Material, Lawn & Garden Supplies: +1.0%
- Furniture, Electronics, and Appliances: +1.2%

Tax revenue from Restaurants and Bar sales increased by 1.5% in March compared to the same month in the prior year. Fiscal year to date through March, Restaurants and Bar sales tax collections are up by 2.8%. With the exception for the impact of the Great Recession in FY 2009 and FY 2010, as well as the COVID pandemic in FY 2021, during which time taxable sales from Restaurants and Bars outright declined, March's year-to-date increase of 2.8% is the smallest for the comparable period since FY 2008.

Net Individual Income Tax (IIT) revenue was \$194.5 million in March, which was above the Baseline forecast by \$61.3 million. The entire forecast gain was driven by a lower level of refunds, which made up for withholding and payment revenue being lower than anticipated. Year to date (YTD) through March, IIT collections have decreased by (15.5)% compared to the same period in FY 2023 but are \$67.8 million above the forecast.

Withholding revenue was \$474.3 million in March, an increase of 0.8% over last year but \$(21.4) million below the Baseline forecast. YTD, withholding has declined by (9.6)% compared to the same period in FY 2023 and is \$(27.2) million below forecast. According to the Bureau of Economic Analysis' (BEA) most recent national level data, wages rose (year over year) by 5.8% in February. The most up-to-date state level data is for the 4th quarter of 2023, which shows that wages in Arizona increased by 6.5%. Since growth in withholding tax collections tends to track wage and salary growth closely, it is not clear why withholding revenue growth was so small in March.

March payment revenue was \$80.7 million, a decrease of (18.1)% from the previous year and a forecast loss of \$(14.8) million. This marked the 13th consecutive month of decline for payments. In a typical March, payment collections make up only 3%-4% of the fiscal year total. YTD, total payments are \$715.7 million, (35.0)% under last year's level for the comparable period and \$(52.0) million less than under the Baseline forecast.



Refunds in March were \$360.5 million, a decline of (35.0)% from the prior year. Since the Baseline forecast assumed a refund level of \$458.0 million, March's lower-than-anticipated refund amount resulted in a forecast gain of \$97.5 million. YTD through March, refunds are (12.5)% below the same period last year, for a forecast gain of \$147.0 million. March is an important month for refunds as it on average makes up approximately 26% of the total amount of refunds in a fiscal year.

According to weekly processing data of tax returns filed through April 12th, the average refund is currently (29.5)% lower than for the comparable period in 2023. This is close to the overall decrease in refunds we have seen in February and March. This suggests that refunds will continue to be lower than in 2023, and generate additional forecast gains for the state. However, any gains from lower refunds in April will need to be evaluated against any potential forecast error resulting from April's significant payment activity.

	<u>March</u>	<u>YTD</u>
Withholding	0.8%	(9.6)%
Estimated/Final Payments	(18.1)%	(35.0)%
Refunds	(35.0)%	(12.5)%

Corporate Income Tax (CIT) net collections in March were \$123.0 million, 1.9% greater than March 2023 and \$14.6 million above the Baseline forecast. Collections in March typically make up about 5%-6% of the fiscal year total. Year to date through March, net CIT revenue has declined (7.0)% but exceeds the Baseline forecast by \$14.8 million.

Insurance Premium Tax (IPT) revenue was \$201.5 million in March, an increase of 14.1% compared to the same month in the prior year and \$21.9 million above the Baseline forecast. This is the highest amount of IPT ever collected in a single month. Because March is when several major categories of IPT payments are due, collections in this month make up a large portion of the yearly total. Fiscal year to date, IPT revenue is up by 11.7% and is \$44.5 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in March was \$1.7 million, which is 29.4% above March 2023 collections and \$0.3 million above the Baseline forecast. Year to date, General Fund tobacco tax revenues total \$14.3 million, which is 3.5% above the comparable period in FY 2023 and \$0.1 million above forecast.

Liquor Tax revenue deposited into the General Fund in March was \$5.2 million, which marks a 5.2% increase over March 2023 deposits and is \$(0.3) million below the Baseline forecast. Year to date, General Fund deposits from liquor tax collections total \$33.0 million, a (3.5)% decline from the comparable period in FY 2023, and \$(1.0) million below forecast.

The **Lottery Commission** reported that total ticket sales in March were \$153.8 million. This amount is \$26.0 million, or 20.4% greater than in March 2023.

Highway User Revenue Fund (HURF) collections of \$158.1 million in March were 10.2% above the amount collected in March 2023 and \$10.3 million above forecast. Year to date, HURF collections are \$1.31 billion, 3.1% above the prior year and \$(4.1) million below forecast.

The state collected \$14.9 million in dedicated **Marijuana Excise Taxes** in March, representing a 6.3% increase over March 2023 revenues. Monies from this excise tax are deposited into dedicated non-General Fund accounts. The total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) was \$5.6 million in March, of which amount the General Fund received \$4.2 million.

(Table 4 details March 2024 Marijuana tax collections).

	<u>March</u>	<u>YTD</u>
Marijuana Excise Tax	\$14.9	\$131.5
Medical Marijuana TPT*	\$1.2	\$12.6
<u>Distribution:</u>		
General Fund	\$0.9	\$9.3
Counties	\$0.2	\$2.0
Cities	\$0.1	\$1.3
Recreational Marijuana TPT*	\$4.4	\$38.9
<u>Distribution:</u>		
General Fund	\$3.3	\$28.7
Counties	\$0.7	\$6.3
Cities	\$0.4	\$3.9
Total State Marijuana Tax Collections	\$20.5	\$182.9

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Baseline Forecast March 2024

	Current Month					FY 2024 YTD (Nine Months)				
	Actual March 2024	Change From March 2023		Baseline Forecast		Actual March 2024	Change from March 2023		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$628,998,076	\$13,163,897	2.1 %	\$5,746,857	0.9 %	\$5,896,553,073	\$193,761,690	3.4 %	\$17,713,777	0.3 %
Income - Individual	194,513,195	180,142,216	--	61,344,137	46.1	3,362,484,235	(614,588,189)	(15.5)	67,820,086	2.1
- Corporate	122,999,861	2,294,677	1.9	14,554,617	13.4	1,068,022,850	(80,852,441)	(7.0)	14,848,113	1.4
Property	1,067,987	124,688	13.2	298,881	38.9	18,783,380	2,111,401	12.7	427,847	2.3
Luxury - Tobacco	1,698,139	385,758	29.4	278,696	19.6	14,332,022	485,001	3.5	82,573	0.6
- Liquor	5,189,701	258,224	5.2	(266,317)	(4.9)	32,955,043	(1,194,791)	(3.5)	(981,305)	(2.9)
Insurance Premium	201,540,180	24,883,346	14.1	21,930,988	12.2	552,256,562	57,995,125	11.7	44,509,405	8.8
Other Taxes	5,294,153	(171,542)	(3.1)	117,294	2.3	13,545,706	651,728	5.1	(1,386,566)	(9.3)
Sub-Total Taxes	\$1,161,301,292	\$221,081,264	23.5 %	\$104,005,152	9.8 %	\$10,958,932,871	(\$441,630,476)	(3.9) %	\$143,033,930	1.3 %
Other Revenue										
Lottery	0	0	--	0	--	206,795,158	46,473,185	29.0	0	0.0
Gaming	4,148,868	992,340	31.4	73,742	1.8	21,938,742	(15,984,118)	(42.1)	(1,361,354)	(5.8)
License, Fees and Permits	4,225,663	1,365,995	47.8	1,564,698	58.8	39,981,296	7,372,316	22.6	3,655,996	10.1
Interest	25,965,043	(7,245,968)	(21.8)	(1,489,852)	(5.4)	253,694,527	39,574,682	18.5	(15,643,171)	(5.8)
Sales and Services	2,721,084	(314,536)	(10.4)	(604,401)	(18.2)	22,995,377	(833,642)	(3.5)	(1,604,873)	(6.5)
Other Miscellaneous	1,422,897	2,511,474	--	(1,411,864)	(49.8)	20,154,690	8,911,275	79.3	(6,209,377)	(23.6)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	6,287,823	(1,843,707)	(22.7)	1,363,145	27.7	86,728,344	(14,736,413)	(14.5)	6,869,400	8.6
Sub-Total Other Revenue	\$44,771,378	(\$4,534,402)	(9.2) %	(\$504,531)	(1.1) %	\$652,288,134	\$70,777,284	12.2 %	(\$14,293,379)	(2.1) %
TOTAL BASE REVENUE	\$1,206,072,670	\$216,546,862	21.9 %	\$103,500,621	9.4 %	\$11,611,221,005	(\$370,853,192)	(3.1) %	\$128,740,551	1.1 %
Other Adjustments										
Urban Revenue Sharing	(130,401,650)	(38,155,093)	41.4	(0)	0.0	(1,173,614,846)	(343,395,839)	41.4	(0)	0.0
One-Time Transfers	0	(5,000,000)	--	0	--	0	(75,462,096)	--	0	--
Income Tax Rebate	(9,900)	(9,900)	--	(9,900)	--	(273,431,450)	(273,431,450)	--	(475,100)	0.2
Sub-Total Other Adjustments	(130,411,550)	(43,164,993)	49.5 %	(9,900)	0.0 %	(1,447,046,296)	(692,289,385)	91.7 %	(475,100)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,075,661,120	\$173,381,869	19.2 %	\$103,490,721	10.6 %	\$10,164,174,709	(\$1,063,142,576)	(9.5) %	\$128,265,450	1.3 %
Non-General Funds										
Highway User Revenue Fund	158,071,776	14,632,449	10.2 %	10,335,512	7.0 %	1,312,361,184	39,748,061	3.1 %	(4,133,044)	(0.3) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) third and final estimate of U.S. **Real Gross Domestic Product (GDP)** in the 4th quarter of 2023 is a seasonally adjusted annual growth rate of 3.4%. This revision is an increase from the second estimate of 3.2%.

The Conference Board's **Consumer Confidence Index** decreased to 104.7 in March, a (0.1) point decrease from the revised February level. Respondents reported a more positive outlook on the present situation but grew more pessimistic about the future. Jobs were seen as more plentiful compared to the prior month. The most prominent concern about the future was higher prices, particularly for food and gasoline. Year-over-year, the consumer confidence index has grown 0.7%.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, increased by 0.1 points to 102.8 in February. This is the first month of growth for the index since February 2022. Average weekly hours in the manufacturing sector, the stock market, financial credit conditions, and residential construction all contributed to the improvement. A few components of the composite index worsened during the month, including consumer expectations and new manufacturing orders. According to their press release, the Conference Board expects real GDP growth to slow in the coming months. The LEI fell by (2.6)% over the 6-month period between August 2023 and February 2024, a smaller decrease than the (3.8)% decline over the prior 6 months.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased in March at a seasonally adjusted rate of 0.4% over the previous month. Compared to the same month last year, consumer prices are up by 3.5% before seasonal adjustment. Most of the increase was the result of increased shelter and gasoline prices. The Core CPI, which excludes food and energy, is up by 3.8% from a year ago.

ARIZONA

Housing

In February, Arizona reached a 12-month total of 38,087 **single-family building permits** issued. This marks an increase of 4.8% above January's rolling total and an increase of 16.3% over February 2023's 12-month total.

Arizona's 12-month total of 23,197 **multi-family building permits** in February is (5.5)% below January's total and (0.8)% below the same 12-month period ending in February 2023.

The **median home price** in Maricopa County rose to \$479,000 in March, representing a 1.9% increase over February's median sale price and a 7.6% increase over the median home price a year prior.

Tourism

Phoenix Sky Harbor Airport Ridership rose to 4.1 million in February, marking a 4.6% decrease from January's figure and an 8.1% increase over last year's ridership.

Hotel occupancy was 72.0% in February, which is 9.7% higher than January's occupancy rate and (0.7)% lower than that of February 2023.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state gained 1,900 **nonfarm jobs** in March compared to February. Prior to the pandemic, nonfarm employment recorded an average net gain of 10,800 jobs in March (2010-2019). Compared to a year prior, the state added 69,600 jobs in March, an increase of 2.2%.

The state's seasonally adjusted **unemployment rate** dropped again to 3.8% in March from 4.1% in February. The U.S. seasonally adjusted unemployment rate also decreased to 3.8% in March from 3.9% in February. This was the first month since May 2023 that Arizona's jobless rate was the same as for the nation as a whole.

OEO reported that a total of 4,273 **initial claims for unemployment insurance** were filed in Arizona in the week ending on April 6th. This represents a (1.6)% year-over-year decline in initial claims, with the week ending April 8, 2023 seeing 4,342 initial claims.

According to OEO, there were a total of 22,070 **continued claims for unemployment insurance** in Arizona for the week ending on March 30th. This is 10.2% greater than last year's total of 20,032 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

State Personal Income

The U.S. Bureau of Economic Analysis (BEA) recently released state personal income estimates for the 4th quarter of 2023, as well as for the entire calendar year.



Personal income in Arizona increased at an annual rate of 4.0% in the 4th quarter. A decrease in transfer receipts was offset by increased net earnings, dividends, interest, and rent. For all of calendar year 2023, Arizona personal income grew by 6.5%, the 4th highest rate in the nation. The BEA estimates that the total level of personal income was \$464.2 million.

State Agency Data

As of April 1, 2024, the total **AHCCCS caseload** was 2.14 million members. Total monthly enrollment decreased (0.5)% from March and decreased (11.9)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.1)% in April, or (12.5)% lower than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 978,387 – a decrease of (1.1)% from April, or (12.1)% lower than last year.

For April 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.5%. At 69,882, this population is 3.1% higher than a year ago.

Based on information the **Department of Child Safety** provided for February 2024, reports of child maltreatment totaled 43,822 over the last 12 months, an increase of 1.9% from the prior year.

There were 9,817 children in out-of-home care as of February 2024, or (15.0)% less than in February 2023. Compared to the prior month, the number of out-of-home children decreased by (0.6)%.

There were 11,175 individuals receiving **TANF** Cash Assistance in March 2024, representing a 1.4% increase from February 2024. Year over year, the number of cash benefit recipients has essentially remained flat.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 952,268 individuals receiving SNAP benefits in March 2024, representing a 2.1% increase from February 2024. Year over year, the number of SNAP recipients has increased by 4.6%.

The Arizona Department of Correction's **Inmate Population** was 34,787 as of March 31, 2024. This was a 0.4% increase since February 29, 2024 and a 2.3% increase since March 2023.



Table 6

MONTHLY INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	March	3.8%	(0.3)%	0.3%
- Total Unemployment Rate (discouraged/underemployed)	4 th Q 2023	7.3%	0.5%	0.7%
- Initial Unemployment Insurance Claims	Week Ending April 6	4,273	23.1%	(1.6)%
- Continued Unemployment Insurance Claims	Week Ending Mar. 30	22,070	(0.2)%	10.2%
- Non-Farm Employment - Total	March	3,251,500	0.1%	2.2%
Manufacturing	March	192,500	(0.4)%	(0.6)%
Construction	March	215,600	(0.1)%	4.0%
- Average Hourly Earnings, Private Sector	March	\$32.38	(0.7)%	4.2%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	February	38,087	4.8%	16.3%
Multi-family		23,197	(5.5)%	(0.8)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	March	5,363	16.5%	(11.9)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	March	\$479,000	1.9%	7.6%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	February	4,120,525	4.6%	8.1%
- State Park Visitors	February	266,748	17.3%	10.0%
- Revenue Per Available Hotel Room	February	\$144.74	41.4%	(13.9)%
- Arizona Hotel Occupancy Rate	February	72.0%	9.7%	(0.7)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	4 th Q 2023	\$464.2 billion	4.0%	1.3%
- Arizona Population, U.S. Census	July 2023	7,431,344	N/A	0.9%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	April 1st	2,141,200	(0.5)%	(11.9)%
Traditional Acute Care		1,092,900	(0.1)%	(12.5)%
Other Acute Care		978,400	(1.1)%	(12.1)%
Long-Term Care – Elderly & DD		69,900	0.5%	3.1%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	February	43,822	(0.1)%	1.9%
DCS Out-of-Home Children	February	9,817	(0.6)%	(15.0)%
Filled Caseworkers (1,406 Budgeted)	February	1,297	(1)	(7)
- ADC Inmate Growth	March	34,787	0.4%	2.3%
- Department of Economic Security				
- TANF Cash Assistance Recipients	March	11,175	1.4%	0.0%
- SNAP (Food Stamps) Recipients	March	952,268	2.1%	4.6%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	4 th Q, 2023 3 rd Estimate)	\$22.7 trillion	3.4%	3.1%
- Consumer Confidence Index (1985 = 100)	March	104.7	(0.1)%	0.7%
- Leading Economic Index (2016 = 100)	February	102.8	0.1%	(6.3)%
- Consumer Price Index, (1982-84 = 100)	March	312.3	0.4%	3.5%



Summary of Recent Agency Reports

Attorney General – Quarterly Report on Child and Family Advocacy Center Fund Expenditures – Pursuant to A.R.S. § 41-191.11, the Attorney General (AG) submitted its quarterly report on expenditures from the Child and Family Advocacy Center Fund (CFAF), which funds nonprofit and government entities that serve victims of child abuse or investigate and prosecute their abusers. Through the third quarter of FY 2024, the AG received \$450,000 of its FY 2024 appropriation to the fund (plus \$174 of other revenues). By the end of FY 2024, the AG anticipates encumbering its entire appropriation for CFAFs. (Gordon Robertson)

Attorney General – Quarterly Reports on Legal Settlements – The Attorney General (AG) submitted its statutorily-required quarterly reports on the receipts to and disbursements from the Consumer Protection – Consumer Fraud (CPCF) Revolving Fund, the Antitrust Enforcement Revolving Fund, and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund and receipts and deposits of opioid claims-related litigation monies.

In the third quarter of FY 2024, the AG deposited a total of \$57.4 million into various consumer accounts. Of that amount, \$12.7 million was deposited in the CPCF Revolving Fund, \$159,800 was deposited into the Antitrust Enforcement Revolving Fund, \$192,300 was deposited into the Consumer Restitution Subaccount, and \$44.3 million was deposited into the Consumer Remediation Subaccount, of which all the Remediation deposits were opioid claims-related monies. The AG made no deposits into the General Fund.

Deposits to the CPCF Revolving Fund

The AG deposited \$12.8 million into the appropriated CPCF Revolving Fund, which may be used for consumer fraud education and investigation, costs associated with the Tobacco Master Settlement Agreement, or any other purpose permitted by statute. This amount resulted from: a deposit of \$1.8 million from a settlement with Blackbaud, Inc. resolving allegations that Blackbaud failed to implement reasonable data security measures that resulted in a data breach; a deposit of \$10 million from a settlement with Cox Enterprises, Inc. resolving allegations that Cox failed to disclose additional fees to customers in violation of state law; \$706,900 from various small legal settlements; \$39,200 from interest income; and \$221,800 of other transfers in. As of March 31, 2024, the fund had an unencumbered balance of \$28.5 million.

Deposits to the Antitrust Enforcement Revolving Fund

The AG deposited \$159,800 into the appropriated Antitrust Enforcement Revolving Fund, which may be used for antitrust enforcement expenses, excluding attorney compensation. This amount resulted from various small legal settlements. As of March 31, 2024, the fund had an unencumbered balance of \$1.2 million.

Deposits to the Consumer Restitution Subaccount

The AG deposited \$192,300 into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount resulted from various small legal settlements and interest income. As of March 31, 2024, the fund had an unencumbered balance of \$9.9 million.

Deposits to the Consumer Remediation Subaccount

The AG deposited \$44.3 million into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount resulted from \$664,900 of interest income, \$(37,619) of transfers out, and \$43.7M of deposits as part of ongoing settlements resolving allegations that the settling entities engaged in unfair or deceptive practices related to the advertisement or sale of opioids: \$27.2 million from Walmart, Inc.; \$6.9 million from Walgreen Company; \$3.5 million from CVS Pharmacy, Inc.; \$3.2 million from Allergan Limited; and \$2.9 million from Teva Pharmaceuticals USA, Inc. As of March 31, 2024, the fund had an unencumbered balance of \$89.2 million.

Deposits to the General Fund

The AG deposited no monies into the General Fund.

Opioid Claims-Related Litigation

The AG deposited \$43.7 million of opioid monies for deposit in the partially-appropriated Consumer Remediation Subaccount. These monies are described above under the Remediation Subaccount section. Of the interest revenue described above, \$508,100 is attributable to opioid claims-related deposits. The AG spent \$1,310 on aid to others through the third quarter of FY 2024. As of March 31, 2024, the Remediation Subaccount had an unencumbered balance of opioid claims-related monies of \$78.2 million. (Gordon Robertson)



Attorney General – Quarterly Report on Internet Crimes Against Children Enforcement Fund Expenditures – Pursuant to A.R.S. § 41-199, the Attorney General (AG) submitted its quarterly report on expenditures from the Internet Crimes Against Children (ICAC) Enforcement Fund and progress made towards ICAC goals.

The ICAC Enforcement Fund receives an annual deposit of \$900,000 in revenues from lottery games that are sold from a vending machine in age restricted areas. Monies in the fund are utilized to support the ICAC Task Force, which is housed within the Phoenix Police Department and works with federal, state, and local law enforcement to investigate technology-facilitated sexual exploitation of children.

Through the third quarter of FY 2024, the AG received \$450,000 for deposit into the ICAC Enforcement Fund. A total of \$608,600 was expended from the fund balance through the third quarter of FY 2024 to help pay for the operating costs of the ICAC Task Force. As of March 31, 2024, the ICAC Enforcement Fund had an unencumbered fund balance of \$914,400. (Gordon Robertson)

Department of Child Safety – Report on Kinship Stipend – Pursuant to an FY 2024 General Appropriation Act footnote, the Department of Child Safety reported on the number of children who are part of the kinship stipend program and reside with a nonrelative caretaker of fictive kinship.

As of December 2023, there were a total of 4,782 children or youth residing with a kinship caregiver and for whom the caregiver was receiving a kinship stipend. Of this amount, an estimated 4,365 resided with relative kinship caregivers and 417 resided with non-relative fictive kinship caregivers. Compared to January 2023, the number of youth residing with relative kinship caregivers decreased by (9.6)% and the number of youth residing with non-relative fictive kinship caregivers decreased by (15.6)%. (Maggie Rocker)

Arizona Department of Education – Report on Early Literacy Planned Expenditures – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Education (ADE) reported on proposed expenditures from the \$6.9M increase in the Early Literacy special line item. ADE's report includes \$5.4M in planned expenditures from this increase. These items were previously funded with federal funds in FY 2022 and FY 2023.

Literacy Coaches

The FY 2024 budget appropriates \$3.1M from the General Fund to ADE for literacy coaches. ADE plans to spend \$3.08M on foundational literacy coaching, including \$401,900 on operating and training expenses and \$2.7M on 25 coaches.

Kindergarten Entry Assessment

The FY 2024 budget appropriates \$1.5M from the General Fund to ADE to administer a kindergarten entry assessment. ADE's report does not include planned expenditures for a kindergarten entry assessment. Laws 2023, Chapter 170 allows each school district and charter school to establish their own kindergarten entry evaluation methods, rather than use the one administered by ADE.

Dyslexia Screening

The FY 2024 budget appropriates \$1.3M from the General Fund to ADE for dyslexia screening and training. ADE plans to spend the full \$1.3M to administer the K-3 Dyslexia Training Grant, which provides \$2,500 grants to up to 2 educators per campus to obtain dyslexia training and certification. The plan includes \$909,500 for grants and \$370,500 in direct and indirect operating expenditures.

Science of Reading

The FY 2024 budget appropriates \$1.0M from the General Fund to ADE to cover the cost of K-5 educators taking a science of reading exam to receive a literacy endorsement pursuant to A.R.S. § 15-501.1. ADE plans to spend the full \$1.0M to provide teacher training hours necessary for a K-5 educator providing literacy instruction to receive their literacy endorsement. (Gordon Robertson)

Arizona Department of Education – Report on Failing Schools Tutoring Fund Planned Expenditures – Pursuant to a provision in the FY 2024 K-12 Education BRB, the Arizona Department of Education (ADE) reported on proposed expenditures of its \$1.5M appropriation from Education Sales Tax revenues to the Failing Schools Tutoring Fund, which may be used to purchase materials to assist students in meeting Arizona academic standards and to achieve passing scores on statewide assessments. ADE plans to use \$971,300 from the fund for tutoring assistance, and the remaining \$528,700 on operating costs, including 5.3 FTE Positions, and other assistance programs. The \$971,300 includes \$400,000 for ADE's Systemic School Improvement Grant to assist D and F grade schools in improving scores, and \$571,300 for allocations to school districts to pay educators and third parties for tutoring outside of the classroom day. (Gordon Robertson)



Department of Public Safety – Report on Local Border Support Expenditures – Pursuant to a FY 2024 General Appropriation Act footnote, DPS submitted an expenditure plan for the Local Border Support line item. The FY 2024 budget appropriated \$12.2 million from the General Fund for the Local Border Support line item. *Table 7* below delineates the FY 2023 allocations and planned allocation of the FY 2024 appropriation to local law enforcement agencies.

An additional footnote in the FY 2024 General Appropriation Act specifies that the \$12.2 million appropriation shall be used as grants to local governments to fund law enforcement positions for border drug interdiction, prosecution costs of border-related crimes, and capital-related equipment. The allocation of the FY 2024 monies to the respective agencies will be utilized for unspecified border security projects and operating costs. The remaining \$250,200 in the Local Border Support balance will be used as a contingency against any unexpected price increases in awarded projects. (Jordan Johnston)

Table 7

FY 2024 Local Border Support Expenditure Plan

<u>Agency</u>	<u>FY 2023 Award</u>	<u>FY 2024 Award</u>
Operation Safe Streets	\$0	\$556,400 <u>1/</u>
Apache County Sheriff's Office	0	498,800
Cochise County Sheriff's Office	5,674,000 <u>2/</u>	1,400,000 <u>3/</u>
Coconino County Sheriff's Office	0	1,000,000
Gila County Sheriff's Office	0	502,300
Graham County Sheriff's Office	0	480,000
La Paz County Sheriff's Office	552,400	793,600
Mohave County Sheriff's Office	0	1,000,000
Navajo County Sheriff's Office	582,600	1,000,000
Pinal County Sheriff's Office	642,900	990,000
Santa Cruz County Sheriff's Office	166,700	0 <u>4/</u>
Yavapai County Sheriff's Office	626,000	1,000,000
Yuma County Sheriff's Office	0	1,500,000
Pima County Attorney's Office	420,600	138,300
Nogales Police Department	0	579,100
Somerton Police Department	0	63,600
Tucson Police Department	0	100,000 <u>5/</u>
Wellton Police Department	0	380,600
Contingency	0	250,200
Unallocated	<u>3,567,700</u>	<u>0</u>
Total	\$12,232,900	\$12,232,900

1/ Multi-agency operation in Cochise County.
2/ Cochise received \$5 million to purchase and renovate a building to serve as the Southeast Arizona Combined Intelligence and Border Operations Center.
3/ DEMA awarded an additional \$100,000 from the Border Security Fund.
4/ DEMA awarded \$900,000 from the Border Security Fund and is considering an additional \$3,000,000 award.
5/ DEMA awarded an additional \$200,000 from the Border Security Fund.

