Joint Legislative Budget Committee

Monthly Fiscal Highlights

August 2026

Summary

July 2026 General Fund revenues were $1.35 billion, an amount which is 7.3% above July 2025. Revenue collections during the month were $47 million above the enacted budget forecast. The state's July forecast gain was concentrated in the Sales Tax category.

Sales Tax

Overall July Sales Tax collections (which represent June sales activity) grew by 7.9% above the prior year and were $32 million above the enacted budget forecast.

While the July data indicated broad growth across almost all the main Sales Tax subcategories, we would caution against interpreting these results as an ongoing trend.

The July Sales Tax performance far exceeds the category's overall FY 2026 performance (3.8% growth) and also exceeds recent data on overall U.S. retail sales. Given this, we are exploring whether the higher-than-expected July Sales Tax growth is the result of technical issues.

Individual Income Tax

Total Individual Income Tax (IIT) collections were 5.9% above July 2025 and were $8 million above the enacted budget forecast for the month.

The year-over-year IIT growth was driven by increased withholding collections, which was partially offset by declines in payment activity and increased levels of refunds issued.

Corporate Income Tax

July Corporate Income Tax (CIT) revenues were almost flat compared to the prior year, with growth of 0.9% above July 2025. This level of collections generated a modest forecast loss of $(2) million during the month.

Insurance Premium Tax

Insurance Premium Tax (IPT) collections grew by 10.6% during the month compared to July 2025, which generated a forecast gain of $11 million above the enacted budget forecast. The strong growth in July follows a year of mixed results for the tax category – during FY 2026, IPT collections showed very robust growth in the first half of the fiscal year, followed by significantly lower growth in the second half of the year.

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July Revenues

Table 1			
	General Fund Revenues ($ in Millions)		
	FY 2027 Collections	Difference From Enacted Forecast	Difference From FY 2026
July	$ 1,350.0	$ 46.7	$ 92.1
Year-to-Date	$ 1,350.0	$ 46.7	$ 92.1

Sales Tax collections of $762.2 million in July were 7.9% greater than the same month in the previous year and $32.4 million above the enacted budget forecast. Sales Tax revenue collected in July reflects sales activity that occurred in June.

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

Table 2		
July Sales Tax Growth Rates Compared to Prior Year		
	July	YTD
Retail/Remote Seller	9.5%	9.5%
Contracting	7.9%	7.9%
Use Tax	(3.8)%	(3.8)%
Restaurant & Bar	4.8%	4.8%
Utilities	8.8%	8.8%

Tax revenue from the combined Retail/Remote Seller category grew by 9.5% in July compared to the prior year, the highest of any Sales Tax category this month.

The Use Tax category posted a year-over-year decline in July, continuing a trend seen during the previous two months.

Beyond Retail/Remote Seller and Use Tax, all other remaining major Sales Tax categories posted healthy growth rates in July.

Individual Income Tax (IIT) net revenue was $537.7 million in July, a 5.9% increase from the prior year and $7.5 million more than the enacted budget forecast.

Withholding collections in July were $533.4 million, a year-over-year rise of 7.3% and $11.6 million above the forecast. The growth in withholding was higher than the most recent estimates for wage and salary disbursements published by the Bureau of Economic Analysis (BEA) at both the state and national levels. According to the BEA, wages grew 4.3% nationwide in June and 3.1% in the 1st quarter of 2026 at the state level.

Total July tax payments (estimated plus final) were $39.6 million, a decline of (6.9)% from last year and $(4.0) million below the forecast. Both estimated and final payments fell short of the previous year's amounts. On average, income tax payments in July make up about 3% of the fiscal year total.

Refunds in July were $35.3 million, an increase of 11.2% compared to 2025. Similar to tax payments, the refund level in July typically comprises about 3% of the fiscal year total. The enacted budget forecast assumed a refund level of $35.3 million, for no significant forecast loss or gain.

Table 3		
Individual Income Tax Growth Rates Compared to Prior Year		
	July	YTD
Withholding	7.3%	7.3%
Estimated/Final Payments	(6.9)%	(6.9)%
Refunds	11.2%	11.2%

Net **Corporate Income Tax (CIT)** collections were $53.8 million in July, 0.9% greater than the previous year but $(2.2) million below the enacted budget forecast. Both gross revenues and refunds issued were lower than in 2025. In a typical year, July CIT revenues make up just under 6% of the fiscal year total.

Insurance Premium Tax (IPT) revenue was $89.1 million in July, which corresponds to an increase of 10.6% compared to the same month in the prior year. IPT revenue in July was $11.5 million above the enacted budget forecast.

The amount of **Tobacco Tax** deposited into the General Fund in July fell by (24.6)% compared to the prior year and was $(0.2) million below the enacted forecast.

Liquor Tax revenue deposited into the General Fund in July was $4.0 million, or 62.6% greater than July 2025 collections and $1.1 million above the enacted forecast.

The **Lottery Commission** reported that total ticket sales in July were $122.9 million. This amount is $9.3 million, or 8.2% greater than in July 2025.

Highway User Revenue Fund (HURF) collections of $156.9 million in July were 6.1% above the amount collected in July 2025 and were $4.5 million above forecast.

The state collected $15.0 million in dedicated **Marijuana Excise Taxes** in July 2026, which is 6.9% above July 2025 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. General Fund TPT collections from marijuana (both medical and recreational) totaled $3.9 million in July, which is (3.5)% below July 2025 collections. (*Table 4* details collections for July 2026).

Table 4
Marijuana State Tax Collections and Distributions
($ in Millions)*

	July	YTD
Marijuana Excise Tax	**$15.0**	**$15.0**
Medical Marijuana TPT **	**$(0.5)**	**$(0.5)**
Distribution:		
General Fund	$(0.3)	$(0.3)
Counties	$(0.1)	$(0.1)
Cities	$(0.0)	$(0.0)
Recreational Marijuana TPT	**$5.8**	**$5.8**
Distribution:		
General Fund	$4.2	$4.2
Counties	$0.9	$0.9
Cities	$0.6	$0.6
Total State Marijuana Tax Collections	**$20.3**	**$20.3**

* Amounts may not add to total due to rounding
** The negative collection amounts displayed for Medical Marijuana TPT is due to technical issues.

Table 5

General Fund Revenue: Change from Previous Year and Enacted Forecast July 2026

	Current Month					FY 2027 YTD (One Month)				
		Change From					Change from			
	Actual	July 2025		Enacted Forecast		Actual	July 2025		Enacted Forecast	
	July 2026	Amount	Percent	Amount	Percent	July 2026	Amount	Percent	Amount	Percent
Taxes										
Sales and Use	$762,239,990	$55,761,211	7.9 %	$32,434,116	4.4 %	$762,239,990	$55,761,211	7.9 %	$32,434,116	4.4 %
Income - Individual	537,722,404	29,741,067	5.9	7,544,487	1.4	537,722,404	29,741,067	5.9	7,544,487	1.4
- Corporate	53,798,795	495,105	0.9	(2,177,469)	(3.9)	53,798,795	495,105	0.9	(2,177,469)	(3.9)
Property	631,709	(13,820)	(2.1)	(338,635)	(34.9)	631,709	(13,820)	(2.1)	(338,635)	(34.9)
Luxury - Tobacco	1,094,700	(357,241)	(24.6)	(190,560)	(14.8)	1,094,700	(357,241)	(24.6)	(190,560)	(14.8)
- Liquor	3,963,591	1,525,334	62.6	1,094,234	38.1	3,963,591	1,525,334	62.6	1,094,234	38.1
Insurance Premium	89,076,768	8,508,644	10.6	11,485,361	14.8	89,076,768	8,508,644	10.6	11,485,361	14.8
Other Taxes	1,174,715	61,189	5.5	(233,228)	(16.6)	1,174,715	61,189	5.5	(233,228)	(16.6)
Sub-Total Taxes	$1,449,702,673	$95,721,488	7.1 %	$49,618,307	3.5 %	$1,449,702,673	$95,721,488	7.1 %	$49,618,307	3.5 %
Other Revenue										
Lottery	0	0	--	0	--	0	0	--	0	--
Gaming	3,992,496	3,992,496	--	495,949	14.2	3,992,496	3,992,496	--	495,949	14.2
License, Fees and Permits	3,859,532	1,095,708	39.6	850,290	28.3	3,859,532	1,095,708	39.6	850,290	28.3
Interest	10,224	94	0.9	124	1.2	10,224	94	0.9	124	1.2
Sales and Services	576,319	(879,159)	(60.4)	(770,656)	(57.2)	576,319	(879,159)	(60.4)	(770,656)	(57.2)
Other Miscellaneous	(291,120)	1,566,404	--	(3,083,516)	--	(291,120)	1,566,404	(84.3)	(3,083,516)	(110.4)
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	664,434	216,156	48.2	(423,886)	(38.9)	664,434	216,156	48.2	(423,886)	(38.9)
Sub-Total Other Revenue	$8,811,885	$5,991,700	212.5 %	($2,931,696)	(25.0) %	$8,811,885	$5,991,700	212.5 %	($2,931,696)	(25.0) %
TOTAL BASE REVENUE	**$1,458,514,557**	**$101,713,188**	**7.5 %**	**$46,686,611**	**3.3 %**	**$1,458,514,557**	**$101,713,188**	**7.5 %**	**$46,686,611**	**3.3 %**
Other Adjustments										
Urban Revenue Sharing	(108,502,222)	(9,643,409)	9.8	0	0.0	(108,502,222)	(9,643,409)	9.8	0	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Income Tax Rebate	(600)	(600)	--	(600)	--	(600)	(600)	--	(600)	--
Other One-Time Revenue Adjustments	0	0	--	0	--	0	0	--	0	--
Sub-Total Other Adjustments	(108,502,822)	(9,644,009)	9.8 %	(600)	0.0 %	(108,502,822)	(9,644,009)	9.8 %	(600)	0.0 %
TOTAL GENERAL FUND REVENUE	**$1,350,011,735**	**$92,069,180**	**7.3 %**	**$46,686,011**	**3.6 %**	**$1,350,011,735**	**$92,069,180**	**7.3 %**	**$46,686,011**	**3.6 %**
Non-General Funds										
Highway User Revenue Fund	156,863,134	9,065,320	6.1 %	4,483,588	2.9 %	156,863,134	9,065,320	6.1 %	4,483,588	2.9 %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) preliminary estimate of U.S. Real **Gross Domestic Product** (GDP) in the 2nd quarter of 2026 is a seasonally adjusted annual growth rate of 1.5%. The increase is due to higher levels of consumer spending, investment, and exports. Government spending decreased during the period.

The University of Michigan's **Consumer Sentiment Index** reports that overall consumer sentiment improved during the month of July. The index of consumer sentiment rose 11.5% to 55.2, with views on both the current situation and expectations for the future becoming more optimistic. Despite this growth, overall consumer sentiment remains well below historical averages. According to the press release, consumer responses centered around inflation, with concerns about political or military developments falling into the background. The index has decreased by (10.5)% over the last 12 months.

In previous months, as a measure of consumer outlook we reported the Conference Board's Consumer Confidence Index, which focuses on labor market conditions and job trends. Starting with this *Monthly Fiscal Highlights*, we are now reporting the Consumer Sentiment Index because of its broader emphasis on consumers' expectations for the economy and personal consumption.

The **Leading Economic Index**, published by the Conference Board, was 99.1 in June, a decrease of (0.2)% from the revised May level. Falling consumer expectations and reduced building permits were the main drivers of the overall decline in LEI. The financial components of the credit improved during the month, including credit, stock prices, and the interest rate spread. The Conference Board's press release stated that "Consumer spending is weakening, but strong business investment related to AI is expected to support economic activity while inflation continues to improve". In the 6 months from December to June, the index decreased by (0.3)%, while the previous 6-month period fell by (1.1)%.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in July increased at a seasonally adjusted rate of 0.1% from the prior month. Compared to the same month last year, consumer prices are up by 3.4% before seasonal adjustment. More than half of the increase was due to rising shelter prices, with food and energy prices also rising during the month. The Core CPI, which excludes food and energy, has grown 2.5% from a year ago.

ARIZONA

Housing

In June, Arizona had a 12-month total of 31,212 **single-family building permits** issued. This represents a decrease of (0.2)% from the prior month's rolling total and a decrease of (19.2)% from the previous June's 12-month total.

Arizona's 12-month total of 15,430 **multi-family building permits** in June is 2.3% above May's rolling total and 1.0% greater than the 12-month period ending in June 2025.

Tourism

Phoenix Sky Harbor Airport Ridership was 4.2 million passengers in June, which is a (8.4)% decline from May and 0.1% above June 2025's figure. Ridership typically decreases significantly in June from the May figures given seasonal travel patterns.

Employment

OEO reported that a total of 2,854 **initial claims for unemployment insurance** were filed in Arizona in the week ending on August 8th. This represents a (20.2)% decrease in initial claims compared to a year ago.

According to OEO, there were a total of 25,620 **continued claims for unemployment insurance** in Arizona for the week ending on August 1st, which is (24.8)% below the amount 52 weeks prior.

State Agency Data

As of August 1, 2026, the total **AHCCCS caseload** was 1.70 million members. Total monthly enrollment decreased (0.4)% from July to August and decreased (9.1)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased (0.4)% in August compared to July and decreased (10.0)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 722,983, a decrease of (0.5)% from July and (9.1)% lower than last year.

For August 2026, the Elderly and Physically Disabled Long-Term Care population increased by 0.4% over the prior month. At 27,317, this population is (0.7)% lower than a year ago. The Developmental Disabilities (DD) Long-Term Care population increased by 0.5% over the prior month. At 48,992, this population is 5.4% higher than a year ago.

JLBC

Based on information the **Department of Child Safety** provided for June 2026, reports of child maltreatment totaled 45,596 over the last 12 months, an increase of 4.0% from the comparable period in the prior year.

There were 8,064 children in out-of-home care as of June 2026, or (3.9)% fewer than in June 2025. Compared to the prior month, the out-of-home children population decreased by (1.2)%.

The Arizona Department of Correction's **Inmate Population** was 34,610 as of June 30, 2026. This was a (0.4)% decrease since May 31, 2026 and a (2.7)% decrease since June 2025.

There were 4,330 individuals receiving **Temporary Assistance for Needy Families (TANF) Cash Assistance** in June 2026, representing a (0.9)% decrease from May 2026. Year over year, the number of cash benefit recipients has decreased by (42.0)%.

The **Supplemental Nutrition Assistance Program (SNAP)** provides assistance to low-income households to purchase food. There were 471,871 individuals receiving SNAP benefits in June 2026, representing a 4.5% increase from May 2026. Year over year, the number of SNAP recipients has decreased by (48.1)%.

Table 6

MONTHLY INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
Employment				
- Seasonally Adjusted Unemployment Rate	June	4.9%	0.1%	0.6%
- Total Unemployment Rate (discouraged/underemployed)	1st Q 2026	8.4%	(0.1)%	0.8%
- Initial Unemployment Insurance Claims	Week Ending Aug 8	2,854	1.8%	(20.2)%
- Continued Unemployment Insurance Claims	Week Ending Aug 1	25,620	(1.7)%	(24.8)%
- Non-Farm Employment - Total	June	3,231,300	(1.4)%	0.9%
Manufacturing	June	191,500	0.2%	(0.9)%
Construction	June	227,700	1.3%	1.0%
- Average Hourly Earnings, Private Sector	June	$35.79	0.0%	3.2%
Building				
- Building Permits (12 month rolling sum)				
Single-family	June	31,212	(0.2)%	(19.2)%
Multi-family		15,430	2.3%	1.0%
Tourism and Restaurants				
- Phoenix Sky Harbor Air Passengers	June	4,208,136	(8.4)%	0.1%
- State Park Visitors	June	182,768	(21.0)%	(23.9)%
- Revenue Per Available Hotel Room	May	$99.20	(22.1)%	0.4%
- Arizona Hotel Occupancy Rate	May	64.2%	(5.6)%	(0.4)%
General Measures				
- Arizona Personal Income, SAAR	1st Q 2026	$533.5 billion	4.8%	4.2%
- Arizona Population (U.S. Census)	July 2025	7,623,818	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	July 2024/Nov 2019	Positive/Stable	N/A	N/A
Agency Measures				
- AHCCCS Recipients	August 1st	1,704,324	(0.4)%	(9.1)%
Traditional Acute Care		905,032	(0.4)%	(10.0)%
Other Acute Care		722,983	(0.5)%	(9.1)%
Long-Term Care – Elderly & Physically Disabled		27,317	0.4%	(0.7)%
Long-Term Care – Developmentally Disabled (DD)		48,992	0.5%	5.4%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	June	45,596	0.4%	4.0%
DCS Out-of-Home Children	June	8,064	(1.2)%	(3.9)%
Filled Caseworkers (1,406 Budgeted)	June	1,252	4	(32)
- ADC Inmate Growth	June	34,610	(0.4)%	(2.7)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	June	4,330	(0.9)%	(42.0)%
- SNAP Recipients	June	471,871	4.5%	(48.1)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	2nd Q, 2026 1st Estimate)	$24.3 trillion	1.5%	2.1%
- Consumer Sentiment Index (1966 = 100)	July	55.2	11.5%	(10.5)%
- Leading Economic Index (2016 = 100)	June	99.1	(0.2)%	(1.4)%
- Consumer Price Index, (1982-84 = 100)	July	333.9	0.1%	3.4%

JLBC Meeting Follow-Up

DES – Report on DDD Population by Diagnosis – Pursuant to the provisions set forth in the January 29, 2026, JLBC meeting, the Arizona Department of Economic Security (DES) submitted a third report on the Division of Developmental Disabilities (DDD) population by diagnosis. Data from March through May 2026 is displayed in *Table 7*. DES is required to provide monthly updates on this information through June 2026. (Brian Belakovsky)

Table 7

DES-DDD Population Count, Delineated by Primary Diagnosis

	March 2026	April 2026	May 2026
Autism	25,869	26,246	26,400
Intellectual Disability	16,224	16,252	16,253
"At Risk" Individuals	14,723	15,026	15,132
Cerebral Palsy	3,757	3,756	3,755
Epilepsy	2,308	2,317	2,319
Down Syndrome	651	659	679
Total	**63,532**	**64,256**	**64,538**

Secretary of State – Report on Special Election Expenses Line Item Transfer - Pursuant to a provision from the March 2026 JCCR meeting, the Secretary of State (SOS) submitted a monthly report on the previous month's expenditures and year-to-date expenditures of the monies transferred from the surplus in the FY 2026 Special Election expenses line item to the operating budget.

The Committee approved the transfer of $650,000 for cybersecurity expenses at the January 2026 JLBC meeting. As of August 12, 2026, SOS reports spending of $650,000 to date.

The Committee approved the transfer of $2,490,000 at the March 2026 JLBC meeting for 10 projects. As of August 12, 2026, SOS reported year-to-date expenditures as follows for the 10 projects:

- $1,750,000 of the $1,750,000 allocated for 5 projects for county expenses;
- $235,000 of the $240,000 allocated for physical security of the Secretary of State;
- $499,900 of the $500,000 allocated for 4 projects for SOS's 2026 election expenses.

The two transfers totaled $3,140,000. The year-to-date reported expenditures total $3,134,900, leaving a balance of $5,100. The SOS reported a total of $81,700 in expenditures in the month prior to the August 12, 2026 reporting date. (Micaela Andrews)

Summary of Recent Agency Reports

Arizona Department of Administration – Automation Projects Fund Quarterly Report and Third-Party Reports – Pursuant to an FY 2026 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) provided its fourth quarterly update of FY 2026 on all current projects funded through the Automation Projects Fund (APF). ADOA's Strategic Enterprise Technology office (ASET) evaluates each project quarterly and labels it as on track, at risk, or off track. Of the 20 projects in the report, ADOA labeled 5 on track, 7 at risk, 4 off track, 2 complete, 1 on hold, and 1 not started. The 4 off track projects are:

Department of Revenue (DOR) STARS Tax System Modernization

ASET continues to consider the DOR STARS project as off track. Its first tax category, the Liquor Luxury Tax, deployed in November 2025, and focus has shifted to the more complex Withholding Tax release. The original architecture for the system was deemed insufficient, and the development of upgraded architecture is underway to support the scaled integration of ADOR's 26 tax types. The project's reviewer, Gartner, rates overall risk as high due to delays resulting from intensive technical efforts in the Vendor's development of upgraded architecture, though the project currently remains within budget.

Department of Water Resources (DWR) Water Application Verification Enterprise System (WAVES)
ASET continues to list the DWR WAVES project as off track. Its July 2025 end date has passed, yet the project has not closed out due to unresolved technical and architectural issues. ASET also cites delays on final milestones and a backlog of roughly 256 support tickets, though progress on resolving support tickets is advancing steadily. Additionally, ADWR has issued final payment to a contracted vendor for consulting and training services to resolve outstanding technical issues, and will determine whether to maintain the project's active status for a final training or to conclude the project.

AHCCCS Medicaid Enterprise System (MES) Mainframe Refactor
ASET continues to list the AHCCCS MES Mainframe Refactor as off track. In February 2026, ITAC approved a change request extending completion to December 2027 and adjusting the total development budget estimate to roughly $128.3 million. Even so, the project is trending behind its recovery plan due primarily to delays related to testing and faces further mainframe licensing cost increases if delays push the system rollout into calendar year 2028.

AHCCCS ServiceNow Platform
ASET has downgraded the AHCCCS ServiceNow project from at risk to off track due to significant failures associated with the Grants Management module. While the module was completed in November 2024, it has failed to meet business requirements and is not being utilized by AHCCCS. ASET is intervening to stabilize the project by establishing a remediation plan for the Grants Management module.

Status of ITAC Projects
In its report, ADOA notes that 3 non-APF projects approved by ITAC are on hold: the Enterprise Email project, due to schedule delays with DCS, DPS, AHCCCS, and DOR; the DES A to Z Arizona Portal Phase 3, which remains paused as resources have been redirected to address an ongoing federal SNAP error-rate initiative; and the Juvenile Probation CMS Replacement, which has been put on hold as of March 20 to redirect resources to the Adult Probation CMS Replacement project. ADOA also reported that the ADE CNPWeb 2.0 Enhancement Project, which was started in February 2026, is off track due to delays associated with a strategic shift towards a consolidated implementation of upgrade releases.

ITAC Third-Party Reports
Additionally, pursuant to A.R.S. § 18-104, IT projects over $5.0 million must receive quarterly third-party Independent Verification and Validation (IVV) review from an independent vendor. For Q4, reports were submitted for four AHCCCS MES modules (ServiceNow, Mainframe Refactor, FWA – Program Integrity, and Electronic Data Interchange), the ADOA-HRIS Replacement project, the STARS Tax System Modernization (DOR), the DCSS ATLAS Replacement (DES), and ADOT's Capital Project Delivery System and Maintenance Management System. The reports were submitted between May and July 2026 and generally matched ASET's quarterly APF report. (Ethan Scheider)

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 instant ticket lottery vending machines 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 fourth quarter of FY 2026, the AG received $675,000 for deposit into the ICAC Enforcement Fund. The AG has expended $1,171,200 from the fund through the fourth quarter of FY 2026 to help pay for the operating costs of the ICAC Task Force. As of June 30, 2026, the ICAC Enforcement Fund had an unencumbered fund balance of $94,000. (Jacob Cross Mayhew)

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 fourth quarter of FY 2026, the AG received its full $100,000 FY 2026 appropriation to the fund. A total of $100,000 was expended from the fund through the fourth quarter of FY 2026. As of June 30, 2026, the CFAF had an unencumbered balance of $12,300. (Jacob Cross Mayhew)

Department of Corrections – Report on Health Care Credits Taken Against Payments to Health Care Vendor – The state can seek Medicaid reimbursement for the costs of outside medical care for eligible inmates. To receive reimbursement, the care is paid by the Arizona Health Care Cost Containment System (AHCCCS). The Department of Corrections (ADC) pays the state match portion, and AHCCCS covers the federal portion. Since ADC already pays for all health care of inmates in state facilities in the inmate health care services contract, the total dollar amount of Medicaid expenditures is offset on subsequent invoices by the vendor. The net savings to the department is the federal portion.

A.R.S. § 35-142.01 allows the department in the current fiscal year to take credit against payments for the total expenditures paid for hospitalization and outside medical care from the current fiscal year or previous years. Pursuant to statute, ADC submitted its report on the credits taken for the previous fiscal year.

For FY 2026, the department took $16.1 million in credits. The department paid $2.2 million for the state match and received $13.9 million in net savings. Of the net savings, $13.6 million was taken against the inmate health care contract for state-operated prisons, and $314,100 was taken against private prison vendor contracts. (Jordan Johnston)

Arizona Department of Gaming – Report on Event Wagering Fund Expenditures – Pursuant to an FY 2027 General Appropriations Act footnote, the Department of Gaming (ADG) is required to report on the expected amount and purpose of expenditures from the Event Wagering Fund for FY 2027. The Event Wagering Fund receives revenues from event wagering license fees and privilege fees that are assessed on operator "net win". Of these revenues, 90% are deposited into the General Fund and 10% are retained in the fund for ADG administrative expenses.

The department projects the fund will spend a total of $5.8 million on administrative expenses. Of this amount, $3.4 million would pay for salaries and employee benefits, $1.7 million for other operating expenditures, and the remaining $0.7 million would go to various costs including travel, capital expenses, and professional services. The fund would pay for 26.4 full-time equivalent (FTE) positions in total, which includes 18.3 FTEs directly involved in the regulation of event wagering and 8.1 FTEs for administrative support. (Ben Newcomb)

Arizona Department of Gaming – Report on Equine Deaths, Equine Injuries, and Pre-Race Inspections – Pursuant to an FY 2026 General Appropriation Act footnote, the Department of Gaming (ADG) is required to report each quarter on the number of horses that died or were injured as a result of a horse race and the commercial live racing facility where each incident occurred. In addition, the department is required to report on the number of pre-race horse inspections performed by a veterinarian employed by or contracted with the state. The department provided a report for the 4th quarter of FY 2026.

The department reported 2 horse fatalities and 25 horse injuries during the 4th quarter of FY 2026. These all occurred at Turf Paradise because it was the only live racing facility open during this time. The department also reported that, of the 1,162 pre-race examinations during the 4th quarter, 798 were performed by department staff directly and 364 were completed by track veterinarians unobserved by the department. (Benjamin Newcomb)

Office of Economic Opportunity – Microlending Report – Pursuant to Laws 2025, Chapter 236, the Office of Economic Opportunity (OEO) is required to report detailed information on the entities selected and granted funding to issue loans to microbusinesses on behalf of the Microbusiness Loan Program and their lending activity since the launch of the program.

OEO notes that microbusinesses' access to capital is limited by several factors, including limited cash flow, under-collateralization, and high interest rates. The program awarded grants to Community Development Financial Institutions (CDFIs) and qualified non-profit financial institutions (eligible lenders), which provide low-interest loans to microbusinesses at a 3:1 matching ratio of grant funds to outside funding. Under the Microbusiness Loan Program, eligible lenders that received grants from OEO may provide low-interest loans of $2,000 to $50,000 to qualifying small businesses. As of June 30, 2026, OEO has awarded the full $5.0 million to the 10 eligible lenders.

OEO reports that since the Microbusiness Loan Program began in August 2024, the 10 eligible lenders have issued 165 loans totaling $2.8 million to microbusinesses, or an average loan of $17,100 per business. Pursuant to the program's required 3:1 funding ratio for lenders, $706,600 is from Microbusiness Loan Program funds and the remaining $2.1 million is from the eligible lenders' capital. To date, recipient microbusinesses have repaid $848,500 to the eligible lenders, including $370,400 in principal, leaving an outstanding principal balance of approximately $2.3 million. (Emmalyn Meyer)

Department of Public Safety – Annual Report on Concealed Weapon Permits **–** Pursuant to A.R.S. § 13-3112(V), the Department of Public Safety (DPS) reported on the number of concealed weapon permits issued in the prior fiscal year, including the number of outstanding permit applications and the average turnaround time. In FY 2026, DPS issued a total of 86,244 permits. The number of outstanding permit applications is currently 54. In addition, DPS reports that the average turnaround time for issuing permits is 7 days for individuals with a criminal history and 2 days for individuals without a criminal history. (Emmalyn Meyer)

Arizona Department of Transportation – Annual Report on Motor Vehicle Division Wait Times – Pursuant to an FY 2026 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) reported on Motor Vehicle Division (MVD) field office customer wait times. Between arrival at an MVD office and departure, the average customer experience time in metropolitan areas decreased from 29.8 minutes in FY 2025 to 21.2 minutes in FY 2026. The department states that the decrease is primarily due to a decline in customer volume after volume increased due to enforcement of the Real ID Act in May 2025. The average lobby wait time decreased due to the decline of customer traffic, with an average wait time from 20.1 minutes in FY 2025 to 11.7 minutes in FY 2026.

Average customer experience times in metropolitan areas ranged from 8.3 minutes in the Tucson North office to 26.4 minutes in the Tempe office in FY 2026. In non-metropolitan areas, the average customer experience time decreased from 18.6 minutes in FY 2025 to 16.9 minutes in FY 2026. In addition to customer experience time, the department measures the percent of customers spending more than 15 minutes waiting in the lobby. This metric decreased from 44.1% to 26.4% in metropolitan areas and decreased from 28.6% to 21.7% in non-metropolitan areas.

The overall average time to answer phone calls remained unchanged from FY 2025, at 6 minutes in FY 2026. The number of customers scheduling MVD appointments decreased by (21.9)% from 380,676 customer visits in FY 2025 to 297,185 in FY 2026. In addition, kiosk transactions increased by 9.1%. The overall self-service transactions (online transactions conducted at AZ MVD Now portal or kiosks) increased by 6.5%, from 6.2 million to 6.6 million. The number of AZ MVD Now accounts increased by 6.3%, from 4.8 million to 5.1 million. In FY 2026, 641 MVD CSR's processed 2.9 million transactions.

The number of transactions for vehicle registration renewal by mail decreased by (17.0)% from FY 2026 to FY 2026, while the average turnaround time for vehicle registration renewal by mail was 1 day in FY 2026. (Trevor Malzewski)

Arizona Department of Transportation – Annual Report on ServiceArizona Retained Fees – Pursuant to an FY 2027 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) reported on the state's share of fees retained by the ServiceArizona vendor in the prior fiscal year.

As an authorized third party, the vendor for ServiceArizona (now called AZ MVD Now, the state's vehicle registration renewal website) retains a portion of each transaction it completes, including those for the vehicle license tax, registration fees and title fees, among others. The vendor for ServiceArizona keeps roughly half of its retained fees as compensation. The other half of the retained fees belong to the state and are treated as non-appropriated monies by ADOT. The state's share is retained and managed by the ServiceArizona vendor, which disburses funds directly to vendors on behalf of the state, as directed by ADOT.

In FY 2026, the state's share of the retained fees totaled $22.8 million. The vendor spent $22.8 million in FY 2026 on behalf of ADOT. The largest portion of these monies ($13.1 million) were spent on enhancements and maintenance of the Motor Vehicle Modernization (MvM) automation project, which updated the Motor Vehicle Department (MVD) computer system. The MvM project was completed on June 30, 2020.

The system provides MVD customer service representatives with a suite of new applications for motor vehicle transactions. In addition, residents of Arizona can use the MVD customer portal (AZ MVD Now) which offers a variety of online services; the AZ MVD Now project has previously received enhancements funded by ServiceArizona fees.

The department anticipates continued enhancements to the MvM system in FY 2027. Additional projects planned in FY 2027 include modernization of MVD's quality assurance system for authorized third parties (ATP), expanded functionality on ADOT's digital wallet program (enables customers to have driver licenses on their smartphones), and proof-of-concept for interstate electronic titling. ADOT is also continuing efforts to automate certain mail-in vehicle transactions.

Besides funding for MvM enhancements and maintenance, the remaining $9.7 million was spent as follows:

- $6.2 million for operations and production support.
- $3.0 million for MvM extensions and new technologies.
- $265,000 for ADOT MvM strategic initiatives.
- $208,900 for contract administration.

(Trevor Malzewski)

Arizona Board of Regents – Report on Private Leases - Pursuant to A.R.S. § 41-792D, the Arizona Board of Regents (ABOR) is biennially required to submit a report on all approved office leases that exceeded the Lease Cost Review Board's (LCRB) estimated average cost per square foot for privately-owned office space during the prior 2 years. According to the report, ABOR approved the following new or renewed lease contracts:

- 7 leases that exceeded the LCRB's $25.00 average cost per square foot in FY 2025.
- 4 leases that exceeded the LCRB's $25.00 average cost per square foot in FY 2026.

Including lease contracts continuing from prior years that did not require renewal, 44 university leases exceeded the LCRB's average cost per square foot as of FY 2026. (Grace Timpany)