Joint Legislative Budget Committee

Monthly Fiscal Highlights

December 2022

Summary

November 2022 General Fund collections totaled $1.15 billion. November revenues increased by 3.1% above the prior year and were $68 million above the enacted budget forecast. This monthly performance was more modest than the significant gains seen in previous months this fiscal year.

The Sales Tax category was the leading category during November, with collections growing by 10.4% over the prior year and generating a forecast gain of $43 million. The category was helped by the continued strong growth in Contracting Tax collections, which increased by 28.1% during the month. The core Retail subcategory (excluding remote sellers) saw more moderate growth during November, increasing by 5.2%.

The state also realized a $29 million forecast gain during November due to interest revenue. The state's operating fund functions as the "daily checkbook" and consists of the General Fund and certain dedicated funds. This operating fund is invested by the State Treasurer in short-term securities (such as U.S. Treasuries) and interest earned accrues to the General Fund. Interest has typically been a smaller revenue category and only deposited at the end of the fiscal year. However, given the historically large $11 billion balance of the operating fund and higher interest rates due to Federal Reserve policy changes, the state is now realizing significantly more interest revenue throughout the fiscal year.

The Individual Income Tax (IIT) category posted a modest decline of (5.1)% during November compared to 2021, which led to a forecast loss of $(7.3) million. The state saw gains in income tax payments during the month, but this was entirely offset by a forecast loss in withholding tax collections. This withholding loss appears to be related to a technical timing issue – there was one fewer Monday in November 2022 compared to November 2021, and Monday is typically the day with the highest level of withholding collections processed.

In terms of the state's other major revenue categories, Corporate Income Tax (CIT) increased by 10.2% during November. However, because November is generally a smaller month for CIT collections, this growth only generated a minimal forecast gain of $4 million during the month.

<u>Year-to-Date Results</u>
Year-to-date through November, excluding Urban Revenue Sharing and fund transfers, FY 2023 General Fund revenues are 10.8% above the prior year and $745 million above the enacted budget forecast.

Table of Contents

JLBC 1716 W. Adams Street, Phoenix, AZ 85007 (602) 926-5491 www.azjlbc.gov December 20, 2022

November Revenues

Table 1

General Fund Revenues ($ in Millions)

	FY 2023 Collections	Difference From Enacted Forecast	Difference From FY 2022
November	$ 1,151.3	$ 67.8	$ 34.4
Year-to-Date	$ 6,500.3	$ 744.6	$ 532.5

Sales Tax collections of $627.6 million in November were 10.4% above the same month in the prior year and $43.3 million above the enacted budget forecast. Year to date through November, sales tax revenue is up 9.9% compared to the same period in the prior year and is $214.6 million above forecast.

Table 2 shows the November growth rate for the 5 major sales tax categories as well as for the smaller Amusement and Lodging categories.

Table 2

Sales Tax Growth Rates Compared to Prior Year

	Nov	YTD
Retail/Remote Seller	8.9%	7.2%
Contracting	28.1%	28.7%
Use Tax	(3.7)%	14.4%
Restaurant & Bar	8.4%	13.2%
Utilities	12.8%	(11.2)%
Hotel/Motel Lodging	8.5%	7.1%
Amusements	15.5%	14.0%

As shown in *Table 2*, all major categories posted positive growth rates in November, except for the Use Tax. Contracting continues to grow by double-digits and recorded the highest year-to-date growth rate in November among the 7 categories included in *Table 2*. Contracting tax revenue has grown, year over year, by more than 20% in each of the last 9 months.

While the combined Retail/Remote Seller category increased by 8.9% in November, the individual Retail category, which makes up 88% of the total combined sales, grew by only 5.2% compared to 44.6% for the Remote Seller category. As of November, the individual Retail category has posted 30 consecutive months of year-over-year gains. However, sales tax growth for this category has been trending down over the last 12 months.

As shown in *Table 2*, the Restaurant & Bar category posted a year-over-year increase of 8.4% in November and is up by 13.2% year to date. The 8.4% year-over-year gain in November was the lowest recorded growth rate since March 2021. While the Restaurant & Bar category has recorded double-digit percentage gains in 18 of the last 20 months, growth has started to decelerate in recent months.

Individual Income Tax (IIT) net collections in November were $494.3 million, a (5.1)% decrease from last November and $(7.3) million below the enacted budget forecast. This decline stems primarily from lower withholding collections, which more than offset the year-over-year gains in payments. Year to date (YTD), IIT collections are 7.1% greater than the same period last fiscal year.

In November, withholding collections were $475.0 million, (8.2)% lower than November 2021 and $(33.9) million under the enacted budget forecast. This decrease is largely the result of a timing issue regarding the processing of collections. While there were the same number of total processing days in this November as last, there was one fewer Monday in November 2022, which is typically the day of the week on which the most collections are processed. According to the U.S. Bureau of Economic Analysis' (BEA) most recent national personal income estimates, while wages and salary disbursement growth remains strong, the rate of growth has slowed nonetheless in recent months. Year to date through November, withholding is up by 6.5% compared to last year and is $150.3 million above forecast.

Total payments in November were $64.5 million, an increase of 34.5% over the previous November and $30.9 million above the forecast. This is a record high level for the month of November when payments typically comprise about 1% to 3% of the yearly total. YTD, total payments have increased 16.0% from the same period last year and are $226.8 million above the enacted budget forecast. This category includes both final and estimated payments

Final and estimated payments displayed different trends in November. Final payments reached a record high level of $51.3 million in November, 58.8% over the same month in the prior year. Estimated payments had its third consecutive month of decline, decreasing by (15.6)% from last year, to $13.2 million.

In November, refunds were $45.2 million, 1.4% more than last year and $4.4 million more than projected, and thus resulting in a forecast loss of $(4.4) million. YTD, refunds are 22.0% higher than for the same period in the prior year and are $62.9 million higher than projected.

Table 3
Individual Income Tax Growth Rates Compared to Prior Year

	November	YTD
Withholding	(8.2)%	6.5%
Estimated/Final Payments	34.5%	16.0%
Refunds	1.4%	22.0%

Corporate Income Tax (CIT) net collections in November were $21.1 million, which is 10.2% higher than November 2021 and $3.5 million above the enacted budget forecast. Typically, only about 1% of yearly CIT collections occur in November. YTD, the level of corporate income tax collections is 28.1% higher than for the same period in the prior year.

Insurance Premium Tax (IPT) revenue was $0.2 million in November, 9.0% above the same month in the prior year and $(3.3) million below the enacted budget forecast. Year to date through November, IPT revenue is up by 7.1% and is $7.2 million above forecast. November is typically one of the months with the lowest recorded IPT deposits.

The amount of **Tobacco Tax** deposited into the General Fund in November was $1.6 million, which is (10.0)% below November 2021 and $(0.1) million below the enacted budget forecast. Year to date, General Fund tobacco tax revenues total $7.6 million, (12.3)% below the amount collected at this point in FY 2022, and $(1.6) million below forecast.

Liquor Tax revenue deposited into the General Fund in November was $3.7 million. This is 10.4% above the amount deposited in November 2021 and slightly more than $11,000 above the enacted budget forecast.

Year to date, the total amount of General Fund deposits from the liquor tax is $18.0 million, which represents a 2.6% increase over the comparable period in FY 2022 and is $0.3 million above forecast.

The state collected $14.6 million in **Marijuana Excise Taxes** in November, raising the fiscal year total to $65.6 million through November. The month of November saw the highest level of state revenue collected from this tax so far, representing a 46.3% increase over November 2021 and an 8.7% increase over October's record collections. These monies are deposited into dedicated non-General Fund accounts.

The total combined amount of **Medical and Recreational Marijuana state Transaction Privilege Tax (TPT)** collected was $5.6 million in November and $27.5 million year to date. Of the $5.6 million from overall TPT collections, the General Fund received $4.2 million in November. Fiscal year to date, the General Fund has received a total of $20.3 million in state TPT from medical and recreational marijuana retail sales.

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

	November	FY 2023
Marijuana Excise Tax	**$14.6**	**$65.6**
Medical Marijuana TPT*	**$1.7**	**$9.2**
Distribution:		
General Fund	$1.2	$6.8
Counties	$0.3	$1.5
Cities	$0.2	$0.9
Recreational Marijuana TPT*	**$4.0**	**$18.4**
Distribution:		
General Fund	$2.9	$13.6
Counties	$0.6	$3.0
Cities	$0.4	$1.8
Total State Marijuana Tax Collections	**$20.2**	**$93.1**

* Amounts may not add to total due to rounding

Highway User Revenue Fund (HURF) collections of $134.1 million in November were 4.1% above the amount collected in November 2021 and $(1.6) million below forecast. Year to date, HURF collections are $686.2 million, (1.2)% below the prior year and $(36.3) million less than forecast.

Table 5

General Fund Revenue:
Change from Previous Year and Enacted Forecast
November 2022

	Current Month					FY 2023 YTD (Five Months)				
		Change From					Change from			
	Actual	November 2021		Enacted Forecast		Actual	November 2021		Enacted Forecast	
	November 2022	Amount	Percent	Amount	Percent	November 2022	Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	$627,600,191	$58,907,286	10.4 %	$43,298,079	7.4 %	$3,120,704,880	$282,065,480	9.9 %	$214,645,761	7.4 %
Income - Individual	494,251,248	(26,470,119)	(5.1)	(7,345,700)	(1.5)	2,852,054,563	189,217,475	7.1	314,190,705	12.4
- Corporate	21,134,082	1,950,686	10.2	3,533,066	20.1	444,987,768	97,677,269	28.1	94,231,029	26.9
Property	4,835,136	(5,422,270)	(52.9)	248,916	5.4	10,725,770	(6,255,835)	(36.8)	(661,324)	(5.8)
Luxury - Tobacco	1,597,831	(177,016)	(10.0)	(131,020)	(7.6)	7,555,069	(1,061,350)	(12.3)	(1,576,295)	(17.3)
- Liquor	3,743,334	352,087	10.4	11,162	0.3	18,017,797	460,999	2.6	277,539	1.6
Insurance Premium	236,775	19,573	9.0	(3,303,607)	(93.3)	208,695,846	13,904,815	7.1	7,204,117	3.6
Other Taxes	873,784	162,547	22.9	81,770	10.3	4,223,858	99,936	2.4	(228,634)	(5.1)
Sub-Total Taxes	$1,154,272,381	$29,322,775	2.6 %	$36,392,666	3.3 %	$6,666,965,551	$576,108,790	9.5 %	$628,082,896	10.4 %
<u>Other Revenue</u>										
Lottery	36,171,973	(11,319,511)	(23.8)	(9,137,632)	(20.2)	122,282,073	167,239	0.1	5,777,503	5.0
Gaming	0	0	--	(1,171,465)	(100.0)	23,338,919	23,338,919	--	15,277,066	189.5
License, Fees and Permits	4,373,021	819,270	23.1	399,792	10.1	21,091,409	4,032,730	23.6	3,138,191	17.5
Interest	28,913,429	28,912,775	--	28,884,309	--	78,953,591	62,031,680	366.6	77,863,000	--
Sales and Services	1,830,199	47,236	2.6	(501,973)	(21.5)	11,712,258	979,849	9.1	827,216	7.6
Other Miscellaneous	3,478,520	2,128,322	157.6	(991,093)	(22.2)	5,005,427	(8,701,407)	(63.5)	(7,965,877)	(61.4)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	14,489,094	13,763,513	--	13,896,915	--	32,191,568	20,654,521	179.0	21,611,981	204.3
Sub-Total Other Revenue	$89,256,236	$34,351,606	62.6 %	$31,378,852	54.2 %	$294,575,245	$102,503,531	53.4 %	$116,529,080	65.4 %
TOTAL BASE REVENUE	**$1,243,528,617**	**$63,674,381**	**5.4 %**	**$67,771,518**	**5.8 %**	**$6,961,540,796**	**$678,612,320**	**10.8 %**	**$744,611,976**	**12.0 %**
<u>Other Adjustments</u>										
Urban Revenue Sharing	(92,246,556)	(29,277,854)	46.5	0	(0.0)	(461,232,782)	(146,067,059)	46.3	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Sub-Total Other Adjustments	(92,246,556)	(29,277,854)	46.5 %	0	(0.0) %	(461,232,782)	(146,067,059)	46.3 %	0	(0.0) %
TOTAL GENERAL FUND REVENUE	**$1,151,282,061**	**$34,396,527**	**3.1 %**	**$67,771,518**	**6.3 %**	**$6,500,308,014**	**$532,545,261**	**8.9 %**	**$744,611,976**	**12.9 %**
<u>Non-General Funds</u>										
Highway User Revenue Fund	134,120,873	5,332,480	4.1 %	(1,574,656)	(1.2) %	686,199,726	(8,398,870)	(1.2) %	(36,334,652)	(5.0) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) second estimate for the U.S. **Real Gross Domestic Product** (GDP) in the third quarter of 2022 is an increase of 2.9%. This estimate was revised from their preliminary estimate of 2.6%.

The **Consumer Confidence Index**, published by the Conference Board, declined (2.0)% to 100.2 points in November, marking the second consecutive month of decline for the index. Consumers' views on the present situation and future expectations both decreased during the month. Consumers cited continued inflation and worsening labor market conditions as the main drivers of the increased pessimism.

The Conference Board's **U.S. Leading Economic Index** (LEI) decreased by (0.8)% to 114.9 points in October. According to the Conference Board's press release, "The U.S. LEI fell for an eighth consecutive month suggesting the economy is possibly in a recession". The organization cited high inflation, rising interest rates, and declining housing permitting and manufacturing activity as the primary reasons for October's decrease. Over the past 6 months, the LEI has decreased (3.2)% compared to 0.5% growth in the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased 0.1% month-over-month (after seasonal adjustment) in November, with the increase in the price of shelter (rent, including owner equivalent rent) offsetting decreases in the price of energy during the month. From last November, the CPI has increased 7.1%; food prices increased 10.6%; energy prices rose 13.1% (including 10.1% for gasoline and 65.7% for oil); and shelter increased 7.1% year-over-year. Excluding food and energy, the year-over-year "core" CPI increased by 6.0% in November.

ARIZONA

In October, Arizona's 12-month total of **single-family building permits** was 40,645. This represents a (3.4)% decrease from September's figure and a (13.7)% decrease from October 2021's 12-month total. The annual rate of change for this total has decreased for each of the past 17 months, beginning in June 2021.

In October, Arizona's 12-month total of 23,173 **multi-family building permits** was 32.4% above the level for the period ending in October 2021 and 1.3% above the level for September. This is the 15th consecutive month in which this total has seen greater than 10% annual growth.

Tourism and Restaurants

In October, **revenue per available room** increased to $112.20, which is 23.5% above September's figure and 13.2% above the level in October 2021.

Hotel occupancy rose to 71.0% in October, which is 4.9% above September's occupancy rate and 2.0% above October 2021's rate.

Phoenix Sky Harbor Airport Ridership rose to 4.0 million in October, which is 14.9% above September's level and 3.0% above October 2019's figure. This is the second month in 2022 to exceed its 2019 ridership; September was the first.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state added 32,300 **nonfarm jobs** in November compared to the prior month. All major industry sectors except for the Information sector added jobs in November. Prior to the pandemic, nonfarm employment recorded an average net increase of 28,800 jobs in November (2010-2019).

Compared to the same month in the prior year, the state gained 111,500 jobs in November, an increase of 3.7%, the largest gain since July. The average year-over-year job gain through the first 11 months of 2022 is 3.8%, the highest such growth since November 2006.

The state's seasonally adjusted unemployment rate increased from 3.9% in October to 4.1% in November. This was the first time the jobless rate exceeded 4% since September 2021. Moreover, November marked the 4th consecutive month with a 0.2% month-over-month increase of the unemployment rate. The U.S. unemployment rate remained unchanged at 3.7% in November.

The Office of Economic Opportunity (OEO) reported that a total of 3,383 **initial claims for unemployment insurance** were filed in Arizona in the week ending on November 19th. For the same week in the prior year, 2,757 initial claims were filed.

According to OEO, for the week ending on November 12th, there were a total of 19,081 **continued claims for unemployment insurance** in Arizona. For the same week in the prior year, the number of continued claims was 16,730.

State Agency Data

As of December 1, 2022, the total **AHCCCS caseload** was 2.43 million members. Total monthly enrollment increased 0.5% in December over November and increased 7.2% compared to a year ago. Enrollment growth has accelerated since AHCCCS cannot disenroll applicants until the end of the federal COVID public health emergency, which is currently scheduled to continue until at least January 2023. Since the prohibition on disenrollment was first enacted in March 2020, total AHCCCS membership has grown by 595,000, or 32.7%.

Parent and child enrollment in the Traditional population increased by 0.3% in December and was 5.6% higher than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 1,097,341 in December – an increase of 0.9% over November and 9.6% above last year. For December 2022, Elderly, Physically Disabled and Developmental Disabilities Long-Term Care enrollment increased by 0.2%. At 67,227, this population is 2.6% higher than a year ago.

There were 11,723 **TANF** Cash Assistances cases in November 2022, representing a 3.3% increase from October. The year-over-year number of cash benefit recipients has decreased by (10.5)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In November 2022, 903,630 people received food stamp assistance. This was a 0.6% increase from October and a 12.2% increase since November 2021.

Based on information the Department of Child Safety provided for October 2022, **reports of child maltreatment** totaled 47,646 over the last 12 months, a decrease of (2.8)% from the prior year. There were 12,200 **children in out-of-home care** as of October 2022, or (10.7)% less than in October 2021. Compared to the prior month, the number of out-of-home children decreased by (0.3)%.

The Arizona Department of Corrections' **inmate population** was 33,803 as of November 30, 2022. This was an increase of 0.4% since October 31, 2022 and a (1.3)% decrease since November 2021.

Table 6

MONTHLY INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
Employment				
- Seasonally Adjusted Unemployment Rate	November	4.1%	0.2%	0.2%
- Total Unemployment Rate (discouraged/underemployed)	3rd Q 2022	6.8%	(0.0)%	(3.3)%
- Initial Unemployment Insurance Claims	Week Ending Nov 19	3,383	41.5%	22.7%
- Continued Unemployment Insurance Claims	Week Ending Oct 22	19,081	9.9%	14.1%
- Non-Farm Employment - Total	November	3,158,800	1.0%	3.7%
Manufacturing	November	199,100	0.5%	8.3%
Construction	November	188,500	0.4%	5.2%
- Average Hourly Earnings, Private Sector	October	$30.61	(0.2)%	6.6%
Building				
- Building Permits (12 month sum)				
Single-family	October	40,645	(3.4)%	(13.7)%
Multi-family	October	23,173	1.3%	32.4%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	November	3,746	0.1%	(46.2)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	November	$459,000	(0.2)%	2.9%
- Maricopa Pending Foreclosures	October	998	(1.6)%	20.2%
Tourism and Restaurants				
- Phoenix Sky Harbor Air Passengers	October	4,031,363	14.9%	5.8%
- State Park Visitors	June	264,245	(6.9)%	(6.3)%
- Revenue Per Available Hotel Room	October	$112.20	23.5%	13.2%
- Arizona Hotel Occupancy Rate	October	71.0%	4.9%	2.0%
General Measures				
- Arizona Personal Income, SAAR	2nd Q 2022	$411.4 billion	6.6%	1.6%
- Arizona Population	July 2021	7,276,316	N/A	1.4%
- 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
Agency Measures				
- AHCCCS Recipients	December 1st	2,431,100	0.5%	7.2%
Traditional Acute Care		1,266,600	0.3%	5.6%
Other Acute Care		1,097,300	0.9%	9.6%
Long-Term Care – Elderly & DD		67,200	0.2%	2.6%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	October	47,646	(1.5)%	(2.8)%
DCS Out-of-Home Children	October	12,200	(0.3)%	(10.7)%
Filled Caseworkers (1406 Budgeted)	October	1,236	44	4
- ADC Inmate Growth	November	33,803	0.4%	(1.3)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	November	11,723	3.3%	(10.5)%
- SNAP (Food Stamps) Recipients	November	903,630	0.6%	12.2%
United States				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	3rd Q, 2022 (2nd Estimate)	$20.0 trillion	2.9%	1.9%
- Consumer Confidence Index (1985 = 100)	November	100.2	(2.0)%	(10.5)%
- Leading Economic Index (2016 = 100)	October	114.9	(0.8)%	(3.5)%
- Consumer Price Index, SA (1982-84 = 100)	November	297.7	0.1%	7.1%

JLBC Meeting Summary

At its December 2022 meeting, the Joint Legislative Budget Committee considered the following issues:

Executive Session

Arizona Department of Administration, Risk Management Services – Consideration of Proposed Settlements Under Rule 14 – The Committee approved settlements under Rule 14, which requires Committee approval of Risk Management settlements above $250,000 pursuant to A.R.S. § 41-621(N).

Regular Agenda

Department of Emergency and Military Affairs – Review of Border Security Fund Transfer – Laws 2022, Chapter 313 requires that the Department of Emergency and Military Affairs (DEMA) submit transfers of funding within the Border Security Fund to the JLBC for review. DEMA requested review of a $10.0 million transfer from the $30.0 million allocation for local government prosecution costs to the Arizona National Guard for a southern border deployment. The Committee gave a favorable review of the transfer.

Consent Agenda

Arizona Department of Administration – Consider Approval of Maximum Lodging, Meal, and Mileage Reimbursement Rates – Pursuant to A.R.S. § 38-624C, the Arizona Department of Administration (ADOA) proposed new maximum reimbursement amounts for lodging, meal, and mileage expenses taking into consideration the amounts established by the federal government. These reimbursements compensate state employees traveling on official state business. Statute requires Committee approval of any rate change. The Committee approved ADOA's proposal with the provision that Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.

Arizona Department of Administration – Consider Approval of Requested Transfer of Appropriations – A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within the Arizona Department of Administration (ADOA). ADOA requested authorization to transfer $4.6 million of Risk Management Revolving Fund monies from its Risk Management Losses and Premiums line item to the Risk Management Administrative Expenses line item in FY 2023. The Committee approved the transfer and included a provision stating that by May 31, 2023, ADOA shall report to the JLBC Staff an updated projection of its contracted Risk Management legal expenses.

Arizona Department of Administration/Automation Projects Fund – Review of FY 2023 Projects – A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Committee gave a favorable review to 2 projects totaling $0.6 million and included a provision that upon completion of each consultant's assessment, the Department of Agriculture and the Secretary of State shall each submit a report to JLBC Staff on the results and recommendations from their consultant.

Arizona Department of Administration/Department of Economic Security – Review of Child Care ATLAS System Replacement – Pursuant to an FY 2021 General Appropriation Act footnote, ADOA has requested that the Committee review its expenditure plan for $25.6 million in FY 2023 for replacement of the Arizona Tracking and Locate Automated System (ATLAS) used by DES - Division of Child Support Enforcement. The Committee gave a favorable review of the request, along with provisions requiring quarterly reporting on the project status.

Department of Child Safety – Review of Line Item Transfers – Pursuant to an FY 2023 General Appropriation Act footnote, the Committee is responsible for reviewing the transfer of monies between most Department of Child Safety (DCS) line items. DCS submitted for Committee review technical transfers that reflect allocations of federal funding and the allocation of $16.4 million appropriated in FY 2023 for salary increases to various line items. The Committee gave a favorable review of the transfers.

Department of Education – Review of AzSCI Science Contract Renewal – Pursuant to A.R.S. § 15-741.03, the Arizona Department of Education (ADE) requested Committee review of its contract renewal for the statewide assessment in science. The Committee gave a favorable review of the renewal.

JLBC Staff – Consider Approval of Index for Arizona Department of Administration – School Facilities Division Construction Costs – A.R.S. § 41-5741D3(c) requires that the cost-per-square-foot factors used in the Arizona Department of Administration (ADOA) School Facilities Division (SFD) new school construction formula "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee (JLBC) as necessary but not less than once each year." The Committee approved a 7.27% adjustment in the cost-per-square-foot factors. The adjustment is based on a cost index which the Committee has used since 2013.

Department of Public Safety – Review of Commercial Vehicle Enforcement Line Item Expenditure Plan – Pursuant to Laws 2022, Chapter 313, DPS submitted an operational and expenditure plan to the Committee for review before expending monies from its Commercial Vehicle Enforcement line item. The Committee gave a favorable review of the request.

JCCR Meeting Summary

At its December 2022 meeting, the Joint Committee on Capital Review considered the following issues:

Regular Agenda

Department of Emergency and Military Affairs – Review of Architectural Design for the State Emergency Operations Center – A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. The committee gave a favorable review to the Department of Emergency and Military Affairs (DEMA) for $2.0 million of the $30.0 million allocated from the Border Security Fund to cover architectural design costs for the State Emergency Operations Center renovation and expansion project.

Consent Agenda

Arizona State Lottery Commission – Review of FY 2023 Building Renewal Allocation Plan – A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Committee gave a favorable review for the Arizona State Lottery Commission to spend the FY 2023 Capital Outlay appropriation of $176,400 for 5 building renewal projects at the agency's Phoenix office.

Department of Public Safety – Review of the Southern Border Coordinated Response Center – A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. The Committee gave a favorable review of $15.0 million to purchase and renovate a facility located in Tucson to be used as the southern border coordinated response center.

Arizona State University– Review of New Academic Buildings and Campus Renovation Projects–A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. A FY 2023 General Appropriation Act footnote also requires Committee review of any university capital projects funded from a one-time General Fund appropriation.

The Committee gave a favorable review of $201.5 million to construct 2 new academic buildings and renovate existing buildings across multiple campuses. The favorable review included the standard university financing provisions.

Arizona State University – Review of Student Housing Indirect Financing Project –A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing. The Committee gave a favorable review of $54.0 million for the Casa de Oro Residential Hall Phase II development at its West Campus, which would provide approximately 500 beds. The favorable review included the standard university financing provision for indirect financing projects.

University of Arizona – Review of Deferred Maintenance Projects – A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund (CIF). The Committee gave a favorable review of the University of Arizona's plan to use $5.0 million in cash for deferred maintenance projects on its main campus. The favorable review included the standard university financing provisions.

JLBC/JCCR Meeting Follow Up

Arizona Department of Administration – Report on Building Demolition – Pursuant to a provision from the December 2021 JCCR meeting, the Arizona Department of Administration (ADOA) submitted its report on the contract scope and budget for the Department of Corrections Building Demolition and Arizona Department of Education HVAC System Revisions. The FY 2022 Capital Outlay Bill appropriated $2.8 million from the state General Fund to ADOA for these projects. ADOA previously reported that they would be spending $1.0 million for the HVAC revisions and $1.8 million on the demolition of 1601/1645 West Jefferson.

As a result of higher demolition costs due to unexpected asbestos abatement, the total demolition contract costs are $2.8 million which exceeds the amount previously allocated. ADOA plans to shift the Department of Education HVAC portion of the project to its FY 2023 building renewal appropriation in order to complete both projects. This shift does not impact any planned building renewal projects. (Rebecca Perrera)

Department of Public Safety – Areas Selected for New Remote Housing Units – Pursuant to a provision from the September 2022 meeting of the Joint Committee on Capital Review (JCCR), the Department of Public Safety (DPS) provided the areas selected for new remote housing units. Of the $9.8 million FY 2023 appropriation for remote housing units, $7.8 million is allocated to replace 20 remote housing units and $2.0 million is set aside for the purchase of new housing units. DPS reports that they've selected land in Bowie, Arizona (Cochise County) to purchase for the new housing units. The department further states they intend to install 4 new housing units on this purchased land. If any monies remain from the $2.0 million allocation for new housing units, the department intends to purchase a new housing unit in Valle, Arizona. The agency will submit this proposal to the JCCR for its review in 2023. (Jordan Johnston)

Summary of Recent Agency Reports

Arizona Department of Administration – Report on Financial Status and Performance Standards for Special Employee Health Insurance Trust Fund – Pursuant to A.R.S. § 38-654F, the Arizona Department of Administration (ADOA) submitted their required annual actuarial report on the financial status of the Health Insurance Trust Fund (HITF) for Plan Year (PY) 2021 through PY 2023 and the performance standards for its health plans during PY 2021.

ADOA reported that the plan was not considered actuarially sound in any of the 3 years due to inadequate ongoing resources.

If a vendor fails to meet any of the measures within the specified performance range, a percentage of the vendor's annual payment, or a previously agreed upon amount, is then withheld by ADOA as a performance penalty. ADOA estimates that performance penalties paid to Benefit Services Division related to PY 2021 will total approximately $1.3 million. In comparison, ADOA collected $291,700 from PY 2020 penalties. (Rebecca Perrera)

Arizona Department of Administration - School Facilities Division – Report on Funding Estimates – Pursuant to A.R.S. § 41-5702, the Arizona Department of Administration (ADOA) School Facilities Division (SFD) is required to report by December 1 on the estimated amounts necessary for the Emergency Deficiencies Correction (EDC) for the following 3 fiscal years.
The EDC Fund is used to correct facilities emergencies that pose health or safety concerns for projects ineligible for Building Renewal Grants funding. As of December 1, 2022, the EDC Fund has a current balance of $517,500 with $403,200 committed to 2 projects and $114,300 unobligated. ADOA-SFD did not report on projected future year EDC Fund costs but stated that any monies that remain unspent when the 2 current projects are completed will be made available for other projects. (Rebecca Perrera)

ADOA - School Facilities Division – Quarterly Report on Credit Enhancement Program – Pursuant to A.R.S. § 41-5858, the School Facilities Division (SFD) within the Arizona Department of Administration is required to submit quarterly reports on the Public School Credit Enhancement Program. The program is operated by the Governor's Office of Education. The total outstanding principal amount is $339.8 million. To date, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is $106.7 million and has a leverage ratio of 3.18 (based only on the outstanding principal of issued financing). The statutory limit for the program's leverage ratio is 3.5. (Rebecca Perrera)

AHCCCS – Report on Emergency Department Utilization – Pursuant to A.R.S. § 36-2903.11, AHCCCS reported on Arizona emergency department (ED) utilization. Currently there is no national standard for identifying whether an ED visit was the result of an emergency or non-emergency situation. Therefore, AHCCCS continues to analyze the state's Medicaid population using the American College of Emergency Physicians' coding, which assigns visits to 1 of 5 categories. Level I represents minor problems requiring minimal medical intervention, such as acute upper respiratory infection, removal of sutures, or cough. More severe conditions, such as severe burns or toxic ingestions, are classified as a Level V visit.

In FY 2021, total ED visits decreased from FY 2020 by (123,900), or (12.5)%, and cost a total of $533.8 million. Compared to the prior year, this amount represents a decrease of $(10.6) million, or (1.9)% in total payments for AHCCCS recipients receiving ED services. (Maggie Rocker)

Arizona Health Care Cost Containment System – Report on the Housing and Health Opportunities (H2O) Demonstration – Pursuant to an FY 2022 General Appropriation Act footnote, the Arizona Health Care Cost Containment System (AHCCCS) reported on its progress in implementing the Housing and Health Opportunities (H2O) demonstration, approved by the Centers for Medicare and Medicaid Services in October 2022. The H2O program will expand housing-related services for AHCCCS members who are homeless or at risk of becoming homeless by using current state funding for housing initiatives to draw down additional federal funding.

AHCCCS projects its H2O expenditure plan will allow the agency to draw down up to $73.8 million in net new federal funds for housing initiatives and infrastructure annually beginning in FY 2023 and through FY 2027. The agency indicates that to draw down the maximum federal match, the agency would need to identify net "new state match funding" for housing of $5.5 million annually.

Including new federal funds and state match expenditures, Total Fund expenditures for the program would reach $109.9 million annually. Eligible program expenditures would include up to 6 months of rent/temporary housing for individuals transitioning out of institutional settings, individuals experiencing homelessness or deemed to be at risk of experiencing homelessness, or children transferring out of foster care. The program would also cover utility costs, pre-tenancy and tenancy sustaining services, one-time moving costs, housing deposits, medically necessary home modifications, and case management. (Maggie Rocker)

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 first quarter of FY 2023, the AG received $225,000 for deposit into the ICAC Enforcement Fund. A total of $387,400 was expended from the fund balance in the first quarter of FY 2023 to help pay for the operating costs of the ICAC Task Force. As of September 30, 2022, the ICAC Enforcement Fund had an unencumbered fund balance of $1.7 million. (Ryan Fleischman)

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.

In the first quarter of FY 2023, the AG deposited a total of $9.5 million into various consumer accounts. Of that amount, $9.4 million was deposited into the Consumer Remediation Subaccount, $93,800 was deposited into the CPCF Revolving Fund, $44,800 was deposited into the Consumer Restitution Subaccount. The AG made no deposits into the Antitrust Enforcement Revolving Fund. In addition to the consumer account deposits, the AG made $20,000 in deposits to the General Fund from settlements.

Deposits to the CPCF Revolving Fund
The AG deposited $93,800 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 small legal settlements and other revenue sources. As of September 30, 2022, the fund had an unencumbered balance of $30.2 million.

Deposits to Antitrust Enforcement Revolving Fund
The AG made no deposits into the appropriated Antitrust Enforcement Revolving Fund, which may be used for antitrust enforcement expenses, excluding attorney compensation. As of September 30, 2022, the fund had an unencumbered balance of $1.2 million.

Deposits to the Consumer Restitution Subaccount
The AG deposited $44,800 into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount resulted from small legal settlements and interest income. As of September 30, 2022, the fund had an unencumbered balance of $6.3 million. These funds are specifically earmarked for restitution payments.

Deposits to the Consumer Remediation Subaccount
The AG deposited $9.4 million into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount resulted from a $9.3 million settlement with McKesson Corporation, Cardinal Health, Inc., and AmerisourceBergen Corporation resolving allegations regarding deceptive acts related to the advertisement or sale of opioid-containing prescription drugs; small legal settlements; and interest income. As of September 30, 2022, the fund had an unencumbered balance of $18.2 million.

Deposits to the General Fund
The AG deposited $20,000 into the General Fund. This amount resulted from small legal settlements. (Ryan Fleischman)

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 first quarter of FY 2023, the AG reports no expenditures from the CFAF. The fund has an unencumbered fund balance of $100,000 as of September 30, 2022. (Ryan Fleischman)

Department of Child Safety – Report on Family First Prevention Services Act – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on its efforts to implement the Family First Prevention Services Act (FFPSA). FFPSA is federal legislation adopted in February 2018 that included reforms to federal financing of state child welfare services, including limitations on reimbursements to states for children placed in congregate care settings, and expanded federal funding for in-home preventive services. DCS reported it has taken the following actions related to implementing the legislation:

1. Continued to ensure DCS' existing in-home programs meet standards for being "evidence-based," which is a requirement to receive federal funding for in-home programs once FFPSA is implemented. DCS reports that it is submitting a revised version of its prevention plan to the Children's Bureau in November 2022 that will include several new prevention programs.
2. The department implemented a variety of measures to retain and recruit foster families. In 2021, DCS hired 2 Foster Recruitment and Retention Specialists to improve support and outcomes and launched a website to support foster families. DCS reports that both Specialists have begun working with Foster Home Licensing Team Leads to provide updated data directly to contracted agencies during site visits.
   The department also continued working with a marketing firm to create a campaign to raise awareness and recruit new families.
3. Qualified Residential Treatment Programs (QRTP) are congregate care settings that will continue to be eligible for federal reimbursement after October 1, 2021. The department now has 15 contracted QRTP providers, up from 9 licensed facilities in December 2021. There are 10 other facilities working to become accredited as of November 2022.
4. Standardized therapeutic foster care placements in collaboration with the Arizona Health Care Cost Containment System (AHCCCS), including increased utilization of therapeutic foster homes for youth with higher needs, but do not meet medical necessity. DCS met with AHCCCS in February 2021 to create a tiered system for non-medically necessary therapeutic foster care placements. The department reports that it created a policy and established procedures in FY 2022 to utilize therapeutic foster care services for youth for non-medically necessary placement.
5. Continued to integrate requirements for QRTP into substance abuse program standardization and a parent-skill based program that included program evaluations to obtain evidence-based ratings.

6. Continued the expanded and updated programming for Arizona Families First, first effective February 2021.
7. As of July 2021, DCS expanded services to further align with the FFPSA. DCS reports that these efforts are ongoing. (Ryan Fleischman)

Arizona Community Colleges – Report on Workforce Development Expenditures – Pursuant to A.R.S. § 15-1472, the Arizona Community Colleges are required to report on their Proposition 301 workforce development expenditures by December 1 of every even-numbered year. The community colleges recently submitted their FY 2021 and FY 2022 report. Total reported expenditures were $30.3 million for FY 2021 and $23.3 million for FY 2022. The report details each district's strategic initiatives, which were primarily for nursing, cybersecurity, manufacturing and construction programs, small business development centers, and equipment and technology costs. (Cameron Mortensen)

Arizona Community Colleges – Annual Report – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are required to report by December 1 of each year on their progress during the previous year. They recently submitted their FY 2022 report, which includes the following summary information on the state system:

- 234,648 students (headcount) were enrolled for credit, resulting in a Full-Time Student Equivalent (FTSE) count of 87,294.
- 88% of enrolled students resided within the district, while 12% did not reside within the district.
- Total number of instructors employed was 9,083, of which 2,293 (25%) were full-time and 6,790 (75%) were part-time.
- Total operating revenues were $1.9 billion (this amount excludes bond proceeds and fund balance which total $46.8 million).
- Total expenditures were $1.8 billion.

(Cameron Mortensen)

Department of Corrections – Report on Transition Release Program – Pursuant to A.R.S. § 31-281 and A.R.S. § 31-285, the Arizona Department of Corrections (ADC) submitted its annual report for FY 2022 for the Transition Program. The Transition Program, as established by A.R.S. § 31-281, allows certain inmates the opportunity to be released 3 months prior to their release date. For each bed day saved, statute requires a transfer of at least $17 from the State Department of Corrections Revolving Fund to the Transition Program Fund.

ADC reports that a total of 3,821 inmates received an early release into the program in FY 2022, a 265% increase above FY 2021. The department reports that 2,365 participants completed the Transition Program in FY 2022, an 157% increase above FY 2021. A total of 376 participants failed to complete the early transition release by violating their conditions of supervision. In total, the program was responsible for 248,693 bed days saved in FY 2022, a 207% increase above FY 2021. At the statutorily-mandated rate of $17 per day, $4.2 million was transferred to the Transition Program Fund. The report also provided the status of inmates released in FY 2019. Since that time, 7.1% of those inmates who were released to the Transition Program were returned to prison for new felony convictions, compared to 12.2% for those released to Community Supervision only or 15.0% for all other inmates released. (Geoffrey Paulsen)

Department of Economic Security – Report on Cost Effectiveness Study Expenditures – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Economic Security (DES) reported its expenditures from the Cost Effectiveness Study (CES) in FY 2022. The CES reflects a federal requirement for Arizona's Medicaid program that the net cost of home and community-based services (HCBS) for a Division of Developmental Disabilities (DDD) client may not exceed the net cost of institutional services for that client. If CES cost thresholds are exceeded, the state covers the amount of the threshold with state-only funds.

In FY 2022, an average of 134 individuals per month had costs of care that exceeded CES thresholds. The aggregate amount above the thresholds covered with state-only funds was $6.3 million. Of this amount, 122 individuals per month received services in a group home setting at a total cost to CES of $6.0 million, and 12 individuals per month received services in their own home at a total cost to CES of $261,600. Of the total CES spending, $1.2 million was from the Special Administration Fund in the CES line item. The remaining $5.1 million was from the General Fund, with $4.5 million in the HCBS - State-Only line item and $630,000 in the Case Management - State-Only line item. The report does not include the final 2 months of the fiscal year due to claims processing times. (Chandler Coiner)

Department of Economic Security – Report on the Workforce Investment Act (WIA) Grant – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Economic Security (DES) reported its plan to expend an additional $29.3 million of federal WIA Grant monies received by the department in excess of its $56.3 million appropriation for FY 2023. Of this amount, DES would increase the operating budget by $3.7 million, increase the spending of the Office of Governor's support by $5.3 million to support statewide workforce projects by the Governor and ADC second chance centers, and increase Local Workforce Development Area (LWDA) allocations by $20.3 million.

DES described its activities associated with an additional $39.8 million of federal Workforce Investment Act Grant monies received by the department in excess of its $56.1 million appropriation for FY 2022 for the LWDA program. The department reported most funding was passed through to LWDAs to provide job training, workforce preparation, and other employment-related services such as outreach and job search to those facing barriers to employment. The remainder went to administrative activities such as grant oversight and technical assistance, as well as supporting the Arizona Office of Economic Opportunity's labor market and regulatory analysis. (Chandler Coiner)

Department of Economic Security – Report on Domestic Violence – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Economic Security reported the amount of state and federal monies available for domestic violence funding in FY 2022. Six agencies spent a total of $44.9 million in domestic violence funding, a (18.5)% decrease from FY 2021. State funding fell from $16.4 million to $7.2 million, primarily in the Department of Housing, whose state funding decreased from $12.8 million to $3.3 million. Smaller decreases were also seen in federal and other funding. (Chandler Coiner)

Department of Education – Report on Extraordinary Special Education Needs Fund – Pursuant to A.R.S. § 15-774G, the Department of Education reported on the Extraordinary Special Education Needs Fund. Districts and charter schools can submit claims to the fund for reimbursement if they can demonstrate that a student receiving special education services incurred costs that exceed at least 3 times the statewide average per pupil funding. For Fiscal Year 2022, ADE computed a threshold of $25,602 per student to qualify for funding.

The department reported that districts and charters submitted 99 total claims for reimbursement to the fund in FY 2022. The department paid a total of $1.6 million from the fund to cover the cost of the claims. Recipient districts reported using the monies from the claims to cover the cost of tuition, aides, transportation, and other services. (Patrick Moran)

Department of Education – Report on Teacher Salaries – Pursuant to A.R.S. § 15-189.05C and 15-903I the Arizona Department of Education (ADE) recently submitted a report on changes in average teacher salaries reported by individual school districts and charter schools for FY 2023. ADE's reported average changes are not weighted by the size of the district or charter.

The report indicates that school districts reported a 3.4% increase in their average teacher salaries for FY 2022 and charter schools reported a 4.1% increase. The statewide average reported increase for districts and charters combined was 3.9%. The cumulative total increase since FY 2018 is 22.7% among school districts, 23.3% among charters, and 23.0% statewide. (Patrick Moran)

Department of Education – Override Report – Pursuant to A.R.S. § 15-249.04, the Arizona Department of Education (ADE) has reported FY 2023 data on school district budget overrides. Overrides permit school districts to generate and spend additional monies from local property taxes if approved by voters.

The ADE report for FY 2023 indicates that 89 districts have Maintenance and Operation (M&O) overrides pursuant to A.R.S. § 15-481, 27 have "District Additional Assistance" overrides pursuant to A.R.S. § 15-481, and 1 district has a Special Program override pursuant to A.R.S. § 15-482. Districts are budgeting $749.7 million for overrides in FY 2023, including $649.8 million for M&O overrides, $97.4 million for District Additional Assistance overrides, and $2.5 million for Special Program overrides. (Patrick Moran)

Department of Education – Report on Results-Based Funding – Pursuant to A.R.S. § 15-249.08, the Arizona Department of Education (ADE) submitted a report on the allocation of results-based funding received by school districts and charter schools. Results-based funding is additional funding provided to schools with statewide assessment scores exceeding certain statutory thresholds. Awards are either $225 or $400 per student, depending on the income level of the school.

The majority of results-based funding must be used at the school that earned the funding for teacher and school leader salaries, hiring teachers, classroom supplies, and other strategies to sustain student outcomes at that school. A portion of results-based funding may also be used for expanding and replicating a quality school model. Schools that receive results-based funding must report the allocation of funds to ADE.

In FY 2022, ADE distributed $65.0 million of Results-Based Funding awards to eligible Local Education Agencies (LEAs). Of that amount, LEAs reported spending $47.0 million, including $38.3 million (81%) for teachers' compensation and professional development, $5.4 million (12%) for classroom supplies, and $3.3 million (7%) for school expansion. Any unspent funds may be carried forward. (Patrick Moran)

Department of Gaming – Report on Event Wagering Fund Expenditures – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Gaming (ADG) is required to report on the expected amount and purpose of expenditures from the Event Wagering Fund established by A.R.S. § 5-1318 for FY 2023. The department expects to fund 10 FTE Positions and spend $1.7 million from the fund in FY 2023. Of this amount, $1.0 million is for enforcement of the event wagering rules, $155,000 is allocated to problem gambling programs and the remaining $472,000 is for certification of licensees. The majority of expenditures are expected to be for Personal Services, Employee Related Expenditures, and Other Operating Expenditures. (Benjamin Newcomb)

Arizona Department of Gaming – Report on Additional Operating Expenses – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Gaming (ADG) is required to report on the expected amount and purpose of expenditures from the Additional Operating Expenses line item for FY 2023. This line item allocates a portion of increased tribal gaming revenues to the department under the Gaming ballot initiative (A.R.S. § 5-601.02) and the Tribal-State Gaming Compacts. From this line item, the department expects to spend $3.8 million from the Arizona Benefits Fund for enforcement activities in FY 2023. (Benjamin Newcomb)

Arizona Department of Gaming – Report on Equine Deaths, Injuries, and Pre-Race Inspections – Pursuant to an FY 2023 General Appropriation Act footnote, the Department of Gaming (ADG) is required to report each quarter during FY 2023 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. The department reported 6 horse fatalities and 25 horse injuries in the first quarter of FY 2023, all of which occurred at Arizona Downs as it was the only live racing facility open during this time. The department also reported on the number of pre-race inspections done during the quarter. Of the 1,402 pre-race examinations that occurred during the first quarter of FY 2023, 991 were performed by department staff, 25 were completed by track veterinarians (and observed by the department) and 386 were completed by track veterinarians (and not observed by the department). There were 15 races for which no pre-race inspection was performed. (Benjamin Newcomb)

Supreme Court – Report on Adult Probation Services Fund and the Juvenile Probation Fund – Pursuant to a General Appropriation Act footnote and A.R.S. § 12-262, the Administrative Office of the Courts (AOC) reported on the FY 2022 actual, FY 2023 estimated, and FY 2024 requested amounts for the following: 1) the number of authorized and filled case carrying and non-case carrying probation positions by county; 2) the total receipts and expenditures by county and fund source for each of the probation Special Line Items (SLI), including the Personal Services expended from each revenue source of each account; and 3) the amount of monies from the probation SLIs that the AOC does not distribute as direct aid to counties. The figures in this report are for all counties except Maricopa as the state does not pay any of that county's costs of probation.

Adult Standard Probation

Adult Standard Probation state expenditures for county probation officers statewide were $46.9 million in FY 2022, of which $18.0 million were General Fund monies and $2.7 million were non-General Fund state expenditures. The remaining $26.2 million were county expenditures. These monies funded 237.3 case carrying and 336.5 non-case carrying positions. AOC estimates total expenditures of $48.5 million in FY 2023 and $52.9 million in FY 2024.

Adult Intensive Probation

AOC reports statewide Adult Intensive Probation state expenditures for county probation officers of $10.8 million in FY 2022, of which $10.5 million were General Fund monies and $243,000 were non-General Fund state expenditures. These monies funded 81.8 case carrying and 56.7 non-case carrying positions. AOC estimates total expenditures of $11.9 million in FY 2023 and $13.9 million in FY 2024.

Juvenile Standard Probation

Juvenile Standard Probation state expenditures for county probation officers statewide were $16.6 million in FY 2022, of which $3.2 million were General Fund monies. The remaining $13.4 million were county expenditures. These monies funded 45.5 case carrying and 281.4 non-case carrying positions. AOC estimates total expenditures of $17.8 million in FY 2023 and $18.7 million in FY 2024.

Juvenile Intensive Probation

AOC reports statewide Juvenile Intensive Probation state expenditures for county probation officers of $5.3 million in FY 2022, all of which were General Fund monies. These monies funded 36.5 case carrying and 29.5 non-case carrying positions. AOC estimates total expenditures of $5.4 million in FY 2023 and $6.9 million in FY 2024. (Ryan Fleischman)