

Summary

January 2024 General Fund collections totaled \$1.48 billion, an amount which was (3.9)% below January 2023.

Beginning with this *Monthly Fiscal Highlights*, our office is benchmarking the state's revenue collections against the JLBC Baseline revenue forecast. January revenues generated a modest forecast gain of \$6 million above the Baseline forecast, with most revenue categories coming in close to their projected amount for the month.

Sales Tax

January Sales Tax collections (which represent December sales activity) increased by 2.5% above January 2023, which resulted in a forecast gain of \$9 million during the month.

Collections from retail sales posted slower growth of 1.0% during January, while stronger growth was seen in contracting tax revenue (13.9% growth) and restaurant/bar collections (4.6% growth).

Individual Income Tax

Overall Individual Income Tax (IIT) collections in January were 0.6% above January 2023 and were \$2 million above the Baseline revenue forecast. All 3 components of the IIT category (withholding, payments and refunds) were generally near forecast for the month:

- Withholding declined by (2.5)% and generated a forecast gain of \$3 million.
- Payment revenues were (9.1)% less than the prior year and were \$6 million above forecast for the month.
- Refunds declined by (39.3)% during January. January is a smaller month for refund activity and typically sees large percentage changes from year-to-year. The amount of refunds issued was higher than expected, which generated a modest \$(8) million forecast loss.

Given that the annual tax filing season opened at the very end of the month (January 29th), we will begin to see significant IIT filing activity in the February revenue data.

Corporate Income Tax

January Corporate Income Tax (CIT) collections were essentially flat compared to the prior year. However, because CIT collections were expected to decline in January (continuing the trend seen during December), this result actually generated a gain of \$10 million above the Baseline forecast.

Year-to-Date Results

Year-to-date through January, excluding Urban Revenue Sharing and the one-time tax rebate, FY 2024 General Fund revenues are (7.3)% below the prior year.

State Appropriations Limit Report

JLBC Staff is required to annually report by February 15 on how state spending compares to the constitutional appropriations limit. The Arizona Constitution limits the appropriation of certain state revenues to no more than 7.41% of Arizona personal income. Total FY 2024 state appropriations (both General and Other Funds) are \$29.24 billion, or 6.61% of personal income. Under the JLBC Baseline, projected FY 2025 spending is \$27.59 billion, which would be 5.57% of personal income.

Truth in Taxation (TNT Report)

JLBC Staff recently reported the new Truth in Taxation (TNT) rates for FY 2025, as required by A.R.S. § 41-1276. Due to revised property tax estimates under the TNT process, the cost of the FY 2025 Basic State Aid formula will be \$(8.4) million lower than under the JLBC Baseline. The purpose of TNT is to offset the annual change in the value of existing property statewide with a proportional Qualifying Tax Rate change.

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January Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2024	Difference From	Difference
	Collections	Baseline Forecast	From FY 2023
January	\$ 1,479.4	\$ 5.9	\$ (59.4)
Year-to-Date	\$ 8,253.2	\$ 5.9	\$ (1,426.9)

Sales Tax collections of \$761.4 million were 2.5% above January of last year and \$8.8 million above the Baseline forecast. Year to date, sales tax revenue is up by 3.9%.

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

Table 2		
January Sales Tax Growth Rates Compared to Prior Year		
	January	YTD
Retail/Remote Seller ^{1/}	1.0%	4.3%
Contracting	13.9%	16.8%
Use Tax ^{2/}	(8.4)%	(34.2)%
Restaurant & Bar	4.6%	3.2%
Utilities	2.9%	31.3%

^{1/} Absent DOR's technical corrections in August and October of 2023, Retail/Remote Seller YTD growth would have been 2.5%.
^{2/} Absent DOR's technical corrections in August and October of 2023, Use Tax YTD growth would have been (11.3)%.

The combined Retail/Remote Seller category, which makes up more than half of total sales tax revenue, increased by a modest 1.0% in January compared to the same month in the prior year, the worst January performance since FY 2015. (Sales tax collections in the month of January reflect sales activity during the month of December.)

Sales tax collections from contracting activity remained strong in January, with a year-over-year growth rate of 13.9%. Year to date, the prime contracting tax is up by 16.8% and if this trend continues, FY 2024 will be the 7th consecutive year with double-digit growth for this category.

Individual Income Tax (IIT) net collections were \$623.8 million in January, 0.6% greater than last year and \$1.6 million above the Baseline forecast. Year to date (YTD) through January, IIT revenue has declined by (23.4)% compared to the same period in FY 2023.

Withholding revenue in January was \$531.9 million, a decrease of (2.5)% from the previous year. January withholding collections were expected to post a modest decline due to timing issues related to the state's default IIT withholding rate. That lower default withholding rate was updated starting January 2023, which results in a brief transition period for the year-over-year data – January 2024 reflects the default rate being fully implemented, while the January 2023 revenue base was a month where employers in the state were implementing the new lower default rate at different times throughout the month.

While January withholding was expected to decline by a modest amount, collections declined by less-than-expected and generated a gain of \$3.2 million above the Baseline forecast. YTD, withholding is down by (12.4)% compared to the same period in FY 2023.

January payment revenue was \$141.3 million, (9.1)% less than in January 2023, but \$6.4 million over the Baseline forecast. January is an important month for payment collections since it is the final month to make quarterly estimated payments for the prior tax year. Typically, this month makes up about 10% of collections for the fiscal year. YTD, total payments are \$596.8 million, (34.2)% under last year's level for the comparable period.

Refunds in January were \$49.4 million, a decline of (39.3)% from the level in January 2023 and \$8.0 million higher than under the Baseline forecast, thereby resulting in a forecast loss of \$(8.0) million for the month. The 2024 tax filing season started one week later than in the prior year, which likely was a contributing factor to the sharp decrease in refunds issued this January. YTD, refunds are up 49.2% from the same period last year.

(Table 3 below details January 2024 IIT collections).



Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>January</u>	<u>YTD</u>
Withholding	(2.5)%	(12.4)%
Estimated/Final Payments	(9.1)%	(34.2)%
Refunds	(39.3)%	49.2%

Corporate Income Tax (CIT) net collections in January were \$127.6 million, a decline of (0.4)% from January 2023, but \$9.9 million above the Baseline forecast. January collections typically make up about 5% of the fiscal year total. Year to date through December, net CIT revenue has declined (7.1)%.

Insurance Premium Tax (IPT) revenue was \$1.9 million in January. This represents an increase compared to the same month in the prior year when refunds exceeded actual collections but is still \$(190,000) below the Baseline forecast. IPT collections are typically low in January due to refunds from December payments and a lack of incoming quarterly revenues. Fiscal year to date, IPT revenue is up by 3.6% over FY 2023 levels.

Due to the delay in receiving January data, **Tobacco Tax** and **Liquor Tax** General Fund revenues for January are reported at forecast.

The **Lottery Commission** reported that total ticket sales in January were \$124.7 million. This amount is \$(29.4) million, or (19.1)% less than in January 2023.

Highway User Revenue Fund (HURF) collections of \$140.4 million in January were (2.7)% below the amount collected in January 2023 and \$(7.9) million lower than forecast. Year to date, HURF collections are \$1.01 billion, 2.2% above the prior year and \$(14.0) million below forecast.

The state collected \$16.4 million in dedicated **Marijuana Excise Taxes** in January, representing a 7.8% increase over January 2023 revenues and the second highest level of collections on record. Monies from this excise tax are deposited into dedicated non-General Fund accounts. The total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) was \$5.8 million in January. Of this amount, the General Fund received \$4.3 million.

(Table 4 details January 2024 Marijuana tax collections).

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

	<u>January</u>	<u>YTD</u>
Marijuana Excise Tax	\$16.4	\$102.4
Medical Marijuana TPT*	\$1.3	\$10.2
<u>Distribution:</u>		
General Fund	\$1.0	\$7.6
Counties	\$0.2	\$1.7
Cities	\$0.1	\$1.0
Recreational Marijuana TPT*	\$4.5	\$30.3
<u>Distribution:</u>		
General Fund	\$3.3	\$22.4
Counties	\$0.7	\$4.9
Cities	\$0.4	\$3.0
Total State Marijuana Tax Collections	\$22.1	\$142.9

* Amounts may not add to total due to rounding



Table 5

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

	Current Month					FY 2024 YTD (Seven Months)				
	Actual January 2024	Change From January 2023		Baseline Forecast		Actual January 2024	Change from January 2023		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$761,381,407	\$18,482,953	2.5 %	\$8,817,250	1.2 %	\$4,632,047,925	\$174,302,820	3.9 %	\$8,817,250	0.2 %
Income - Individual	623,796,463	4,004,139	0.6	1,601,477	0.3	3,085,382,152	(940,944,825)	(23.4)	1,601,477	0.1
- Corporate	127,567,480	(479,248)	(0.4)	9,904,723	8.4	932,335,731	(71,136,579)	(7.1)	9,904,723	1.1
Property	1,646,247	(53,628)	(3.2)	58,285	3.7	16,932,627	2,071,034	13.9	58,285	0.3
Luxury - Tobacco	1,791,960	107,053	6.4	0	--	11,311,718	253,728	2.3	0	0.0
- Liquor	4,492,012	136,031	3.1	0	--	25,320,110	(1,237,345)	(4.7)	0	0.0
Insurance Premium	1,948,459	2,081,210	--	(190,021)	(8.9)	307,510,454	10,694,907	3.6	(190,021)	(0.1)
Other Taxes	745,748	(75,833)	(9.2)	(402,868)	(35.1)	6,658,718	757,397	12.8	(402,868)	(5.7)
Sub-Total Taxes	\$1,523,369,776	\$24,202,676	1.6 %	\$19,788,846	1.3 %	\$9,017,499,435	(\$825,238,863)	(8.4) %	\$19,788,846	0.2 %
Other Revenue										
Lottery	35,842,300	(2,197,600)	(5.8)	0	--	206,795,158	46,473,185	29.0	0	0.0
Gaming	1,642,122	(1,859,676)	(53.1)	(2,357,676)	(58.9)	13,474,513	(18,785,690)	(58.2)	(2,357,676)	(14.9)
License, Fees and Permits	4,388,993	1,004,882	29.7	1,213,884	38.2	32,338,365	5,294,454	19.6	1,213,884	3.9
Interest	30,341,029	(34,370,816)	(53.1)	(7,409,277)	(19.6)	197,261,383	53,589,513	37.3	(7,409,277)	(3.6)
Sales and Services	2,678,913	(646,365)	(19.4)	(560,731)	(17.3)	17,555,565	96,490	0.6	(560,731)	(3.1)
Other Miscellaneous	(945,554)	(4,464,670)	--	(3,930,703)	--	16,176,584	2,474,951	18.1	(3,930,703)	(19.5)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	12,831,680	(2,570,769)	(16.7)	(496,466)	(3.7)	68,596,189	(20,045,026)	(22.6)	(496,466)	(0.7)
Sub-Total Other Revenue	\$86,779,483	(\$45,105,013)	(34.2) %	(\$13,540,969)	(13.5) %	\$552,197,758	\$69,097,877	14.3 %	(\$13,540,969)	(2.4) %
TOTAL BASE REVENUE	\$1,610,149,259	(\$20,902,337)	(1.3) %	\$6,247,877	0.4 %	\$9,569,697,193	(\$756,140,986)	(7.3) %	\$6,247,877	0.1 %
Other Adjustments										
Urban Revenue Sharing	(130,401,650)	(38,155,093)	41.4	(0)	0.0	(1,043,213,196)	(397,487,302)	61.6	(0)	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Income Tax Rebate	(351,500)	(351,500)	--	(351,500)	--	(273,307,850)	(273,307,850)	--	(351,500)	0.1
Sub-Total Other Adjustments	(130,753,150)	(38,506,593)	41.7 %	(351,500)	0.3 %	(1,316,521,046)	(670,795,152)	103.9 %	(351,500)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,479,396,109	(\$59,408,931)	(3.9) %	\$5,896,377	0.4 %	\$8,253,176,147	(\$1,426,936,138)	(14.7) %	\$5,896,377	0.1 %
Non-General Funds										
Highway User Revenue Fund	140,410,880	(3,882,413)	(2.7) %	(7,924,247)	(5.3) %	1,012,040,629	21,669,507	2.2 %	(13,955,938)	(1.4) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) advance estimate of U.S. **Real Gross Domestic Product (GDP)** in the 4th quarter of 2023 is an annual growth rate of 3.3%. According to the BEA's press release, this increase was the result of greater consumer spending, government spending, and private inventory investment compared to the 3rd quarter.

The Conference Board's **Consumer Confidence Index** rose to 114.8 in December, an increase of 6.8 points from the revised December level. Consumers grew more optimistic about the present situation and future economic conditions. Respondents saw jobs as more plentiful and prices were expected to continue to moderate. Year-over-year, the consumer confidence index has grown 8.3%.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, decreased by (0.1)% to 103.1 points in December, after adjusting for revisions to the November level. According to the Conference Board's press release, 6 of the index's 10 indicators improved during the month. However, reduced manufacturing, high interest rates, and low consumer confidence offset these improvements. The LEI fell by (2.9)% over the 6-month period between June and December 2023, a smaller decrease than the (4.3)% contraction over the prior 6 months.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased in January by a seasonally adjusted rate of 0.3% over the previous month. Compared to the same month last year, consumer prices are up by 3.1% before seasonal adjustment. The indices for food and shelter both rose during January. The Core CPI, which excludes food and energy, is up by 3.9% from a year ago.

ARIZONA

Housing

In December, Arizona reached a 12-month total of 34,346 **single-family building permits** issued. This marks an increase of 4.1% above November's total and a decrease of (8.2)% below December 2022's 12-month total.

Arizona's 12-month total of 23,018 **multi-family building permits** in December is (7.6)% below November's total and (1.3)% less than the same 12-month period ending in December 2022.



The **median home price** in Maricopa County rose to \$462,911 in January, representing a 1.7% increase over December's median sale price and a 5.2% increase over January 2023's median home price.

Tourism

Phoenix Sky Harbor Airport Ridership was 4.3 million in December, marking an (0.8)% decrease from November's figure and a 9.8% increase over December 2022's ridership.

Hotel occupancy was 58.1% in December, which is (7.3)% below the prior month's occupancy rate and (2.6)% lower than that of December 2022.

State park visitation fell in December to 193,251 visitors across all state parks, down (13.5)% from the prior month. This represents a 15.9% increase above December 2022 state park visitation.

Employment

Due to the annual revision of employment date (also known as "benchmarking"), January's employment and unemployment rate figures will not be released until the second week of March.

OEO reported that a total of 3,479 **initial claims for unemployment insurance** were filed in Arizona in the week ending on February 10th. This represents a 3.6% year-over-year increase in initial claims, with the week ending February 11, 2023 seeing 3,357 initial claims.

According to OEO, for the week ending on February 3rd there were a total of 22,534 **continued claims for unemployment insurance** in Arizona. This is 16.8% greater than last year's total of 19,299 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

State Agency Data

As of February 1, 2024, the total **AHCCCS caseload** was 2.14 million members. Total monthly enrollment increased 0.5% from January and decreased (12.7)% compared to a year ago.

Parent and child enrollment in the Traditional population increased by 0.5% in February, or (14.4)% lower than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 985,196 – an increase of 0.4% from January, or (11.7)% lower than last year.

For February 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.2%. At 69,306, this population is 3.0% higher than a year ago.

Based on information the **Department of Child Safety** provided for December 2023, reports of child maltreatment totaled 43,965 over the last 12 months, an increase of 2.3% from the prior year.

There were 10,096 children in out-of-home care as of December 2023, or (13.5)% less than in December 2022. Compared to the prior month, the number of out-of-home children decreased by (1.4)%.

There were 11,119 individuals receiving **TANF** Cash Assistance in January 2024, representing a (2.2)% decrease from December 2023. Year over year, the number of cash benefit recipients has decreased by (1.9)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In January 2024, 942,324 people received food stamp assistance. This was a (1.2)% decrease from December 2023 and a 4.5% increase from January 2023.

The Arizona Department of Correction's **Inmate Population** was 34,547 as of January 31, 2024. This was a 0.4% increase since December 31, 2023 and a 2.2% increase since January 2023.



Table 6

Indicator	MONTHLY INDICATORS			
	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	December	4.3%	0.0%	0.3%
- Total Unemployment Rate (discouraged/underemployed)	4 th Q 2023	7.3%	0.5%	0.7%
- Initial Unemployment Insurance Claims	Week Ending Feb. 10	3,479	(6.6)%	3.6%
- Continued Unemployment Insurance Claims	Week Ending Feb. 3	22,534	(0.2)%	16.8%
- Non-Farm Employment - Total	December	3,238,400	0.3%	2.0%
Manufacturing	December	194,600	0.1%	(1.3)%
Construction	December	204,500	(0.3)%	6.2%
- Average Hourly Earnings, Private Sector	December	\$32.10	0.9%	4.1%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	December	34,346	4.1%	(8.2)%
Multi-family		23,018	(7.6)%	(1.3)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	January	3,548	(10.8)%	3.0%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	January	\$462,911	1.7%	5.2%
- Maricopa Pending Foreclosures	December	1,017	(0.4)%	(4.5)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	December	4,255,474	(0.8)%	9.8%
- State Park Visitors	December	193,251	(13.5)%	15.9%
- Revenue Per Available Hotel Room	December	\$82.47	(21.0)%	(5.6)%
- Arizona Hotel Occupancy Rate	December	58.1%	(7.3)%	(2.6)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	3 rd Q 2023	\$461.4 billion	3.3%	6.2%
- Arizona Population, U.S. Census	July 2023	7,431,344	N/A	0.9%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	February 1st	2,143,800	0.5%	(12.7)%
Traditional Acute Care		1,089,300	0.5%	(14.4)%
Other Acute Care		985,200	0.4%	(11.7)%
Long-Term Care – Elderly & DD		69,300	0.2%	3.0%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	December	43,965	0.1%	2.3%
DCS Out-of-Home Children	December	10,096	(1.4)%	(13.5)%
Filled Caseworkers (1,406 Budgeted)	December	1,293	(31)	45
- ADC Inmate Growth	January	34,547	0.4%	2.2%
- Department of Economic Security				
- TANF Cash Assistance Recipients	January	11,119	(2.2)%	(1.9)%
- SNAP (Food Stamps) Recipients	January	942,324	(1.2)%	4.5%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	4 th Q, 2023 4 th Estimate)	\$22.7 trillion	3.3%	3.1%
- Consumer Confidence Index (1985 = 100)	January	114.8	6.3%	8.3%
- Leading Economic Index (2016 = 100)	December	103.1	(0.1)%	(6.9)%
- Consumer Price Index, (1982-84 = 100)	January	308.4	0.3%	3.1%



JLBC Meeting Summary

At its **January 30, 2024** meeting, the Joint Legislative Budget Committee considered the following issues:

Executive Session

Attorney General – Consideration of Proposed Settlements Under Rule 14 – The Committee approved a settlement 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 Transfers – Laws 2022, Chapter 313 requires that the Department of Military and Emergency Affairs (DEMA) submit transfers of funding

within the Border Security Fund to the Committee for review. The Committee gave a favorable review of the following reallocations: 1) Increase the Local Prosecution allocation by \$4,800,000; 2) Increase the Asylum Transportation allocation by \$8,000,000; 3) Decrease the Local ICE Reimbursement allocation by \$(7,400,000); and 4) Decrease the Emergency Care and Testing allocation by \$(5,400,000). The Committee also included provisions capping the additional asylum transportation monies at \$60 per migrant and requiring DEMA to report to the Committee prior to spending the \$500,000 reserve for local prosecution costs.

Summary of Recent Agency Reports

Arizona Department of Administration/School Facilities Division – Report on Class B Bonds – Pursuant to A.R.S. § 41-5702, the School Facilities Division (SFD) within the Arizona Department of Administration is required to submit an annual report on all Class B bond approvals by school districts in that year. ADOA-SFD reported that in 2023, there were 12 districts with Class B bond approvals for a total approval amount of \$1.4 billion. (Gordon Robertson)

Arizona Department of Administration/Arizona Department of Transportation – Progress Report on MvM Planned Expenditures – Pursuant to a footnote in the FY 2024 General Appropriation Act, the Arizona Department of Administration (ADOA) submitted a report on behalf of the Arizona Department of Transportation (ADOT) on the planned FY 2024 expenditures on the Motor Vehicle Modernization (MvM) project. The department reports a total of \$17.7 million in planned FY 2024 expenditures on the following categories: \$11.0 million on enhancements, \$5.1 million on operations and maintenance, \$744,000 on technology and cloud support, \$669,600 on MvM strategic initiatives, and \$163,000 on contract administration.

The department further reports that the planned MvM enhancements include the following projects: crash records information system, dealer

services and other business portal modernization, improvements to customer service correspondence, self-service portal expansion and enhancements, commercial vehicle permitting, abandoned vehicle portal, and eTitles. Strategic initiatives include information technology-related changes to field office operations. (Jordan Johnston)

Arizona Health Care Cost Containment System – Report on the American Rescue Plan Act Spending Plan – Pursuant to Laws 2023, Chapter 133, the Arizona Health Care Cost Containment System (AHCCCS) is required to report quarterly on any changes to the agency’s Home and Community-Based Services (HCBS) spending plan for the implementation of the American Rescue Plan Act (ARPA) of 2021.

As of January 2024, AHCCCS projects its ARPA HCBS spending plan will total \$1.52 billion, which represents no change from its October 2023 quarterly report and an \$8.0 million increase from its original spending plan.

The largest allocations include \$1.2 billion for time-limited directed payments to providers for attracting and retaining healthcare workers, followed by \$71.0 million for incentive payments to HCBS providers and \$69.5 million for grant awards targeting programmatic enhancements and infrastructure investments.



To date, the agency has expended \$944.6 million on a Total Funds basis, including \$712.3 million in federal funding and \$232.3 million in state funding.

ARPA provided states a temporary 10% federal match increase for HCBS expenditures for the period beginning April 1, 2021 and ending March 31, 2022. States have until March 31, 2025, to fully expend funds. (Maggie Rocker)

AHCCCS – Report on Inpatient Psychiatric Treatment Availability – Pursuant to A.R.S. § 36-2903.13, the Arizona Health Care Cost Containment System (AHCCCS) reported the availability of inpatient psychiatric treatment from Regional Behavioral Health Authorities.

The number of licensed psychiatric beds decreased by 1% from 2,426 in 2021 to 2,371 in 2022. The number of inpatient psychiatric days also decreased, resulting in an occupancy rate of 61.6% in 2022. This compares to an occupancy rate of 70.3% in 2021.

AHCCCS separately provided inpatient psychiatric treatment expenditures and the number of unique members receiving those services out of state for 2 populations: 1) members younger than 21, and 2) members aged 21 and older. Regarding the former population, AHCCCS spent \$79.3 million in FY 2022 with 102 members having one or more inpatient stays out of state. For members 21 and older, AHCCCS spent \$169.7 million with 194 members having one or more inpatient stays out of state.

While AHCCCS is required to report the prevalence of psychiatric boarding for at least 24 hours before transferring the patient to a psychiatric facility, relevant data is currently unavailable. AHCCCS is working with Managed Care Organizations to implement a standardized reporting methodology. (Maggie Rocker)

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 second quarter of FY 2024, the AG received \$300,000 of its FY 2024 appropriation to the fund (plus \$200 of other revenues) and has expended no monies from the CFAF. As of December 31, 2023, the fund had an unencumbered balance of \$400,200. (Gordon Robertson)

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

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

Through the second quarter of FY 2024, the AG received \$225,000 for deposit into the ICAC Enforcement Fund. A total of \$564,700 was expended from the fund balance through the second quarter of FY 2024 to help pay for the operating costs of the ICAC Task Force. As of December 31, 2023, the ICAC Enforcement Fund had an unencumbered fund balance of \$1.6 million. (Gordon Robertson)

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

In the second quarter of FY 2024, the AG deposited a total of \$6.4 million into various consumer accounts. Of that amount, \$813,300 was deposited in the CPCF Revolving Fund, \$183,500 was deposited into the Consumer Restitution Subaccount, and \$5.4 million was deposited into the Consumer Remediation Subaccount, including \$1.9 million of opioid claims-related monies. The AG made no deposits into the Antitrust Enforcement Revolving Fund or the General Fund.

Deposits to the CPCF Revolving Fund

The AG deposited \$813,300 into the appropriated CPCF Revolving Fund, which may be used for consumer fraud education and investigation, costs associated with the Tobacco Master Settlement Agreement, or any other purpose permitted by statute. This amount resulted from



a deposit of \$285,000 from a settlement with Old Town AC, LLC resolving allegations regarding deceptive acts in connection with illegal telemarketing and from interest and various small legal settlements. As of December 31, 2023, the fund had an unencumbered balance of \$18.7 million.

Deposits to the 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 December 31, 2023, the fund had an unencumbered balance of \$1.0 million.

Deposits to the Consumer Restitution Subaccount

The AG deposited \$183,500 into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount resulted from various small legal settlements and interest income. As of December 31, 2023, the fund had an unencumbered balance of \$9.8 million.

Deposits to the Consumer Remediation Subaccount

The AG deposited \$5.4 million into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount resulted from: a deposit of \$2.9 million from a settlement with JUUL Labs, Inc. resolving allegations regarding deceptive acts in connection with the advertisement or sale of nicotine products; \$1.9 million from Mallinckrodt as a result of bankruptcy proceedings addressing opioid liabilities; and \$595,100 from interest income. As of December 31, 2023, the fund had an unencumbered balance of \$56.9 million.

Deposits to the General Fund

The AG deposited no monies into the General Fund.

Opioid Claims-Related Litigation

Through the second quarter of FY 2024, the AG received \$13.1 million of opioid monies for deposit in the partially-appropriated Consumer Remediation Subaccount. This amount resulted from \$10.4 million from a settlement with Cardinal Health, McKesson, and Amerisource Bergen; \$1.9 million from Mallinckrodt plc (referenced above); \$727,700 from interest income; and \$72,400 from unspent grant monies. No monies were expended from the balance of opioid monies through the second quarter of FY 2024. As of December 31, 2023, the fund had an unencumbered balance of \$46.0 million. (Gordon Robertson)

Arizona Commerce Authority – Report on Applied Research Centers and Institutes – In FY 2023, the Legislature appropriated \$5.0 million from the State Web Portal Fund to the Arizona Commerce Authority (ACA) for grants to centers researching applied blockchain and wearable technologies. In FY 2024, the Legislature appropriated a further \$2.5 million to ACA from the General Fund for grants to centers researching wearable technology. Pursuant to an FY 2024 General Appropriation Act footnote, ACA submitted its report for applied research centers and institutes covering calendar year 2023.

Blockchain

The Arizona Blockchain Applied Research Center (BARC) received three grants totaling \$400,000 to research the uses of blockchain for purposes such as authentication in digital marketplaces and automation of data exchanges. So far, BARC has spent \$277,339 across its three projects, two of which have resulted in a proof of concept.

Energy Blockchain Consortium, LLC received an ACA grant of \$250,000 plus other matching funds to research the applications of blockchain to cybersecurity practices. They have spent \$319,908 to date including other matching funds and are now working on the proof of concept software.

Wearable Technology

The WearTech Applied Research Center (WARC) received 16 grants totaling \$3,626,676 plus other matching funds for multiple wearable technology projects such as medical devices which track vital signs, an exoskeleton, and surgeon performance assessment systems. To date, WARC has withdrawn one grant for \$250,000 and has spent a total of \$3,971,753 including other matching funds on the remaining 15 projects. Many of these projects have already seen preliminary product testing and/or proofs of concept, but others have yet to begin due to ACA awarding the grants at the end of CY 2023.

The University of Arizona's Andrew Weil Center for Integrative Medicine received 2 grants totaling \$893,517 for a project to develop hardware and software to digitally replicate a patient's body and a project to design a new surgical mask. So far, the center has spent a total of \$464,601 across the two projects. The center's project to digitally map patients has resulted in a successful PhD thesis and its surgical mask project has already completed preliminary studies. (Nate Belcher)



Arizona Criminal Justice Commission – Report on State Aid to County Attorneys Fund and the State Aid to Indigent Defense Fund – Pursuant to A.R.S. § 41-2409 G, the Arizona Criminal Justice Commission (ACJC) reported on expenditures for the prior fiscal year from the State Aid to County Attorneys Fund and State Aid to Indigent Defense Fund.

In FY 2023, the State Aid to County Attorneys Fund received revenues totaling \$650,700. ACJC reports that county attorneys had expenditures of \$629,300 in FY 2023,

leaving an ending cash balance of \$557,800 in the State Aid to County Attorneys Fund. Of the \$629,300, \$571,500 was spent on salary and benefits, \$45,300 on equipment, \$500 on operating costs, and \$12,000 on telephone and internet costs.

Out of the 15 counties, 9 reported an increase in the number of felony cases filed in FY 2023. Of the 13 agencies that provided statistics on the percentage of felony cases adjudicated within 180 days, 6 agencies reported an increase in the percentage between FY 2022 and FY 2023.

The report also includes felony case processing statistics by county from the Arizona Computerized Criminal History (ACCH) system. According to that data, a total of 40.1% of the 28,396 cases adjudicated in Arizona during FY 2023 were finalized within 180 days of arrest. This is an increase from FY 2022 when 35.3% of cases adjudicated were finalized within 180 days.

In FY 2023, ACJC disbursed \$700,000 in State Aid to Indigent Defense Fund revenues to counties. ACJC reports that counties had Indigent Defense expenditures of \$1,570,900 in FY 2023, leaving an ending balance of \$1,379,500. Of the \$1,570,900, \$1,202,300 was spent on salary and benefits, \$27,200 on operating costs, \$126,100 on contractual expenses, \$181,200 on equipment and software, and \$34,100 on travel and other expenses. (James Martinez-Burney)

Department of Economic Security – Report on Cost Effectiveness Study Expenditures – Pursuant to an FY 2024 General Appropriation Act footnote, the Department of Economic Security (DES) reported its expenditures from the Cost Effectiveness Study (CES) in FY 2023. 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 over the threshold with state-only funds.

In FY 2023, an average of 191 individuals per month had costs of care that exceeded CES thresholds, an increase of 57 individuals above FY 2022. The aggregate amount above the thresholds covered with state-only funds was \$11.6 million. Of this amount, 177 individuals per month received services in a group home setting at a total cost to

CES of \$11.2 million, and 14 individuals per month received services in their own home at a total cost to CES of \$415,300. Of the total CES spending, \$1.2 million was from the Special Administration Fund in the CES line item and \$9.3 million was from the General Fund. Of the \$9.3 million, \$7.2 million was from the CES line item and \$2.1 million was from the HCBS - State-Only line item. DES reports an outstanding need of \$1.1 million to fully cover FY 2023 CES costs, but it has not yet identified a source of funding. (Chandler Coiner)

Supreme Court – Report on Criminal Case Proceedings, Enforcement of Court Orders, and State Aid to Courts Fund Expenditures – Pursuant to A.R.S. § 12-102.01D, the Supreme Court reported to the JLBC on the progress of criminal case processing projects and the enforcement of court orders including the collection of court ordered fees, fines, penalties, sanctions and forfeitures. Additionally, pursuant to A.R.S. § 12-102.02D, the Supreme Court reported to the JLBC on the expenditure of monies from the State Aid to the Courts Fund for the prior fiscal year and the progress made in improving criminal case processing.

Since 2003, the Supreme Court has contracted with an outside vendor to increase compliance with court orders, resulting in total collections of \$36.3 million from backlogged cases in FY 2023, or (13.8)% below FY 2022. Additionally, the Supreme Court utilizes a debt setoff program to match outstanding criminal fines or fees to outstanding tax and governmental liabilities. Tax and lottery interceptions in the debt setoff program were \$18.6 million in FY 2023, or 2.2% above FY 2022.

Expenditures from the State Aid to the Courts Fund were \$1.7 million in FY 2023. These monies were disbursed to Superior and Justice Courts for the processing of criminal cases.

The Supreme Court reports that the funds help address specific issues with public safety, protection of victims' rights, restitution collection, and systemic overcrowding. (James Martinez-Burney)



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 2023 actual, FY 2024 estimated, and FY 2025 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 \$49.3 million in FY 2023, of which \$18.3 million were General Fund monies and \$2.7 million were non-General Fund state expenditures. The remaining \$28.3 million were county expenditures. These monies funded 273.5 case carrying and 380.3 non-case carrying positions. AOC estimates total expenditures of \$53.5 million in FY 2024 and \$55.4 million in FY 2025.

Adult Intensive Probation

AOC reports statewide Adult Intensive Probation state expenditures for county probation officers of \$11.8 million in FY 2023, of which \$11.6 million were General Fund monies and \$222,900 were non-General Fund state expenditures. These monies funded 109.5 case carrying and 60.6 non-case carrying positions. AOC estimates total expenditures of \$13.8 million in FY 2024 and \$14.6 million in FY 2025.

Juvenile Standard Probation

Juvenile Standard Probation state expenditures for county probation officers statewide were \$16.2 million in FY 2023, of which \$3.4 million were General Fund monies. The remaining \$12.8 million were county expenditures. These monies funded 47.5 case carrying and 286.2 non-case carrying positions. AOC estimates total expenditures of \$19.3 million in FY 2024 and \$20.0 million in FY 2025.

Juvenile Intensive Probation

AOC reports statewide Juvenile Intensive Probation state expenditures for county probation officers of \$5.1 million in FY 2023, all of which were General Fund monies. These monies funded 40.4 case carrying and 32.2 non-case carrying positions. AOC estimates total expenditures of \$6.2 million in FY 2024 and \$6.8 million in FY 2025. (Geoffrey Paulsen)

Supreme Court – Report on FY 2022 Probation Incentive Payments – Pursuant to A.R.S. § 12-270M, the Administrative Office of the Courts (AOC) submitted a report on its FY 2022 probation success incentive program.

Under the program, county probation departments are eligible to receive payments if they return fewer probationers to prison in a fiscal year compared to a baseline (the average number returned in FY 2008, FY 2015 and FY 2019). Incentive payments are to be equal to 50% of the marginal incarceration cost in the Arizona Department of Corrections. Counties may also receive probation success incentive grants. The total grant funding is to be determined in the same way as payments but is equal to 25% of the marginal incarceration cost. The amount distributed as grants is to be determined by a board consisting of the chief probation officers of each county.

AOC reported that a total of 79,218 individuals were on probation in FY 2022 and that the statewide success rate was 81 percent.

The FY 2022 budget appropriated \$1.0 million for the probation incentive program. AOC reported that \$669,200 was distributed to the counties for incentive payments and \$330,800 was distributed as grants. (James Martinez-Burney)

<u>County</u>	<u>Amount</u>
Apache	\$ 12,300
Cochise	26,100
Coconino	32,200
Gila	11,200
Graham	15,700
Greenlee	7,800
La Paz	5,100
Maricopa	403,200
Mohave	50,400
Navajo	24,000
Pima	191,800
Pinal	84,000
Santa Cruz	11,000
Yavapai	82,500
Yuma	42,900
Total	\$1,000,200



Northern Arizona University – Report on Translational Genomics Research Institute – Pursuant to a FY 2024 General Appropriation Act footnote, Northern Arizona University (NAU) submitted its 2023 report on the Translational Genomics Research Institute (TGen). The budget includes \$5 million from the General Fund for biomedical research funding. Of this amount, \$3 million is appropriated to NAU and \$2 million is appropriated to the Department of Health Services. These monies are distributed to TGen each year.

In calendar year 2022, TGen spent its distribution from NAU on research supplies (\$411,000), research for outside services (\$417,100), research capital (\$1.8 million), proposal development (\$100,000), project management (\$100,000), technical infrastructure (\$100,000), and education (\$100,000). Monies distributed from DHS were used for salaries and benefits (\$155,500), professional and outside services (\$1.7 million), and facilities and administrative costs (\$181,800).

TGen reported 30 new FTE Positions totaling \$2.1 million for salaries and benefits, in addition to \$1.6 million for 49 part-time and temporary positions. The majority of funding for these positions comes from non-state sources and grants. TGen investigators reported submitting 140 grants totaling \$117.9 million and were awarded 35 grants totaling \$17.8 million. NAU also reports that in 2023 there were 11 patents issued that utilized TGen technology and 122 published academic articles and presentations.
(Cameron Mortensen)

