Joint Legislative Budget Committee

Monthly Fiscal Highlights

February 2026

Summary

January 2026 General Fund revenue collections were $1.54 billion, an amount which is an increase of 0.1% above January 2025.

Beginning with this *Monthly Fiscal Highlights*, our office is benchmarking the state's revenue collections against the January JLBC Baseline revenue forecast. January revenue collections were $(16) million below the Baseline forecast.

Sales Tax

Overall Sales Tax collections in January (which represent December sales activity) increased by 5.2% compared to the prior year. This performance resulted in a Baseline forecast gain of $19 million during the month. Given that these results represent the main part of the holiday season, it is notable that the retail subcategory performed stronger than recent months, growing by 5.3%. In other categories, recent trends continued – the Restaurant/Bar subcategory continued its consistent growth and contracting tax posted another declining month.

Individual Income Tax

The Individual Income Tax (IIT) category declined by (3.9)%, and was $(2) million below the Baseline forecast. Given that the state's income tax filing season began at the end of the month (on January 26th), the January results were unrelated to final tax returns. The modest decline during the month was due to a technical timing issue in withholding collections (causing a decline), which was somewhat offset by growth in estimated tax payments that are due in January.

Corporate Income Tax

January continued the volatile pattern of results for the Corporate Income Tax (CIT) category, adding another month of significant fluctuation – January CIT revenues declined by (17.7)% from the prior year and were $(30) million below the Baseline forecast.

Year-to-Date Results

Year-to-date through January, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2026 General Fund revenues are 2.9% above 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 2026 state appropriations (both General and Other Funds) are $30.65 billion, or 5.75% of personal income. Under the JLBC Baseline, projected FY 2027 spending is $30.29 billion, which would be 5.36% of personal income.

Truth in Taxation (TNT Report)

JLBC Staff recently reported the new Truth in Taxation (TNT) rates for FY 2027, as required by A.R.S. § 41-1276. Due to revised property tax estimates under the TNT process, the cost of the FY 2027 Basic State Aid formula will be $(4.2) 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 2026 Collections	Difference From Baseline Forecast	Difference From FY 2025
January	$ 1,536.8	$ (15.7)	$ 1.0
Year-to-Date	$ 9,786.2	$ (15.7)	$ 348.0

Sales Tax collections of $829.8 million in January were 5.2% above the amount collected in January 2025 and $18.5 million below the Baseline forecast. Year to date through January, sales tax revenue is up by 3.4%. Sales tax revenue collected in January reflects sales activity that occurred in December.

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

Table 2

Sales Tax Growth Rates Compared to Prior Year

	January	YTD
Retail/Remote Seller	5.3%	4.4%
Contracting	(5.9)%	(3.7)%
Use Tax	20.8%	14.6%
Restaurant/Bar	4.8%	4.4%
Utilities	6.2%	0.7%

With the exception for the Contracting Classification of the Transaction Privilege Tax (TPT), all the major sales tax categories performed better than expected on a year-over-year basis in January. The combined Retail/Remote Seller category increased by 5.3% in January, the highest growth rate since September last year. Unlike prior months, most of the year-over-year gain in January for this combined category was attributable to standard ("brick-and-mortar") retail sales as opposed to Remote Sellers. (Two-thirds of total year-over-year gain was attributable to standard retailers vs. one-third from Remote Sellers.)

Sales tax revenue from the Restaurant/Bar Classification of TPT increased, year-over-year, by 4.8% in January and is up by 4.4% through the first 7 months of FY 2026. This category has been growing at an increasing rate in each of the last 4 months.

Individual Income Tax (IIT) net revenue in January was $604.0 million, a year-over-year decrease of (3.9)% from January 2025 and $(1.8) million below than the Baseline forecast. Withholding revenue was less than anticipated, offsetting forecast gains from payments and refunds. Year-to-date (YTD), IIT has risen 5.7% compared to the same period in FY 2025.

January withholding revenue was $481.3 million, a (9.4)% decrease from last year and $(14.8) million less than the Baseline forecast. Year-to-date, withholding has grown by 1.3% relative to the same period in FY 2025. The large withholding decrease in January occurred primarily for technical reasons (processing issue). On January 31, 2025, which was a Friday and the final processing day of this month, there was a large deposit of $85 million. The last processing day for the same month this year fell on Friday, January 30th. A very large deposit appears to have been made the following day, a Saturday, but this deposit was not recorded until the first business day that followed, which was on Monday, February 2. While we have noticed a somewhat irregular pattern of unusually large Friday deposits at the end of some months, we currently lack the data necessary to understand these fluctuations.

Total (estimated plus final) tax payments in January were $164.9 million, 12.7% above the previous year and $7.5 million more than the Baseline forecast. Estimated payments drove this growth while final payments declined.

January is an important month for estimated payments, making up approximately 24% of the total in most fiscal years. YTD, total payments are 15.5% more than the same period in FY 2025.

Refunds in January were $42.2 million, a decrease of (14.2)% from January 2025. January is not a significant month for refunds, typically making up between 2%-3% of the fiscal year total. Since the Baseline forecast assumed a higher refund level of $47.6 million, there was a $5.4 million forecast gain. Through the first 7 months of FY 2026 refunds are down by (16.4)%.

Table 3
Individual Income Tax Growth Rates Compared to Prior Year

	January	YTD
Withholding	(9.4)%	1.3%
Estimated/Final Payments	12.7%	15.5%
Refunds	(14.2)%	(16.4)%

Corporate Income Tax (CIT) net revenue in January was $113.1 million, a (17.7) % decline from the same month in the prior year and $(30.2) million below the Baseline forecast. While the level of refunds was smaller than projected, this was more than offset by large decrease in corporate gross collections. The level of net collections in January was the lowest for this month since 2022. On average, January CIT revenue makes up about 7%-8% of the fiscal year total. YTD, CIT collections are 2.3% greater than the same period in FY 2025.

Insurance Premium Tax (IPT) revenue was $1.6 million in January, slightly more than twice the amount collected in January 2025. IPT collections are typically low in January for several reasons, including refunds from December payments, and that neither quarterly payments by AHCCCS contractors nor installment payments by insurers are due this month. On average, IPT revenue in the month of January makes up less than 0.3% of the fiscal-year total. Actual collections in January exceeded the Baseline forecast by $0.4 million. Year to date, IPT revenue is up by 12.4% compared to the same period in FY 2025.

The amount of **Tobacco Tax** deposited into the General Fund in January was $1.3 million, which is 4.0% greater than collections a year prior and $0.1 million above the Baseline forecast. Year to date, General Fund tobacco tax revenues total $9.9 million, which is 1.7% above collections through January in FY 2025.

Liquor Tax revenue deposited into the General Fund in January was $4.5 million. This is (28.8)% below the amount deposited in January 2025 and $(2.4) million below the Baseline forecast. Year to date, General Fund deposits from liquor tax collections total $26.3 million, a (9.6)% decrease from collections through this point in FY 2025.

Highway User Revenue Fund (HURF) collections of $163.6 million in January were 5.6% above the amount collected in January 2025 and $3.4 million above forecast. Year to date, HURF collections are $1.06 billion, 1.9% above the prior year and $(15.8) million less than forecast.

In January, the state collected $15.4 million in dedicated **Marijuana Excise Taxes**, which was (8.1)% below January 2025 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. January's total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) revenue was $5.7 million. Of this amount, the General Fund received $4.2 million. (See *Table 4*).

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

	January	YTD
Marijuana Excise Tax	**$15.4**	**$97.4**
Medical Marijuana TPT	**$0.7**	**$5.2**
Distribution:		
General Fund	$0.5	$3.9
Counties	$0.1	$0.9
Cities	$0.1	$0.5
Recreational Marijuana TPT	**$5.0**	**$30.4**
Distribution:		
General Fund	$3.7	$22.4
Counties	$0.8	$4.9
Cities	$0.5	$3.0
Total State Marijuana Tax Collections	**$21.0**	**$133.0**

* Amounts may not add to total due to rounding

Table 5

General Fund Revenue:
Change from Previous Year and Baseline Forecast
January 2026

	Current Month					FY 2026 YTD (Seven Months)				
		Change From					Change from			
	Actual	January 2025		Baseline Forecast		Actual	January 2025		Baseline Forecast	
	January 2026	Amount	Percent	Amount	Percent	January 2026	Amount	Percent	Amount	Percent
Taxes										
Sales and Use	$829,754,119	$41,003,835	5.2 %	$18,542,064	2.3 %	$4,950,527,049	$160,610,730	3.4 %	$18,542,064	0.4 %
Income - Individual	604,043,265	(24,284,611)	(3.9)	(1,798,602)	(0.3)	3,608,605,787	193,537,755	5.7	(1,798,602)	(0.0)
- Corporate	113,056,923	(24,342,123)	(17.7)	(30,156,592)	(21.1)	1,055,916,874	23,979,918	2.3	(30,156,592)	(2.8)
Property	652,969	(1,858,669)	(74.0)	(1,862,094)	(74.0)	25,803,771	2,908,399	12.7	(1,862,094)	(6.7)
Luxury - Tobacco	1,312,365	51,032	4.0	55,913	4.5	9,914,653	163,193	1.7	55,913	0.6
- Liquor	4,489,714	(1,820,344)	(28.8)	(2,444,471)	(35.3)	26,339,613	(2,792,606)	(9.6)	(2,444,471)	(8.5)
Insurance Premium	1,597,850	827,023	107.3	355,889	28.7	376,920,075	41,659,663	12.4	355,889	0.1
Other Taxes	2,907,786	1,491,046	105.2	1,397,564	92.5	11,050,329	1,626,181	17.3	1,397,564	14.5
Sub-Total Taxes	$1,557,814,991	($8,932,812)	(0.6) %	($15,910,329)	(1.0) %	$10,065,078,152	$421,693,232	4.4 %	($15,910,329)	(0.2) %
Other Revenue										
Lottery	41,813,900	19,906,000	90.9	0	--	155,853,255	(22,910,707)	(12.8)	0	0.0
Gaming	7,079,982	1,974,189	38.7	1,374,158	24.1	24,730,089	6,483,625	35.5	1,374,158	5.9
License, Fees and Permits	4,630,440	(47,273)	(1.0)	(237,532)	(4.9)	32,342,439	(1,188,149)	(3.5)	(237,532)	(0.7)
Interest	17,156,117	(5,332,765)	(23.7)	1,955,312	12.9	115,312,225	(31,157,965)	(21.3)	1,955,312	1.7
Sales and Services	2,063,523	(1,062,747)	(34.0)	(1,300,994)	(38.7)	14,993,615	419,972	2.9	(1,300,994)	(8.0)
Other Miscellaneous	2,207,787	(742,279)	(25.2)	(810,538)	(26.9)	12,207,623	(14,747,335)	(54.7)	(810,538)	(6.2)
Medicaid Hospital Revenue	0	0	--	0	--	0	(71,248,984)	--	0	--
Transfers and Reimbursements	2,897,584	(8,076,920)	(73.6)	(751,118)	(20.6)	43,085,127	5,247,276	13.9	(751,118)	(1.7)
Sub-Total Other Revenue	$77,849,333	$6,618,204	9.3 %	$229,287	0.3 %	$398,524,374	($129,102,267)	(24.5) %	$229,287	0.1 %
TOTAL BASE REVENUE	**$1,635,664,324**	**($2,314,608)**	**(0.1) %**	**($15,681,041)**	**(0.9) %**	**$10,463,602,526**	**$292,590,965**	**2.9 %**	**($15,681,041)**	**(0.1) %**
Other Adjustments										
Urban Revenue Sharing	(98,858,813)	6,829,335	(6.5)	(0)	0.0	(692,011,794)	47,805,248	(6.5)	(0)	0.0
One-Time Transfers	0	(3,472,950)	--	0	--	0	(6,945,900)	--	0	--
Income Tax Rebate	(500)	2,250	(81.8)	(500)	--	(1,750)	10,750	(86.0)	(500)	40.0
Other One-Time Revenue Adjustments	0	0	--	0	--	14,574,359	14,574,359	--	0	0.0
Sub-Total Other Adjustments	(98,859,313)	3,358,635	(3.3) %	(500)	0.0 %	(677,439,185)	55,444,457	(7.6) %	(500)	0.0 %
TOTAL GENERAL FUND REVENUE	**$1,536,805,010**	**$1,044,027**	**0.1 %**	**($15,681,541)**	**(1.0) %**	**$9,786,163,341**	**$348,035,421**	**3.7 %**	**($15,681,542)**	**(0.2) %**
Non-General Funds										
Highway User Revenue Fund	163,577,891	8,644,701	5.6 %	3,427,171	2.1 %	1,061,065,451	19,977,550	1.9 %	(15,773,771)	(1.5) %

Monthly Indicators

NATIONAL

According to the Bureau of Economic Analysis' (BEA) final estimate of U.S. Real **Gross Domestic Product** (GDP), economic output increased at a seasonally adjusted annual rate of 4.4% in the 3rd quarter of 2025. This is an upward revision of 0.1% as a result of increased exports and investment. Due to the federal government shutdown, this updated report replaces the 3rd estimate that was originally scheduled to be released in December 2025.

The Conference Board's **Consumer Confidence Index** decreased to 84.5 in January, a decrease of (9.7) points from the revised December level. This is the lowest reading since May 2014. Consumers have become more pessimistic about every metric tracked in the index, including inflation, expected future purchases, the job market, and business conditions. Over the last 12 months, the index has decreased by (19.8)%.

The **Leading Economic Index** (LEI), published by the Conference Board, was 97.9 in November, a (0.3)% decline from its October level. Consumer sentiment and manufacturing new orders were the only metrics that contributed negatively to the LEI in November. They decreased enough, however, to outweigh the slight increase (or unchanged values) of the other 8 components that make up the composite index. In the 6 months from May to November, the index decreased by (1.2)%, a slower rate of decline than the (2.6)% drop in the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased at a seasonally adjusted rate of 0.2% in January. Shelter and food prices both grew during the month, partially offset by lower energy prices. Compared to the same month last year, consumer prices are up by 2.4% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 2.5%.

ARIZONA

Tourism

Phoenix Sky Harbor Airport Ridership rose to 4.7 million passengers in December, which is a 9.5% gain over the prior month and 0.1% above December 2024's figure.

December 2025 **state park visitation** fell (16.9)% from November's level, totaling 168,106 for the month across all parks. This is (17.2)% below December 2024 levels.

Hotel occupancy was 59.0% in December, which is 2.2% above December 2024's rate.

Revenue per available room was $86.64 in December, which is 4.5% above the average revenue 12 months prior.

Employment

Arizona Office of Economic Opportunity (OEO), the state gained 6,500 **nonfarm jobs** in December compared to November. In the 10-year period prior to the pandemic (2010-2019), Arizona experienced an average net gain of 5,600 jobs in December. Compared to the same month in 2024, the state gained 24,600 jobs in December 2025, an increase of 0.7%.

The state's seasonally adjusted **unemployment rate** remained at 4.3% from November to December. The U.S. unemployment rate decreased from 4.5% in November to 4.4% in December.

OEO reported that a total of 2,500 **initial claims for unemployment insurance** were filed in Arizona in the week ending on January 31st. This represents a (23.0)% decrease in initial claims compared to a year ago.

According to OEO, there were a total of 18,020 **continued claims for unemployment insurance** in Arizona for the week ending on January 24th, which is (20.6)% lower than the comparable week in 2025.

Housing

In October, Arizona had a 12-month total of 34,444 **single-family building permits** issued. This represents a decrease of (2.8)% from the prior month's rolling total and a decrease of (18.2)% from the previous October's 12-month total.

Arizona's 12-month total of 14,866 **multi-family building permits** in October is 2.1% greater than September's rolling total and (20.1)% below the 12-month period ending in October 2024.

State Personal Income

The U.S. Bureau of Economic Analysis (BEA) recently released **state personal income** estimates for the 3rd quarter of 2025. Personal income in Arizona increased at an annual rate of 3.2% in the 3rd quarter. Net earnings, dividends, interest, rent, and transfer receipts all grew during the quarter.

Based on state population estimates recently released by the U.S. Census Bureau, the **Arizona population** as of July 1, 2025 was 7,623,818, an increase of 0.9% or 67,394 persons compared to July 1, 2024. The U.S. Census estimates that 46% of this increase was attributable to domestic net migration, 42% to international net migration, and slightly more than 11% to natural change (births minus deaths). Arizona's population growth was the 7th highest in the nation in 2025.

State Agency Data

As of February 1, 2026, the total **AHCCCS caseload** was 1.76 million members. Total monthly enrollment decreased (1.2)% from January to February and decreased (10.8)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased (1.4)% in February compared to January and decreased (11.0)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 746,978, a decrease of (1.1)% from January and (11.8)% lower than last year.

For February 2026, the Elderly and Physically Disabled Long-Term Care population decreased by (0.3)% over the prior month. At 27,298, this population is (0.8)% lower than a year ago. The Developmental Disabilities (DD) Long-Term Care population increased by 0.3% over the prior month. At 47,749, this population is 6.2% higher than a year ago.

Based on information the **Department of Child Safety** provided for December 2025, reports of child maltreatment totaled 45,003 over the last 12 months, an increase of 5.2% from the comparable period in the prior year.

There were 8,240 children in out-of-home care as of December 2025, or (5.5)% fewer than in December 2024. Compared to the prior month, the number of out-of-home children decreased by (0.8)%.

There were 4,968 individuals receiving **Temporary Assistance for Needy Families (TANF) Cash Assistance** in December 2025, representing a (9.7)% decline from November 2025. Year over year, the number of cash benefit recipients has decreased by (48.3)%.

The **Supplemental Nutrition Assistance Program (SNAP)** provides assistance to low-income households to purchase food. There were 624,491 individuals receiving SNAP benefits in December 2025, representing a (8.1)% decline from November 2025. Year over year, the number of SNAP recipients has decreased by (33.0)%.

The Arizona Department of Correction's **Inmate Population** was 34,891 as of December 31, 2025. This was a (0.3)% decrease since November 30, 2025 and a (1.8)% decrease since December 2024.

Table 6

MONTHLY INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
Employment				
- Seasonally Adjusted Unemployment Rate	December	4.3%	0.0%	0.5%
- Total Unemployment Rate (discouraged/underemployed)	3rd Q 2025	8.0%	0.1%	0.8%
- Initial Unemployment Insurance Claims	Week Ending Jan 31	2,500	(1.2)%	(23.0)%
- Continued Unemployment Insurance Claims	Week Ending Jan 24	18,020	1.5%	(20.6)%
- Non-Farm Employment - Total	December	3,311,000	0.2%	0.7%
Manufacturing	December	192,400	(0.7)%	(1.3)%
Construction	December	226,800	0.5%	2.7%
- Average Hourly Earnings, Private Sector	December	$35.10	(0.7)%	3.5%
Building				
- Building Permits (12 month rolling sum)				
Single-family	October	34,444	(2.8)%	(18.2)%
Multi-family		14,866	2.1%	(20.1)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	August	4,904	(3.3)%	4.9%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	August	$472,723	0.6%	(0.5)%
Tourism and Restaurants				
- Phoenix Sky Harbor Air Passengers	December	4,677,400	9.5%	0.1%
- State Park Visitors	December	168,106	(16.9)%	(17.2)%
- Revenue Per Available Hotel Room	December	$86.64	(15.4)%	4.5%
- Arizona Hotel Occupancy Rate	December	59.0%	(4.0)%	2.2%
General Measures				
- Arizona Personal Income, SAAR	3rd Q 2025	$522.5 billion	3.2%	6.7%
- Arizona Population (U.S. Census)	July 2025	7,623,818	N/A	0.9%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	July 2024/Nov 2019	Positive/Stable	N/A	N/A
Agency Measures				
- AHCCCS Recipients	February 1st	1,756,629	(1.2)%	(10.8)%
Traditional Acute Care		934,604	(1.4)%	(11.0)%
Other Acute Care		746,978	(1.1)%	(11.8)%
Long-Term Care – Elderly & Physically Disabled		27,298	(0.3)%	(0.8)%
Long-Term Care – Developmentally Disabled (DD)		47,749	0.3%	6.2%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	December	45,003	0.4%	5.2%
DCS Out-of-Home Children	December	8,240	(0.8)%	(5.5)%
Filled Caseworkers (1406 Budgeted)	December	1,239	(46)	(4)
- ADC Inmate Growth	December	34,891	(0.3)%	(1.8)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	December	4,968	(9.7)%	(48.3)%
- SNAP Recipients	December	624,491	(8.1)%	(33.0)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	3rd Q, 2025 3rd Estimate)	$24.0 trillion	4.4%	2.7%
- Consumer Confidence Index (1985 = 100)	January	84.5	(10.3)%	(19.8)%
- Leading Economic Index (2016 = 100)	November	97.9	(0.3)%	(3.8)%
- Consumer Price Index, (1982-84 = 100)	January	325.3	0.2%	2.4%

JLBC

JLBC Meeting Summary

At its **January 29, 2026** meeting, the Joint Legislative Budget Committee considered the following issues:

Executive Session

Attorney General – Consideration of Proposed Settlements Under Rule 14 – The Committee approved three settlements under Rule 14, which requires Committee approval of Risk Management settlements above $250,000 pursuant to A.R.S. § 41-621 (O).

Department of Administration – Risk Management Annual Report – Pursuant to Committee Rule 14, Section 4(A), the Arizona Department of Administration (ADOA) submitted its annual Risk Management Report regarding the status of pending litigation, information on settlements and judgments, and projected fund balances. The Committee requested that future annual reports from ADOA continue to include specified information.

Regular Agenda

JLBC Staff – Consider Approval of Index for Arizona Department of Administration - School Facilities Division Construction Costs – A.R.S. § 41-5741(D)(3)(c) requires that the cost-per-square-foot factors used in the 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 JLBC as necessary but not less than once each year".

The Committee approved a 4.80% adjustment in the cost-per-square-foot factors, also adopting a provision that applies the adjustment retroactively to the new construction projects approved at the School Facilities Oversight Board at its December 10, 2025 meeting. The revised rates are $358.46 per square foot for grades K-6, $378.44 for grades 7-8, and $438.11 for high school.

Department of Education – Review of Federal Monies Report – A.R.S. § 15-1052 requires the Arizona Department of Education (ADE) to submit for review by the JLBC its annual report on noncustodial and other federal monies received by the department. ADE reported a total of $1.38 billion in federal funding for FY 2026. The Committee gave a favorable review to ADE's report.

Department of Education - Review of Career Technical Education District Annual Report – A.R.S. § 15-393.01 requires ADE to submit for review by the JLBC its annual Career Technical Education District (CTED) report. For FY 2025, 14 CTEDs reported Average Daily Membership (ADM) of 31,404. Additionally, the CTEDs collectively reported $244 million in expenditures. The Committee gave a favorable review to ADE's report.

Department of Economic Security – Review of FY 2026 Division of Developmental Disabilities Line Item Transfers - An FY 2026 General Appropriations Act footnote requires the Department of Economic Security (DES) to submit a report for review by the JLBC before transferring any funds into or out of certain Division of Developmental Disabilities (DDD) line items.

DES requested review of a line item transfer of $3,306,300 General Fund from the-Home and Community Based Services - Medical line into the Case Management - State-Only line. The Committee gave a favorable review to this transfer, also adopting the following provisions:

A. DES is required to submit formal letters of budget deficiency to the President of the Senate, Speaker of the House, and Chair and Vice-Chair of the JLBC, pursuant to A.R.S. § 35-131(D).
B. DES is required to report monthly to JLBC through June 2026 on a breakout of the DDD population by diagnosis.
C. DES is required to review the findings of the Minnesota audits of DDD services and report back to JLBC within 30 days on its evaluation of whether those findings have been addressed in Arizona's DDD program.

Department of Economic Security – Review of Annual Plan for the Arizona Training Program at Coolidge - A.R.S. § 36-570 requires DES to submit a report for review by the JLBC on or before November 1 of each year on the department's plans for the Arizona Training Program at Coolidge (ATP-C) and associated group homes, including any plans to close the facilities.

DES requested review of its plans to update the facilities at 20 Sandstone and to close 10 Sandstone upon the renovation, licensing and certification of 20 Sandstone as an intermediate care facility. The Committee gave a favorable review of the department's plans.

Secretary of State – Review of FY 2026 Special Election Expenses Line Item Transfer of $650,000 to the Operating Budget for Temporary Cybersecurity Monitoring and Active Cybersecurity Management – An FY 2026 General Appropriations Act footnote requires the Secretary of State (SOS) to submit an expenditure plan to the Committee for review before transferring monies in or out of the Special Election Expenses line item. SOS requested review of a $650,000 transfer from the Special Election Expenses line item to the operating budget for temporary cybersecurity monitoring and active cybersecurity management. The Committee gave a favorable review of the transfer.

JCCR Meeting Summary

At its **January 29, 2026** meeting, the Joint Committee on Capital Review considered the following issues:

Consent Agenda

Department of Health Services - Review of Arizona State Hospital Lease Agreement – A.R.S. § 36-136 requires Committee review of lease agreements of Arizona State Hospital (ASH) property. The Department of Health Services requested Committee review of a lease agreement with a private health vendor to operate a transitional housing shelter on ASH grounds. The Committee gave a favorable review of the request.

Department of Juvenile Corrections - Review of Adobe Mountain School Capital Projects – A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Department of Juvenile Corrections (DJC) requested Committee review of its revised plan to spend $1,177,600 from the Criminal Justice Enhancement Fund and the DJC Local Cost Sharing Fund to complete 2 capital projects at the Adobe Mountain School facility. The Committee gave a favorable review of the request.

Arizona State University - Approval of SPEED Bonds and Review of System Revenue Bonds for ASU Health Headquarters Facility – A.R.S. § 15-1682.03 requires Committee approval of any university projects financed with lottery revenue (SPEED) bonds. A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. Arizona State University (ASU) requested Committee approval of $123,500,000 in SPEED bonds and Committee review of $71,200,000 in system revenue bond issuances for a total of $194,700,000 to construct an ASU Health headquarters facility. The Committee approved the first request and gave a favorable review of the second with the standard university financing provisions.

Northern Arizona University - Approval of Cline Library Renovation SPEED Bond Project – A.R.S. § 15-1682.03 requires Committee approval of any university projects financed with lottery revenue (SPEED) bonds. Northern Arizona University requested approval of their plan to issue $39,750,000 in lottery revenue bonds for a renovation of the Cline Library. The Committee approved the request with the standard university financing provisions.

Northern Arizona University - Approval of Nursing Building SPEED Bond Project – A.R.S. § 15-1682.03 requires Committee approval of any university projects financed with lottery revenue (SPEED) bonds. Northern Arizona University requested approval of their plan to issue $48,000,000 in lottery revenue bonds for the construction of a new nursing building. The Committee gave a favorable review of the request with the standard university financing provisions.

University of Arizona - Approval of a Revision in the SPEED Bond Financing of the Center for Applied Molecular and Immunological Therapies (CAMI) Building – A.R.S. § 15-1682.03 requires the Joint Committee on Capital Review to approve any university projects financed with lottery revenue (SPEED) bonds. University of Arizona requested approval of their plan to issue $75,000,000 in lottery revenue bonds to construct the Center for Advanced Molecular and Immunological Therapies (CAMI).

This project was previously reviewed at the Committee's January 2025 meeting at a cost of $292,000,000. UA requested two changes: 1) the overall cost would decline to $232,000,000 and 2) shift $75,000,000 in financing from system revenue bonds to the newly expanded SPEED lottery bond authority. The Committee approved the request with the standard university financing provisions.

Summary of Recent Agency Reports

Arizona Department of Administration – Report on Emergency Telecommunications Services Revolving Fund – Pursuant to A.R.S § 41-704, the Arizona Department of Administration (ADOA) submitted their annual report on the Emergency Telecommunications Services Revolving Fund (911 Program). The Arizona 911 Program is responsible for distributing revenues collected from the Emergency Telecommunications Services Revolving Fund. The fund receives revenue from a $0.20 per month tax on wireline, wireless, and VoIP services and 0.8% of the gross income derived from pre-paid wireless services.

ADOA reports it will distribute a total of $17.1 million in FY 2026 to Public Safety Answering Points (PSAP) for the operation and support of 911 services. In addition, ADOA allocated $1.2 million in FY 2025 for Rapid Deploy Next Generation 911 solutions, $900,000 for a PSAP emergency notification system, $6.0 million for the Core Emergency Services IP Network, and $1.0 million for ADOA administrative costs. (Ethan Scheider)

Arizona Department of Administration – Report on School Safety Program Expenditures – Pursuant to A.R.S. § 41-1733(B), each county sheriff or city police department that has established a school safety program shall submit a report on all expenditures made in the preceding year. The FY 2023 budget appropriated $20.0 million from the General Fund to the Arizona Department of Administration (ADOA) to distribute to county sheriffs and police departments. A budget footnote delineated each allocation. In addition, the FY 2022 budget appropriated $2.5 million to the State Treasurer and delineated allocations to the Maricopa, Yavapai, Mohave, and Navajo County Sheriffs.

In FY 2025, recipient agencies reported a total of $971,400 in expenditures for the implementation of school safety programs. As of this writing, Apache County, Gila County, La Paz County, Greenlee County, La Paz County, Pinal County and Santa Cruz County did not submit a report detailing their expenditures. (Ethan Scheider)

Arizona Department of Administration – Report on the Telecommunications Program Office - Pursuant to A.R.S. § 41-712, the Arizona Department of Administration (ADOA) submitted its annual report on the Telecommunications Program Office (TPO), including the current rate structure of telecommunications charges, and payments made by all AZNet participants for FY 2025 and FY 2026. AZNet is the state's single telecommunication network for state agencies.

In FY 2021, ADOA signed a 5-year contract with its telecommunications vendor for AZNET 3, and ADOA reports that it has extended its contract with the vendor in FY 2026. AZNet 3 participants pay a variety of fees for different purposes, including a third-party vendor to operate and maintain the system, a separate third-party vendor who aggregates an agency's bills and manages expenses, as well as an amount paid to TPO for their administration of the system as a whole. In FY 2025, total charges paid by all entities were $45.8 million. In FY 2026, the estimated total charges paid by all entities is $41.0 million.

Pursuant to A.R.S. § 41-713, ADOA additionally submitted their annual report on the Telecommunications Fund, which includes the sources and uses of received monies for FY 2025, as well as estimates for FY 2026. The Telecommunications Fund primarily consists of monies paid by agencies, as well as other AZNet participants, to the TPO to administer the system as a whole. In FY 2025, the Telecommunication Fund received $1.8 million from AZNet participants to administer the system. In FY 2026, the Telecommunications Fund is also estimated to receive $1.8 million from AZNet participants to administer the system. (Ethan Scheider)

Arizona Department of Administration/Arizona Department of Transportation – Progress Report on MvM Planned Expenditures – Pursuant to a footnote in the FY 2026 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 2026 expenditures on the Motor Vehicle Modernization (MvM) project. The department reports a total of $19.8 million in planned FY 2026 expenditures on the following categories: $12.5 million on enhancements, $6.2 million on operations and maintenance, $420,000 on MvM strategic initiatives, $468,000 on technology and cloud support, and $180,000 on contract administration. The department further reports that the planned MvM enhancements include the following projects: self-service portal expansion and enhancements, in-office portal account creation, eTitles, MAX (MVD internal IT system) foundation upgrade, quality assurance system, title and registration services automation, mobile driver license wallet and verifier applications, and print management system replacement. Strategic initiatives include information technology-related changes to field office operations. (Trevor Malzewski)

Arizona Department of Administration/School Facilities Division – Annual Report on Vacant and Partially Used Buildings – A.R.S. § 15-119 requires the School Facilities Division (SFD) within the Arizona Department of Administration to annually report vacant square footage owned by the state or by school districts that may be suitable for the operation of a school, including for use as a charter school. In SFD's report, 22 districts reported owning a total of 1.1 million square feet of vacant space as of September 1, 2025. (See Table 7 for a list of vacant space by school district.) (Gordon Robertson)

Table 7
2025 Vacant Space Owned by School Districts

Cartwright Elementary District	30,385
Cave Creek Unified District	77,803
Colorado River Union High School District	5,400
Deer Valley Unified District	12,009
Eloy Elementary District	3,000
Fountain Hills Unified District	116,127
Fredonia-Moccasin Unified District	5,963
Holbrook Unified District	1,800
Mammoth San Manuel Unified District	162,285
Miami Unified District	27,358
Morenci Unified District	960
Page Unified District	75,064
Paradise Valley Unified District	162,721
Parker Unified School District	15,479
Phoenix Elementary District	100,509
Red Rock Elementary District	17,602
Sanders Unified District	6,843
Scottsdale Unified District	44,395
Sedona-Oak Creek Joint Unified District	62,047
Tempe Elementary District	47,136
Tucson Unified District	132,283
Young Elementary District	400
TOTAL	**1,107,569**

AHCCCS – Annual Report on Behavioral Health Services – Pursuant to A.R.S. § 36-3415(A), the Arizona Health Care Cost Containment System (AHCCCS) reported SFY 2025 Medicaid and non-Medicaid behavioral health expenditures. AHCCCS expended $3.51 billion Total Funds on behavioral health services for 662,846 Medicaid-eligible clients, including:

- $965.9 million for seriously mentally ill services.
- $701.4 million for alcohol and drug abuse.
- $65.2 million for children with severe emotional disabilities.
- $1.77 billion for other mental health issues.

The agency expended $329.8 million Total Funds for 63,870 non-Medicaid clients in SFY 2025, including:

- $149.0 million for non-Medicaid seriously mentally ill services.
- $52.1 million for alcohol and drug abuse.
- $15.0 million for children with severe emotional disabilities.
- $113.7 million for other mental health issues. (Brian Belakovsky)

AHCCCS – Annual Serious Mental Illness Report – Pursuant to A.R.S. § 36-3415(B), the Arizona Health Care Cost Containment System (AHCCCS) reported SFY 2024 Medicaid and Non-Medicaid Serious Mental Illness (SMI) behavioral health expenditures. AHCCCS expended $1.15 billion Total Funds on behavioral health services for 51,498 Medicaid-funded SMI members, including:

- $412.3 million for treatment services.
- $188.7 million for inpatient services.
- $166.7 million for pharmacy costs.
- $384.6 million for all other service categories.

The agency expended $75.0 million Total Funds for 18,964 non-Medicaid SMI clients in SFY 2024, including:

- $18.9 million for pharmacy costs.
- $17.5 million for support services.
- $13.8 million for medical services.
- $24.9 million for all other service categories.

The report also includes information on annual mortality, complaints received regarding access to services, enrollment data, demographic data, per capita expenditures, average length of stay, readmission rates, and waitlist information. (Brian Belakovsky)

AHCCCS – Mental Health Medication Utilization Report – Pursuant to Laws 2025, Chapter 239, the Arizona Health Care Cost Containment System (AHCCCS) reported on the utilization of mental health medications for Contract Year (CY) 2024. In total, AHCCCS spent $315.7 million on this class of drugs. After accounting for federally-required and supplemental rebates, the spend was $119.5 million. The net spending, delineated by medication class, is displayed below:

- $75.5 million for antipsychotics.
- $20.6 million for antidepressants.
- $18.6 million for stimulants.
- $3.7 million for antianxiety agents.
- $1.1 million for sedative hypnotics.

In total, there were 1,464,706 antidepressants and 771,969 antipsychotics dispensed to AHCCCS members in CY 2024. Of these amounts, 0.59% of antidepressants and 1.66% of antipsychotics required prior authorization. Of the antidepressant prior authorizations, 58.8% were approved and 41.2% were denied. Of the antipsychotic prior authorizations, 61.3% were approved and 38.7% were denied. Generic antidepressants accounted for 99.1% of utilization but only 52.6% of total costs compared to brand name equivalents. Generic antipsychotics accounted for 89.7% of utilization but only 6.8% of total costs compared to brand name equivalents. (Brian Belakovsky)

AHCCCS – Report on Uncompensated Hospital Costs and Hospital Profitability – Pursuant to A.R.S. § 36-2903.08, AHCCCS reported on uncompensated hospital costs and hospital profitability for Arizona hospitals for Hospital Fiscal Year (HFY) 2024. AHCCCS defines uncompensated care as the total amount of "bad debt" and "charity care" costs incurred by each hospital. Bad debt consists of care provided for which the hospital expected to be paid but was not while charity care represents hospital services provided for free or a reduced charge. To estimate the amount of uncompensated care, AHCCCS determines the charges for bad debt and charity care for each hospital and adjusts the expense based on a "cost-to-charge" ratio, or each hospital's ratio of actual expenses compared to gross charges and other revenues. The average hospital cost-to-charge ratio was 20.5% in HFY 2024.

The report included the following findings:

- Total uncompensated care costs increased by $99.0 million, from $539.5 million to $638.5 million. As a share of overall hospital expenses, uncompensated care increased from 2.21% to 2.43%.
- Total net operating profitability increased by $1.06 billion in 2024 for a total of $2.65 billion. In addition, the average hospital operating margin increased by 49.6%, from 6.1% to 9.2%, with the share of hospitals with a positive operating margin increasing from 73.0% to 81.7%.
- Uncompensated care continues to vary between different hospital types. Rural hospitals, non-profit hospitals, and high Medicaid-volume hospitals had higher uncompensated care as a share of overall hospital expenses compared to their counterparts. (Chandler Coiner)

AHCCCS – Report on Interstate Agreement with Hawaii – Pursuant to A.R.S. § 36-2925H, the Arizona Health Care Cost Containment System (AHCCCS) submitted its annual report on the status of an Interstate Agreement with the State of Hawaii. Under the agreement, AHCCCS provides ongoing IT operations and maintenance for Hawaii's Medicaid program. Hawaii reimburses AHCCCS for work done by AHCCCS staff and independent contractors, a specified percentage of other AHCCCS IT personnel costs, all direct Hawaii costs, and some indirect operating costs.

In FY 2025, Arizona received $41.2 million in revenues from Hawaii while spending $37.0 million for staffing and automation costs associated with implementing the agreement and new mainframe replacement initiatives. During FY 2025, the balance of the 2 funds used for the agreement increased by roughly $4.3 million, from $7.6 million to $11.9 million. (Brian Belakovsky)

AHCCCS/DES – Quarterly Report on the Parents as Paid Caregivers Program – Pursuant to A.R.S. § 36-2970.01, the Arizona Health Care Cost Containment System (AHCCCS) and the Department of Economic Security (DES) submitted additional quarterly reports detailing the utilization of attendant care and habilitation services under the Parents as Paid Caregivers (PPCG) program.

AHCCCS is currently implementing a rollout of changes to its Electronic Visit Verification (EVV) system, which is used by approved caregivers to report service hours under both the physically disabled and developmentally disabled (DD) PPCG programs. The agency expects that the EVV system data will be available beginning sometime in 2026.

Although the EVV system is incomplete, based on the "limited data currently available," AHCCCS currently estimates that 214 physically disabled children and 225 of their parents participated in PPCG from October 2024 to May 2025. DES is reporting DD demographic data from its case management system for April to June of 2025. Because of this limitation in data reporting, DES notes that this quarter's reported data may undercount the number of parents and members in the program. DES reported the following for the quarter ending June 30, 2025, for the DD PPCG program:

- There were 7,038 children and 6,845 parents in the DD PPCG program. This represents an increase of 537 and 675, respectively, compared to the prior quarter.
- There were 1,674 emergency department visits across 712 children and 210 inpatient hospitalizations across 163 children.

- The average amount of time a minor in the PPCG program has been enrolled in the Arizona Long Term Care System (ALTCS) is 5.7 years. Their actual participation in PPCG would be much shorter.
- The average weekly hours of approved services, delineated by primary diagnosis, is displayed in *Table 8* below. (Brian Belakovsky)

Table 8

Average Approved Hours (Weekly) by Primary Diagnosis

	January 1, 2025 through March 31, 2025	**April 1, 2025 through June 30, 2025**
Autism	22.9	22.9
Cerebral Palsy	30.0	29.1
Epilepsy	29.5	28.0
Intellectual Disability	24.8	24.6
"At Risk" Individuals	25.9	26.0

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 2026, the AG received $50,000 (half of the full $100,000 FY 2026 appropriation) to the fund. No monies have been expended from the fund (including prior year funds) through the first quarter of FY 2026. As of December 31, 2025, the CFAF had an unencumbered balance of $62,300. (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 instant ticket lottery vending machines in age-restricted areas. Monies in the fund are utilized to support the ICAC Task Force, which is housed within the Phoenix Police Department and works with federal, state, and local law enforcement to investigate technology-facilitated sexual exploitation of children.

Through the second quarter of FY 2026, the AG received $225,000 for deposit into the ICAC Enforcement Fund. The AG has expended $703,300 from the fund through the second quarter of FY 2026 to help pay for the operating costs of the ICAC Task Force. As of December 31, 2025, the ICAC Enforcement Fund had an unencumbered fund balance of $538,400. (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 2026, the AG deposited a total of $3.7 million into various consumer accounts. Of that amount, $157,400 was deposited in the CPCF Revolving Fund, $236,700 was deposited into the Consumer Restitution Subaccount, $3.3 million was deposited into the Consumer Remediation Subaccount, of which $276,700 was opioid claims-related revenue, and $25,000 was deposited into the General Fund.

Deposits to the Antitrust Enforcement Revolving Fund

The AG deposited no monies into the appropriated Antitrust Enforcement Revolving Fund, which may be used for antitrust enforcement expenses, excluding attorney compensation. As of December 31, 2025, the fund had an unencumbered balance of $638,100.

Deposits to the CPCF Revolving Fund

The AG deposited $157,400 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 various small legal settlements. As of December 31, 2025, the fund had an unencumbered balance of $25.3 million.

Deposits to the Consumer Restitution Subaccount

The AG deposited $236,700 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, 2025, the fund had an unencumbered balance of $11.5 million.

Non-Opioid Deposits to the Consumer Remediation Subaccount
The AG deposited $3.0 million of non-opioid related revenues into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount results from interest income derived from non-opioid balances in the fund as well as deposits of $2.9 million from the fifth and final settlement payment from a 2021 settlement with JUUL Labs. As of December 31, 2025, the Remediation Subaccount had an unencumbered balance of $24.2 million, of which $17.0 million is non-opioid related.

Opioid Claims-Related Deposits to the Consumer Remediation Subaccount
The AG deposited $276,700 of opioid revenues into the partially-appropriated Consumer Remediation Subaccount. This amount resulted from interest income derived from opioid balances in the fund as well as deposits of $210,300 resolving allegations of deceptive practices related to the sale of opioids. The AG expended $40.0 million from opioid balances within the Remediation Subaccount during the second quarter of FY 2026. As of December 31, 2025, the Remediation Subaccount had an unencumbered balance of $24.2 million, of which $7.2 million is related to opioid claims.

Deposits to the General Fund
The AG deposited $25,000 into the General Fund in the first quarter of FY 2026 for the collection of various fines, forfeitures, and penalties. (Gordon Robertson)

Attorney General – Report on Opioid Settlement Revenues – Pursuant to A.R.S. § 44-1531.02, the Attorney General (AG) submitted a report on current projections for total opioid claims-related revenues to be deposited in the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. The AG reports total opioid revenues of $533.8 million, including $179.3 million in opioid revenues collected since FY 2023, and $354.5 million in projected future revenues, to be collected through FY 2041. The AG estimates FY 2026 revenues of $40.9 million and FY 2027 revenues of $33.4 million.

These revenues derive from 13 settlements with different manufacturers, advertisers, and distributors of opioids, resolving nationwide claims that actions undertaken by organizations in the national pharmaceutical supply chain caused a nationwide opioid substance abuse epidemic.

Pursuant to the One Arizona Memorandum of Understanding, which governs the use of opioid claims-related monies for both the state and its local subdivisions, the $533.8 million represents the state's 44% share of total opioid settlement revenues, with the remaining 56% distributed to local governments. (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. Additionally, in FY 2026 the Legislature appropriated a further $500,000 from the General Fund for grants to applied research centers. Pursuant to an FY 2026 General Appropriation Act footnote, ACA submitted its report for applied research centers and institutes covering calendar year 2025. The 2025 spending amounts reported by the centers and institutes include monies from the FY 2026 appropriation as well as monies allocated in prior budgets.

Wearable Technology
The WearTech Applied Research Center (WARC) expended a total of $4,863,532 in CY 2025 from 24 grants and matching monies for wearable technology projects such as ankle braces marketed to patients recovering their mobility, radiofrequency emitters that stimulate nerves for pain management, and a device that monitors one's driving to detect and potentially delay the onset of dementia. Many of these projects have already seen preliminary product testing and/or proofs of concept, and some have begun selling finished products to customers.

ACA also awarded 3 grants to other entities in 2024 and 2025 for the development of wearable technologies including an ion mass spectrometer and special batteries for wearables. Through CY 2025, one of these entities has expended $524,979 in grant and matching monies, with the other two not yet drawing down their awards.

Other Technology
ACA also awarded 7 applied research center grants to the Partnership for Economic Innovation (PEI), 3 grants to the University of Arizona (UA), and one grant to Advent Diamond for the development of other technologies. PEI has spent a combined $2,639,153 in grant and matching monies on their projects, which include the development of industrial-scale production of sustainable carbon nanofibers and advanced chemical recycling processes. UA has expended $693,272 to date on its projects, which

include a 3D-printed carbon dioxide monitoring device that is in the process of receiving a patent. Advent Diamond has spent $72,889 to date on its project, the details of which were not specified in ACA's report. (Nate Belcher)

Department of Corrections – Report on Correctional Officer Staffing – Pursuant to an FY 2026 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted its semi-annual report on correctional officer (CO) staffing. As of November 24, 2025, ADC reported that of the 5,958 total CO positions, 5,114.5 were filled and 843.5 were vacant, a vacancy rate of 14.6%. This was a decrease since June 2025 when the vacancy rate was 17.0%. Total filled positions have increased by 182 since June 2025. This increase consists of 634.5 new hires, offset by 67.75 COs promoted to a new position and 384.75 COs leaving ADC.

ADC utilizes overtime to maintain inmate supervision levels despite CO vacancies. From July 1, 2025 through November 24, 2025, ADC reported a total of 536,639 overtime hours worked. ADC estimates the average CO will earn a total salary of $66,900 in FY 2026, compared to $63,500 in FY 2025. Of this amount, ADC estimates the average CO will earn about $10,700 in overtime wages in FY 2026, compared to $10,500 in FY 2025. (Jordan Johnston)

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 2025 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 4,992 inmates received an early release into the program in FY 2025, a 5% increase above FY 2024. The department reports that 3,996 participants completed the Transition Program in FY 2025, an 1% increase above FY 2024. A total of 900 participants failed to complete the early transition release by violating their conditions of supervision. In total, the program was responsible for 388,870 bed days saved in FY 2025, a 14% increase above FY 2024. At the statutorily-mandated rate of $17 per day, $6.6 million was transferred to the Transition Program Fund.

The report also provided the status of inmates released in FY 2022. Since that time, 7.8% of those inmates who were released to the Transition Program were returned to prison for new felony convictions, compared to 9.0% for those released to Community Supervision only or 13.1% for all other inmates released. (Jordan Johnston)

County Attorneys – Report on Deferred Prosecution – Pursuant to A.R.S. § 11-362, each county attorney that oversees an established Deferred Prosecution Program shall submit an annual evaluation of their respective program that includes the following metrics:

- The number of persons who were enrolled in deferred prosecution programs during the previous fiscal year.
- The number of persons who successfully completed deferred prosecution programs during the previous fiscal year.
- If available, the number of persons who were enrolled in deferred prosecution programs during the previous fiscal year and who were subsequently convicted of a new felony offense.

As of this writing, 12 of the 15 counties submitted reports for FY 2025. A total of at least 10,543 individuals were enrolled in a deferred prosecution program in FY 2025, a 15.5% increase from FY 2024. Of these individuals, 7,650 successfully completed the program during FY 2025, with another 1,115 individuals still enrolled.

Deferred prosecution allows individuals who commit non-dangerous, non-serious crimes to avoid prosecution through the completion of a program that may involve restitution, community service, substance abuse treatment, counseling, or other means by which the individual can make amends for their crime. After the completion of the program, the charges are dismissed. (Ethan Scheider)

Arizona Department of Housing – Notification of Fraudulent Attempt – Pursuant to A.R.S. § 41-3956, the Department of Housing is required to report any instance of fraudulent activity involving state monies within 10 business days. On December 23, 2025, the Arizona Department of Housing (ADOH) notified the JLBC that a fraudulent attempt was made to divert funds intended for the Department to an unknown outside actor. The banking institution and ADOH identified the fraudulent activity during the standard verification process and no funds were diverted or otherwise compromised. The attempt is under investigation by the banking institution. (Grace Timpany)

Judiciary – Supreme Court – Report on Current and Future Automation Projects – Pursuant to an FY 2026 General Appropriation Act footnote, the Administrative Office of the Courts (AOC) provided its FY 2026 report on current and future automation projects coordinated by the AOC. The AOC estimates total state automation expenditures in FY 2026 will be approximately $41.1 million. Of this amount, approximately $10.0 million, or 24.3%, will be spent on 6 new or continuing projects as listed below;

$21.8 million, or 53.1%, will be spent on shared infrastructure; and $9.2 million, or 22.6%, will be spent on ongoing automation support.

New Project:

- Replace legacy Juvenile Detention Automation System with a vendor-hosted software-as-a-service product ($572,200 in FY 2026, $287,800 in FY 2027, and $296,400 in FY 2028).

Continuing Projects:

- Replace the Adult Probation Enterprise Tracking System (APETS) with a new probation digital Case Management System (CMS) ($4.8 million in FY 2026, $4.4 million in FY 2027, and $4.1 million in FY 2028).
- Replace the Juvenile Online Tracking System (JOLTSaz) with a new probation digital CMS ($2.6 million in FY 2026, $1.7 million in FY 2027, and $1.8 million in FY 2028).
- Expand new e-filing capabilities for the limited jurisdiction courts in rural counties and expand functionality to new case and filing types ($362,100 in FY 2026, $306,100 in 2027 and $314,300 in FY 2028).
- Replace legacy appellate-court CMS ($1.0 million in FY 2026).
- Provide cloud repository for digital evidence ($653,600 in FY 2026).

The top 3 funding sources for automation projects included in this plan are the Judicial Collection Enhancement Fund ($11.8 million), Grants and Special Revenues Fund ($10.5 million), and the General Fund ($7.2 million). Together these 3 funds comprise 72% of the proposed funding in FY 2026. (Ethan Scheider)

Office of Tourism – Report on Wine Promotion Line Item – Pursuant to an FY 2023 General Appropriation Act footnote, the Office of Tourism (AOT) submitted a report on expenditures from the Wine Promotion line item in the previous fiscal year.

In FY 2023, the Legislature appropriated $1,100,000 non-lapsing from the General Fund to promote wines produced in Arizona. AOT has expended $739,600 of the non-lapsing FY 2023 monies to date. Of this amount, AOT spent $652,300 on advertising, $28,600 for research, and $58,700 to support wine promotion events. In FY 2026, AOT intends to spend the remaining $360,400 available from the FY 2023 non-lapsing appropriation. AOT did not provide a spending breakout for the remaining monies. (Nate Belcher)

Arizona Department of Transportation – Report on Aviation Grant Awards and Distributions – Pursuant to a footnote in the FY 2026 Capital Outlay Bill, the Arizona Department of Transportation (ADOT) submitted a report on the status of all aviation grant awards and distributions. Since the previous report in late 2024, ADOT had approximately $117.2 million in aviation grants to local and state entities across Arizona that had not previously been spent. Of that total awarded amount, approximately $92.5 million has been expended and $24.7 million are in unspent commitments. The $117.2 million in total commitments included $14.0 million of new FY 2026 commitments, of which ADOT expended $1.3 million. (Trevor Malzewski)