

Summary

December 2024 General Fund revenue collections totaled \$1.55 billion, which is an increase of 12.6% above December 2023. This higher bottom line year-over-year growth is the result of a technical timing issue related to Urban Revenue Sharing distributions in the prior fiscal year.

Excluding Urban Revenue Sharing and one-time revenue adjustments, the state's base revenue growth rate in December was 0.7% above December 2023. This minimal growth in December revenues generated a \$13 million forecast gain above the enacted budget revenue forecast.

The modest forecast gain during the month of December was the result of mixed performance across the state's revenue categories – Corporate Income Tax posted a significant gain, which was partially offset by forecast losses in the Sales, Individual Income and Insurance Premium Tax categories.

The upcoming February Monthly Fiscal Highlights (which will discuss the January revenue results), will begin to benchmark the state's revenue collections against the new Baseline revenue forecast released on January 17th.

Sales Tax

December Sales Tax collections (which represent November sales activity) grew by 1.9% compared to December 2023, which resulted in a forecast loss of \$(7) million for the month. In terms of Sales Tax subcategories, the state saw moderate growth in the retail and restaurant/bar classifications, which was partially offset by declines in contracting and use tax (which applies to direct out-of-state purchases).

Individual Income Tax

Overall December Individual Income Tax (IIT) collections grew by 11.6% above December 2023, which resulted in a \$(2) million forecast loss for the month. The strong percentage growth for IIT was almost entirely due to growth in withholding collections – however, this growth was not unexpected given recent employment/wage trends and the fact that December included an extra Monday (the largest withholding tax processing day).

Corporate Income Tax

December Corporate Income Tax (CIT) revenues posted robust growth during the month, increasing by 12.1% above December 2023, and collections were \$42 million above forecast.

Year-to-Date Results/Operating Balance

Year-to-date through December, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2025 General Fund revenues are 6.3% above the prior year and are \$244 million above the enacted budget forecast.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-January 2025 is \$6.3 billion.

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December Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2025	Difference From	Difference
	Collections	Enacted Forecast	From FY 2024
December	\$ 1,550.1	\$ 13.5	\$ 173.9
Year-to-Date	\$ 7,832.3	\$ 244.4	\$ 1,058.6

Sales Tax collections of \$671.4 million in December were 1.9% above the same month in the prior year and \$(7.1) million below the enacted budget forecast. Sales taxes collected in December reflect sales activity that occurred in November. Year to date through December, sales tax revenue is up by 3.4% compared to the same period in the prior year and is \$(3.9) million below forecast.

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

Table 2		
Sales Tax Growth Rates Compared to Prior Year		
	Dec.	YTD
Retail/Remote Seller ^{1/}	4.9%	0.4%
Contracting	(3.8)%	2.8%
Use Tax ^{2/}	(25.6)%	35.2%
Restaurant & Bar	6.4%	1.8%
Utilities	2.2%	9.6%

^{1/} If this amount was adjusted for corrections of previously filed tax returns in 2023 and 2024, the YTD Retail/Remote Seller growth would have been 2.3% in December.

^{2/} If this amount was adjusted for corrections of previously filed tax returns in 2023 and 2024, the YTD Use Tax growth would have been 1.1% in December.

Sales tax revenue from contracting activities declined year-over-year by (3.8)% in December and is up by 2.8% for the first 6 months of FY 2025. This is the lowest growth rate for the comparable period since December 2021 when the construction industry in Arizona was adversely affected by the pandemic.

Detailed industry data through November provided by the Department of Revenue suggests that the slower growth in contracting tax revenue is primarily attributable to two subsectors: Nonresidential (commercial and industrial) Construction and Specialty Trade Contractors (businesses

that are responsible for specific tasks on a construction project, such as plumbing, electrical work, or painting, but that are not responsible for the entire project.)

Individual Income Tax (IIT) net revenue in December was \$493.3 million, 11.6% growth over the prior December but \$(1.8) million less than the enacted budget forecast. Year-to-date (YTD) through December, IIT has grown 13.2% compared to the same period in FY 2024 and is \$126.4 million above the forecast.

December withholding collections were \$485.3 million, 8.0% greater than last year but \$(7.0) million below the forecast. Withholding growth has been outperforming wage and salary growth at the national and state level, which is between 5% and 6%, according to the latest data from the U.S. Bureau of Economic Analysis. YTD, withholding is 7.4% higher than the same period in FY 2024 and is \$81.3 million above forecast.

Tax payments (estimated and final) in December were \$50.8 million, a decrease of (0.2)% from December 2023, but \$0.9 million above the enacted budget forecast. Estimated payments grew during the month, but not quite enough to offset the decline in final payments. December payment collections typically only make up between 2%-3% of the fiscal year total. YTD through December, total payments have declined (12.0)% from FY 2024 and are \$(47.6) million under the forecast.

Refunds in December were \$42.8 million, a decline of (26.3)% from the previous year. Since the enacted budget forecast assumed a higher refund level of \$47.1 million, there was a forecast gain of \$4.3 million in December. Typically, refunds in December comprise less than 2% of the total for the fiscal year. YTD, refunds have decreased (35.3)% relative to the same period in FY 2024, for a \$92.7 million YTD forecast gain.



Table 3

**Individual Income Tax Growth Rates
Compared to Prior Year**

	<u>December</u>	<u>YTD</u>
Withholding	8.0%	7.4%
Estimated/Final Payments	(0.2)%	(12.0)%
Refunds	(26.3)%	(35.3)%

Corporate Income Tax (CIT) net revenue in December was \$364.9 million, an increase of 12.1% from last year and surpassing the forecast by \$41.9 million. This is the second-highest amount of net CIT ever collected.

December is an important month for CIT collections, on average making up just over 19% of the total for the fiscal year. YTD through December, CIT collections have grown 11.2% compared to the same period in FY 2024, for a forecast gain of \$97.3 million.

Insurance Premium Tax (IPT) revenue was \$85.3 million in December, a decrease of (5.7)% compared to the same month in the prior year and \$(8.3) million below the enacted budget forecast. Estimated payments by AHCCCS contractors are due in December, so the decline in IPT revenue likely reflects the (7.0)% decline in AHCCCS caseloads over the past year (see discussion in the *Monthly Indicators* section below). YTD, IPT revenue is up by 9.5% and is \$10.3 million above forecast.

Highway User Revenue Fund (HURF) collections of \$158.8 million in December were (3.4)% below the amount collected in December 2023 and \$(10.0) million below forecast. Year to date, collections are \$886.2 million, 1.7% above the same period in the prior year and \$(4.8) million less than forecast.

In December, the state collected \$14.7 million in dedicated **Marijuana Excise Taxes**, which marks a 2.8% increase over December 2023 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. This month's total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) revenue was \$5.2 million. Of this amount, the General Fund received \$3.9 million. (See *Table 4*)

Table 4

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

	<u>December</u>	<u>YTD</u>
Marijuana Excise Tax	\$14.7	\$83.5
Medical Marijuana TPT	\$0.9	\$6.1
<u>Distribution:</u>		
General Fund	\$0.7	\$4.5
Counties	\$0.1	\$1.0
Cities	\$0.1	\$0.6
Recreational Marijuana TPT	\$4.3	\$26.3
<u>Distribution:</u>		
General Fund	\$3.2	\$19.4
Counties	\$0.7	\$4.3
Cities	\$0.4	\$2.6
Total State Marijuana Tax Collections	\$19.9	\$115.9

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Enacted Forecast December 2024

	Current Month					FY 2025 YTD (Six Months)				
	Actual December 2024	Change From December 2023		Enacted Forecast		Actual December 2024	Change from December 2023		Enacted Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$671,395,848	\$12,354,669	1.9 %	(\$7,141,246)	(1.1) %	\$4,001,166,035	\$130,499,517	3.4 %	(\$3,942,026)	(0.1) %
Income - Individual	493,298,081	51,138,326	11.6	(1,773,297)	(0.4)	2,786,740,156	325,154,467	13.2	126,435,183	4.8
- Corporate	364,922,741	39,286,507	12.1	41,946,588	13.0	894,537,911	89,769,660	11.2	97,316,436	12.2
Property	(427,628)	830,026	--	(1,573,776)	--	20,383,733	5,097,353	33.3	6,507,113	46.9
Luxury - Tobacco	1,756,711	384,396	28.0	0	--	8,752,921	(766,837)	(8.1)	(827,439)	(8.6)
- Liquor	4,988,738	1,007,323	25.3	0	--	23,782,536	2,954,439	14.2	195,384	0.8
Insurance Premium	85,290,554	(5,144,434)	(5.7)	(8,288,063)	(8.9)	334,489,585	28,927,589	9.5	10,310,076	3.2
Other Taxes	1,215,938	235,672	24.0	301,593	33.0	8,007,409	2,094,438	35.4	2,283,278	39.9
Sub-Total Taxes	\$1,622,440,982	\$100,092,484	6.6 %	\$23,471,799	1.5 %	\$8,077,860,286	\$583,730,627	7.8 %	\$238,278,004	3.0 %
Other Revenue										
Lottery	0	0	--	0	--	156,856,062	(14,096,796)	(8.2)	(17,343,688)	(10.0)
Gaming	2,126,972	(2,446,485)	(53.5)	(214,643)	(9.2)	13,140,671	1,308,280	11.1	(1,041,436)	(7.3)
License, Fees and Permits	3,907,901	(1,028,344)	(20.8)	(559,151)	(12.5)	28,852,875	903,502	3.2	689,139	2.4
Interest	22,167,515	(43,419,149)	(66.2)	64,809	0.3	123,981,308	(42,939,045)	(25.7)	11,476,990	10.2
Sales and Services	2,071,001	(125,375)	(5.7)	67,840	3.4	11,447,372	(3,429,280)	(23.1)	(2,562,285)	(18.3)
Other Miscellaneous	2,923,879	(800,040)	(21.5)	(971,883)	(24.9)	24,004,892	6,882,754	40.2	5,298,183	28.3
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	169,402	(40,721,102)	(99.6)	(8,359,669)	(98.0)	26,863,347	(28,901,161)	(51.8)	9,588,744	55.5
Sub-Total Other Revenue	\$33,366,669	(\$88,540,495)	(72.6) %	(\$9,972,697)	(23.0) %	\$385,146,528	(\$80,271,747)	(17.2) %	\$6,105,648	1.6 %
TOTAL BASE REVENUE	\$1,655,807,651	\$11,551,990	0.7 %	\$13,499,102	0.8 %	\$8,463,006,814	\$503,458,880	6.3 %	\$244,383,652	3.0 %
Other Adjustments										
Urban Revenue Sharing	(105,688,149)	155,115,150	(59.5)	(0)	0.0	(634,128,893)	278,682,654	(30.5)	(0)	0.0
One-Time Transfers	0	0	--	0	--	3,472,950	3,472,950	--	0	0.0
Income Tax Rebate	0	7,224,250	--	0	--	(9,750)	272,946,600	(100.0)	(9,750)	--
Sub-Total Other Adjustments	(105,688,149)	162,339,400	(60.6) %	(0)	0.0 %	(630,665,693)	555,102,204	(46.8) %	(9,750)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,550,119,503	\$173,891,390	12.6 %	\$13,499,102	0.9 %	\$7,832,341,122	\$1,058,561,084	15.6 %	\$244,373,902	3.2 %
Non-General Funds										
Highway User Revenue Fund	158,766,679	(5,529,435)	(3.4) %	(9,994,603)	(5.9) %	886,154,712	14,524,962	1.7 %	(4,780,671)	(0.5) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) third and final estimate of U.S. **Real Gross Domestic Product (GDP)** in the 3rd quarter of 2024 is a seasonally adjusted annualized growth rate of 3.1%. This amount is revised upward from the 2nd estimate produced by the BEA in November.

The Conference Board's **Consumer Confidence Index** decreased by (8.1) points to 104.7 in December, its lowest level since September. Both the present situation and expectations for the future became worse during the month. Consumers feel that jobs will be less plentiful in the future and fewer respondents reported plans to purchase a home. Consumers' inflation expectations remained the same as in November. Over the last 12 months, the index has declined by (3.1)%.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, rose to 99.7 in November, an increase of 0.3% from the previous month. Stock prices, building permits, manufacturing hours, and employment all improved during the month. The largest contributor was building permits, for which the gains were primarily due to multi-family projects in the Northeast and Midwest. According to the Conference Board's press release, the LEI "is a positive sign for future economic activity in the US". In the 6 months from May to November, the LEI decreased by (1.6)%, a smaller reduction than the (1.9)% decline over the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in December increased by 0.4% from the previous month on a seasonally adjusted basis. The largest contributor to the increase was energy prices, followed by food prices. Compared to the same month last year, consumer prices are up by 2.9% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 3.2% from a year ago.

ARIZONA

Housing

In November, Arizona had a 12-month total of 41,930 **single-family building permits** issued. This marks a decrease of (0.4)% below October's rolling total and an increase of 27.1% over the previous November's 12-month total.

Arizona's 12-month total of 17,816 **multi-family building permits** in November is (4.2)% below the prior month and (28.4)% below the 12-month period ending in November 2023.

The **median home price** in Maricopa County rose to \$481,990 in December, a 1.5% increase over November's median sale price and 5.9% above December 2023's median home price.

Tourism

Phoenix Sky Harbor Airport Ridership fell slightly to 4.4 million in November, down (3.5)% from the prior month and 3.1% greater than November 2023 ridership.

In November, **revenue per available room** declined to \$107.09, representing a (8.5)% decrease from October's average revenue and a 2.6% gain over November 2023's figure.

Hotel occupancy was 66.1% in November, which is (4.5)% down from October's occupancy rate and 0.7% above that of 12 months prior.

Employment

OEO reported that a total of 2,398 **initial claims for unemployment insurance** were filed in Arizona in the week ending on January 4th. This represents a (26.2)% year-over-year decline in initial claims, with the week ending January 6, 2024 seeing 3,248 initial claims.

According to OEO, there were a total of 22,117 **continued claims for unemployment insurance** in Arizona for the week ending December 28th. This is 2.4% greater than last year's total of 21,598 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

State Personal Income

The U.S. BEA recently released **State Personal Income** estimates for the 3rd quarter of 2024. Personal income rose at an annual rate of 2.8% in the 3rd quarter of the year. Net earnings and government transfer payments both grew during the period, while earnings from dividends and interest saw a slight decrease. The largest increase came from transfer payments, which grew at an annualized rate of 4.5% from the previous quarter. The BEA's estimate of the level of Arizona personal income was \$490.7 billion.



State Agency Data

As of January 1, 2025, the total **AHCCCS caseload** was 2.0 million members. Total monthly enrollment decreased (1.6)% from December and decreased (7.0)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.6)% in January compared to December, or (2.2)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 851,757 – a decrease of (2.8)% from December and (13.2)% lower than last year.

For January 2025, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.4%. At 72,313, this population is 4.6% higher than a year ago.

Based on information the **Department of Child Safety** provided for November 2024, reports of child maltreatment totaled 42,671 over the last 12 months, a decrease of (3.0)% from the prior year.

There were 8,824 children in out-of-home care as of November 2024, or (13.5)% less than in November 2023. Compared to the prior month, the out-of-home children population decreased by (1.4)%.

There were 9,606 individuals receiving **TANF Cash Assistance** in December 2024, representing a 1.9% increase from November 2024. Year over year, the number of cash benefit recipients has decreased by (15.5)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 931,987 individuals receiving SNAP benefits in December 2024, representing a (0.5)% decline from November 2024. Year over year, the number of SNAP recipients has decreased by (2.3)%.

The Arizona Department of Correction's **Inmate Population** was 35,554 as of November 31, 2024. This was a 0.1% increase since October 31, 2024 and a 3.3% increase since November 2023.



Table 6				
MONTHLY INDICATORS				
<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	November	3.7%	0.1%	(0.5)%
- Total Unemployment Rate (discouraged/underemployed)	3 rd Q 2024	7.2%	0.2%	0.4%
- Initial Unemployment Insurance Claims	Week Ending Jan 4	2,398	35.5%	(26.2)%
- Continued Unemployment Insurance Claims	Week Ending Dec 28	22,117	2.3%	2.4%
- Non-Farm Employment - Total	November	3,331,900	1.0%	1.8%
Manufacturing	November	194,500	1.3%	(0.3)%
Construction	November	218,000	(0.5)%	(0.4)%
- Average Hourly Earnings, Private Sector	November	\$33.40	(0.4)%	5.5%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	November	41,930	(0.4)%	27.1%
Multi-family		17,816	(4.2)%	(28.4)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	December	4,614	9.5%	16.0%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	December	\$481,990	1.5%	5.9%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	November	4,419,346	(3.5)%	3.1%
- State Park Visitors	November	238,767	(3.8)%	6.9%
- Revenue Per Available Hotel Room	November	\$107.09	(8.5)%	2.6%
- Arizona Hotel Occupancy Rate	November	66.1%	(4.5)%	0.7%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	3 rd Q 2024	\$490.7 billion	2.8%	5.0%
- Arizona Population (U.S. Census)	July 2024	7,582,384	N/A	1.5%
- 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
<u>Agency Measures</u>				
- AHCCCS Recipients	January 1st	1,983,219	(1.6)%	(7.0)%
Traditional Acute Care		1,059,149	(0.6)%	(2.2)%
Other Acute Care		851,757	(2.8)%	(13.2)%
Long-Term Care – Elderly & DD		72,313	0.4%	4.6%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	November	42,671	(0.3)%	(3.0)%
DCS Out-of-Home Children	November	8,824	(1.4)%	(13.5)%
Filled Caseworkers (1406 Budgeted)	November	1,284	(7)	(40)
- ADC Inmate Growth	November	35,554	0.1%	3.3%
- Department of Economic Security				
- TANF Cash Assistance Recipients	December	9,606	1.9%	(15.5)%
- SNAP (Food Stamps) Recipients	December	931,987	(0.5)%	(2.3)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	3 rd Q, 2024 (3 rd Estimate)	\$23.4 trillion	3.1%	2.7%
- Consumer Confidence Index (1985 = 100)	December	104.7	(7.2)%	(3.1)%
- Leading Economic Index (2016 = 100)	November	99.7	0.3%	(3.5)%
- Consumer Price Index, (1982-84 = 100)	December	315.6	0.4%	2.9%



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 \$23.8 million in FY 2025 to Public Safety Answering Points (PSAP) for the operation and support of 911 services. In addition, ADOA allocated \$1.4 million in FY 2025 for Rapid Deploy Next Generation 911 solutions, \$900,000 for a PSAP emergency notification system, \$700,000 for the Emergency Services IP Network, and \$668,100 for ADOA administrative costs. (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 2024 and FY 2025. AZNet is the state's single telecommunication network for state agencies. In FY 2021, ADOA signed a new contract with its telecommunications vendor for AZNET 3. 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 2024, total charges paid by all entities were \$50.6 million. In FY 2025, the estimated total charges paid by all entities is \$50.2 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 2024, as well as estimates for FY 2025. 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 2024, the Telecommunication Fund received \$1.5 million from AZNet participants to administer the system. In FY 2025, the Telecommunications Fund is also estimated to receive \$1.8 million from AZNet participants to administer the system. (Ethan Scheider)

Arizona Department of Administration – Report on FY 2025 Rent Exemptions – Pursuant to A.R.S. § 41-792.01, the Arizona Department of Administration (ADOA) is required to report to the JLBC Staff each proposed partial or whole Capital Outlay Stabilization Fund (COSF) rental exemption. Due to space reallocations at 1740 W Adams St, ADOA has proposed additional rent exemptions totaling \$30,700 for the following agencies: the Department of Administration, the Department of Health Services, the Board of Massage Therapy, the Board of Occupational Therapy Examiners, the Board of Private Postsecondary Education, the Board of Psychologist Examiners, the Board of Regents, and the Board of Respiratory Care Examiners. ADOA has also increased rent charges to the following agencies by a corresponding amount: the Board of Chiropractic Examiners, the Board of Fingerprinting, the Board of Osteopathic Examiners, and the Personnel Board. (Destin Moss)

Arizona Department of Administration – School Facilities Division – Report on Transfer to Emergency Deficiencies Correction Fund – Pursuant to A.R.S. § 41-5721, the School Facilities Division (SFD) within the Arizona Department of Administration (ADOA) is required to notify the JLBC of any monies transferred from the New School Facilities Fund to the Emergency Deficiencies Correction Fund. SFD may only transfer funds if the agency determines that the transfer will not affect, interfere with, disrupt, or reduce funding for any SFD approved new school construction project. SFD reported transferring \$1,301,500 on August 15, 2024. This funding will be allocated to the Valentine Elementary School District to provide temporary classroom space to students while the district constructs a new school. (Gordon Robertson)

Arizona Department of Administration – School Facilities Division – Report on Funding Estimates – Pursuant to A.R.S. § 41-5702, the Arizona Department of Administration (ADOA) School Facilities Division (SFD) is required to report by December 1 on the estimated amounts necessary for the Emergency Deficiencies Correction (EDC) Fund and the New School Facilities (NSF) program for the following 3 fiscal years.



The EDC Fund is used to correct facilities emergencies that pose health or safety concerns for projects ineligible for Building Renewal Grant funding. As of December 1, 2024, the EDC Fund has an unobligated balance of \$4,976. ADOA-SFD did not report on projected future year EDC Fund costs.

The NSF program funds construction and land costs for districts that qualify for new school space. ADOA-SFD reported that it had 47 current requests for new schools. In their report, ADOA did not delineate estimated costs to the NSF program by year, as the School Facilities Oversight Board met to approve schools for funding on December 13, 2024. (Gordon Robertson)

Arizona Community Colleges – Report on STEM and Workforce Programs – Pursuant to A.R.S. § 15-1464, the Arizona Community Colleges are required to report on their science, technology, engineering, and mathematics (STEM) and workforce program state aid expenditures by December 1 of every even-numbered year. The community colleges submitted their FY 2023 and FY 2024 report. Total reported expenditures were \$7.6 million for FY 2023 and \$11.8 million for FY 2024. Unspent revenues were carried forward to the next fiscal year.

Community college districts received monies based on each district's Full Time Student Equivalent enrollment, totaling \$14,722,800 in FY 2023 and \$14,193,100 in FY 2024.

The report details each district's strategic initiatives and expenditures. The STEM and Workforce Programs State Aid must be used for the following purposes:

- Partnerships with business and educational institutions.
- Additional faculty for improved and expanded classroom instruction and course offerings.
- Technology, equipment, and technology infrastructure for the advanced teaching and learning in classrooms or laboratories.
- Student services such as assessment, advisement, and counseling for new and expanded job opportunities.
- The purchase, lease, or lease-purchase of real property, for construction, remodeling or repair of building or facilities on real property.

(Ethan Scheider)

Arizona Community Colleges – Annual Report – Pursuant to A.R.S. § 15-1427, the Arizona Community Colleges are required to report by December 1 of each year on their progress during the previous year. They recently submitted their FY 2024 report, which includes the following summary information on the state system:

- 238,267 students (headcount) were enrolled for credit, resulting in a Full-Time Student Equivalent (FTSE) count of 94,392.
 - 87% of enrolled students resided within the district, while 13% did not reside within the district.
 - Total number of instructors employed was 8,653, of which 2,259 (26%) were full-time and 6,394 (74%) were part-time.
 - Total operating revenues were \$2.01 billion (this amount excludes bond proceeds and fund balance which total \$258.6 million).
 - Total expenditures were \$2.04 billion.
- (Ethan Scheider)

Arizona Community Colleges – Report on Workforce Development Expenditures – Pursuant to A.R.S. § 15-1472, the Arizona Community Colleges are required to report on their Proposition 301 workforce development expenditures by December 1 of every even-numbered year. The community colleges recently submitted their FY 2023 and FY 2024 report.

Total reported expenditures were \$25.3 million for FY 2023 and \$27.2 million for FY 2024. The report details each district's strategic initiatives, which were primarily for nursing, career and technical education, various technology programs, manufacturing and construction programs, small business development centers, and equipment and technology costs. (Ethan Scheider)

Arizona Department of Corrections – Annual Bed Capacity Report – Pursuant to an FY 2025 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted its report detailing bed capacity changes in FY 2024 and planned changes in FY 2025.

At the end of FY 2024, ADC reported a total operating capacity of 43,809 beds and an inmate population of 35,138 for an operating bed surplus of 8,671 (See *Table 7* below).

According to the report, in FY 2025 ADC plans to reduce net operating bed capacity by (316) beds, all state operated prison beds. (Geoffrey Paulsen)



Table 7

End of FY 2024 ADC Systemwide Bed Surplus (+) / Shortfall (-)

	Permanent Beds	Total Beds (incl. Temp.)	Inmate Population 6/30/24	Permanent Surplus (+) Shortfall (-)	Total Surplus (+) Shortfall (-)
ADC System					
Minimum	12,093	12,430	10,425	1,668	2,005
Medium	16,068	19,901	17,608	(1,540)	2,293
Close	8,161	8,516	6,307	1,854	2,209
Maximum	1,351	1,700	498	853	1,202
Other	920	1,262	300	620	962
Total – ADC System	38,593	43,809	35,138	3,455	8,671

Arizona Criminal Justice Commission – Report on Criminal Justice Enhancement Fund – Pursuant to A.R.S. § 41-2401C, the Arizona Criminal Justice Commission (ACJC) provided its annual report on Criminal Justice Enhancement Fund (CJEF) monies distributed to law enforcement agencies. CJEF consists of a 42% assessment on certain fines, penalties, and forfeitures imposed and collected by the courts.

In FY 2024, CJEF revenues totaled \$23.9 million, a (0.4)% decrease from \$24.0 million in FY 2023. FY 2024 CJEF expenditures totaled \$26.6 million, a 18.2% increase from \$22.5 million in FY 2023. FY 2024 CJEF ended the year with a cash balance of \$23.9 million. (James Martinez-Burney)

Department of Economic Security – Report on Domestic Violence – Pursuant to an FY 2024 General Appropriation Act footnote, the Department of Economic Security reported the amount of state and federal monies available for domestic violence funding in FY 2024. Six agencies spent a total of \$34.7 million in domestic violence funding, including:

- \$5.0 million in state funds.
- \$26.7 million in federal funds.
- \$3.0 million in other funds.

Aside from the six agencies included in the report, the Administrative Office of the Courts provides domestic violence services including case processing, case management, and education for judges and court staff. The Office of the Attorney General also distributes money for victims of crime which may include domestic violence victims. (Grace Timpany)

Department of Environmental Quality – Report on Emissions Inspection Fund – Pursuant to an FY 2025 General Appropriations Act footnote, the Arizona Department of Environmental Quality (ADEQ) must submit, prior to expenditure, a report to the JLBC regarding intended use of up to \$400,000 from the Emissions Inspection Fund balance for agency operating costs that exceed the FY 2025 appropriation of \$33.0 million.

ADEQ reports the agency will use the \$400,000 from the Emissions Inspection Fund balance in FY 2025 to cover operating expenses related to the Emissions Inspection program, including staff costs, contractor expenses, and aid to other organizations. With these monies, ADEQ will have a total of \$33.4 million in resources from the fund. (Maggie Rocker)

Arizona Department of Gaming – Report on Equine Deaths, Equine Injuries, and Pre-Race Inspections – Pursuant to an FY 2025 General Appropriation Act footnote, the Department of Gaming (ADG) is required to report each quarter on the number of horses that died or were injured as a result of a horse race and the commercial live racing facility where each incident occurred. In addition, the department is required to report on the number of pre-race horse inspections performed by a veterinarian employed by or contracted with the state. The department provided reports for all of FY 2024 and the first half of FY 2025.

The department reported 4 horse fatalities and 74 horse injuries during FY 2024. These all occurred at Turf Paradise as it was the only live racing facility open during this time. The department also reported that there were 3,552 pre-race inspections performed by the department staff directly while 24 races were run without a pre-race examination.



Year-to-date in FY 2025 through the first 2 quarters, the department reports 4 horse fatalities and 19 horse injuries, all of which were in the 2nd quarter of the year as there were no races run during the 1st quarter. These all occurred at Turf Paradise as it was the only live racing facility operating during this period. The department also reports that, of the 2,133 pre-race examinations during the 2nd quarter, 1,733 were performed by department staff directly and 400 were completed by track veterinarians unobserved by the department. (Benjamin Newcomb)

State Mine Inspector – Report on Abandoned Mines Safety Fund Expenditures and Contributions – The State Mine Inspector is required by A.R.S. § 27-129 to establish a program to address public safety hazards at abandoned mines. A.R.S. § 27-131 created the Abandoned Mines Safety Fund (AMSF) to fund the program and required an annual report detailing contributions to the AMSF and fund expenditures.

The State Mine Inspector reports that the AMSF received no new revenues and had no expenditures in FY 2024, retaining its previous carry-forward balance of \$134,800. In addition to the AMSF, the State Mine Inspector receives a General Fund appropriation (\$830,700 and 6 FTE Positions in FY 2025) for the same purpose. (Nate Belcher)

Ombudsman-Citizens' Aide Office – Annual Report – Pursuant to A.R.S. § 41-1376, the Ombudsman-Citizens' Aide submitted its annual report summarizing the office's activities during the previous fiscal year. The FY 2023 annual report cites examples of cases in the office's 3 focus areas: general complaints about state agencies, Department of Child Safety (DCS) cases, and public access cases.

There were 7,028 total cases in FY 2024 including 5,854 involving coaching, 708 needing assistance, and 466 requesting investigations. For coaching cases, a constituent may be provided a referral and advice on how to contact the agency about the issue. For assistance cases, staff makes direct contact with the agency on behalf of the constituent. Investigations address complaints that an agency has performed an administrative act contrary to law. The Department of Economic Security (DES) accounts for 19.1% of the caseload, and the Department of Child Safety (DCS) accounts for 17.8% of the caseload. Last year, DES was responsible for 18.4% of the FY 2023 caseload.

Overall, the agency caseload increased by 16.6% from FY 2023 primarily due to increased referrals. There was a net increase of 1,003 cases in FY 2024.

Coaching cases increased by 1,178 and assistance cases by 65 over the FY 2023 caseload, but investigation cases decreased by (240). This is due to an increase in DES and Arizona Department of Transportation cases and an increase in referrals. The Ombudsman posits that the additional referrals may be due to the agency link being displayed in a prominent spot on the state portal and on the pages of large agencies. (Micaela Andrews)

Department of Public Safety – Annual Report on Civil Air Patrol Infrastructure Distributions – Pursuant to an FY 2024 General Appropriation Act footnote, the Department of Public Safety (DPS) reported on the monies distributed from the civil air patrol infrastructure line item. As of October 31, 2024, DPS reports distributing all of the \$5.0 million FY 2023 appropriation and \$5.0 million of the \$10.0 million FY 2024 appropriation. The recipients of the FY 2023 appropriation are shown in *Table 8* and the recipients of the FY 2024 appropriation are shown in *Table 9* below. (Jordan Johnston)

Table 8
FY 2023 Civil Air Patrol Appropriation Distribution

<u>Recipient</u>	<u>Allocation</u>
Sedona Hangar	\$ 520,800
Mesa Falcon Field Hangar	3,976,400
Cochise Squadron	137,800
Deer Valley Airport	215,900
Glendale Hangar	27,900
Yuma Squadron	19,200
Statewide Communication System	<u>102,000</u>
Total	\$5,000,000

Table 9
FY 2024 Civil Air Patrol Appropriation Distribution

<u>Recipient</u>	<u>Allocation</u>
Mesa Falcon Field Hangar	\$ 86,300
Deer Valley Airport	<u>4,897,000</u>
Total	\$4,983,300

Statewide – Report on Privately Funded FTE Positions – Pursuant to an FY 2025 General Appropriations Act footnote, ADOA reported on behalf of state agencies the number of privately funded employees within each agency in FY 2024. Privately funded refers to employees who are compensated with monies from sources other than the state, a political subdivision of the state, or the federal government.



The ADOA report includes the following information on the Department of Environmental Quality (DEQ) and the Department of Public Safety (DPS):

- DEQ reports 2 privately funded executive consultants, totaling \$188,200 in compensation. The Department's privately funded consultants primarily develop and present environmental enforcement training for state and local government staff.
- DPS fully or partially compensates 660 employees with private funding, totaling \$4.9 million. Privately funded employees in DPS are for sports stadium security, and oversized load escorts.

The Arizona Board of Regents also reported separately on privately funded FTE within the three state universities:

- Arizona State University reports \$72.9 million in private monies to fully or partially compensate 884 employees.
- Northern Arizona University reports \$980,200 of private funding for 13 employees.
- The University of Arizona reports \$52.9 million in private funding for 963 employees.

No other agencies report privately funded FTE. (Grace Timpany)

Supreme Court – Report on County-Approved Probation Officer Salary Adjustments – Pursuant to a General Appropriation Act footnote, the Arizona Administrative Office of the Courts (AOC) submitted its report on county-approved salary adjustments provided to probation officers since the last report on November 1, 2023. The report excludes Maricopa County, as it does not receive state funding for probation officers. The report includes approved salary increases, average number of probation officers by county, average salary, and the net increase in allocations from the AOC to each county.

According to the report, statewide adult probation payroll increased by 7.56% and juvenile payroll increased by 0.29% from FY 2023 to FY 2024. According to the AOC, there were an average of 300.8 adult probation officers and 54.0 juvenile probation officers in FY 2024. The reported average salary for probation officers in FY 2024 ranged by county from \$42,500 to \$65,200. (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 2024 actual, FY 2025 estimated, and FY 2026 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 \$54.8 million in FY 2024, of which \$18.5 million were General Fund monies and \$6.4 million were non-General Fund state expenditures. The remaining \$29.9 million were county expenditures. These monies funded 263 case carrying and 326.8 non-case carrying positions. AOC estimates total expenditures of \$56.1 million in FY 2025 and \$56.9 million in FY 2026.

Adult Intensive Probation

AOC reports statewide Adult Intensive Probation state expenditures for county probation officers of \$13.4 million in FY 2024, of which \$11.5 million were General Fund monies and \$1.9 million were non-General Fund state expenditures. These monies funded 97.5 case carrying and 52.9 non-case carrying positions. AOC estimates total expenditures of \$15.1 million in both FY 2025 and FY 2026.

Juvenile Standard Probation

Juvenile Standard Probation state expenditures for county probation officers statewide were \$17.3 million in FY 2024, of which \$3.4 million were General Fund monies and \$32,900 were non-General Fund state expenditures. The remaining \$13.9 million were county expenditures. These monies funded 43.5 case carrying and 172.3 non-case carrying positions. AOC estimates total expenditures of \$19.5 million in both FY 2025 and FY 2026.

Juvenile Intensive Probation

AOC reports statewide Juvenile Intensive Probation state expenditures for county probation officers of \$5.1 million in FY 2024, of which \$5.1 million were General Fund monies and \$16,300 were non-General Fund state expenditures. These monies funded 28.6 case carrying



and 24.8 non-case carrying positions. AOC estimates total expenditures of \$5.9 million in both FY 2025 and FY 2026. (James Martinez-Burney)

Arizona Department of Transportation – Report on Aviation Grant Awards and Distribution – Pursuant to a footnote in the FY 2025 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 \$156.7 million in aviation grants to local and state entities across Arizona that had not previously been spent. Of that total awarded amount, approximately \$56.0 million has been expended and \$100.7 million are in unspent commitments. The \$156.7 million in total commitments included \$27.1 million of new FY 2025 commitments, of which ADOT expended \$3.1 million. (Jordan Johnston)

