

Joint Legislative Budget Committee

Monthly Fiscal Highlights

January 2026

Summary

December 2025 General Fund revenue collections were \$1.65 billion, which is an increase of 6.4% above December 2024. December revenues generated a monthly forecast gain of \$55 million above the enacted budget revenue forecast.

The December forecast gain was concentrated in non-tax revenue categories, with most of the state's non-tax gain occurring due to a one-time Medicaid reimbursement. This reimbursement was associated with enhanced Medicaid match funding provided by the federal government in prior years, part of which accrued to the General Fund on a delayed basis.

In terms of the state's main tax categories, those categories combined were generally close to forecast, but there was significant variation by category.

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 16th.

Sales Tax

Sales Tax collections in December (which represent November sales activity) posted an overall sluggish growth rate of 0.9%, which resulted in a forecast loss of \$(21) million. Within Sales Tax, the various subcategories' performance was similar to recent months – Restaurant/Bar sales continue to perform well, retail sales have slowed to modest growth, and the state continues to see declines in contracting tax revenue.

Individual Income Tax

Individual Income Tax (IIT) had robust growth of 18.6% above the prior year, and collections were \$71 million

above forecast for the month. This surprising growth was the result of 2 factors:

- A surge in withholding collections, likely due to federal employees returning to work in November following the government shutdown and receiving backpay. This backpay would impact December revenues given the standard timing of withholding payments.
- A sharp decline in tax refunds, which was surprising given that December is typically a minor tax refund month without much year-to-year volatility.

Corporate Income Tax

Corporate Income Tax (CIT) revenues declined by (14.1)% during December and were \$(43) million below forecast. This December result continues the trend of very volatile and mixed results for the CIT category – so far this fiscal year, CIT has seen 3 months of substantial forecast losses along with 2 months of substantial forecast gains. Given this confusing pattern of alternating gains and losses, it is unclear when we may see a clearer trend develop for the tax category.

Year-to-Date Results

Year-to-date through December, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2026 General Fund revenues are 3.5% above the prior year. With the December results, after 6 months of tracking against the enacted budget forecast, the state has generated a year-to-date forecast gain of \$239 million.

As noted above, next month our office will begin to evaluate revenues against the new JLBC Baseline revenue forecast. This Baseline forecast will incorporate the year-to-date gains seen so far through December.

Table of Contents

December Revenues	2	ACJC – Anti-Racketeering Fund Report	10
Monthly Indicators	5	ACJC – Criminal Justice Enhancement Fund	10
JCCR Meeting Follow-Up	8	DES – Report on Domestic Violence	10
Summary of Recent Agency Reports		ADE – College Credit by Examination Program	11
ADOA/SFD – Report on Funding Estimates	8	Gaming – Division of Racing Report	11
ADOA – Report on Debt Payoff	8	JLBC Staff – Public Programs Eligibility Report	11
AHCCCS – DCS Comprehensive Health Plan Report	8	Judiciary (Supreme Court) – Expenditures on Counties... ..	12
AHCCCS – Emergency Department Utilization Report	9	Ombudsman – Annual Report	12
DCS – Guardian IT System Report	9	DPS – Report on Civil Air Patrol Distributions	12
ADC – Mental Health Pilot Program	9	SOS – FY 2025 Voter Registration Database Report	12
ADC – Bed Capacity Report	9		



December Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2026 Collections	Difference From Enacted Forecast	Difference From FY 2025
December	\$ 1,648.6	\$ 54.8	\$ 99.7
Year-to-Date	\$ 8,249.4	\$ 238.6	\$ 347.0

Sales Tax collections of \$677.1 million in December were 0.9% above the amount collected in December 2024 and \$(21.2) million below the enacted budget forecast. Year to date through December, sales tax revenue is up by 3.0% compared to the same period in the prior year and is \$(34.5) million below forecast. Sales tax revenue collected in December reflects sales activity that occurred in November.

Table 2 shows the December 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		
	December	YTD
Retail/Remote Seller	1.5%	4.3%
Contracting	(7.2)%	(3.3)%
Use Tax	6.1%	13.1%
Restaurant & Bar	4.5%	4.3%
Utilities	(2.6)%	0.0%

With the exception for Use Tax and the Restaurant & Bar Classification of the Transaction Privilege Tax (TPT), all the major sales tax categories performed poorly in December. The (2.6)% year-over-year decline in TPT collections from the Utilities Classification appears to be mostly related to the retail sales of natural gas. According to detailed industry data from the Department of Revenue (DOR), taxable sales of natural gas was down by (11.4)% through the first 5 months of FY 2026.

December marked the fifth consecutive month with a year-over-year decline in TPT contracting revenue. As we have reported in prior months, this is primarily due to weakness in the residential construction sector. Industry data from DOR indicates that contracting sales tax revenue from residential construction was down by (12.3)% through the first 5 months of FY 2026.

Individual Income Tax (IIT) net revenue in December was \$585.3 million, 18.6% growth over the previous December and \$71.0 million more than the enacted budget forecast. Withholding collections and payment revenue both grew year-over-year, while a low level of refunds generated a significant forecast gain. Year-to-date (YTD), IIT has risen 7.8% compared to the same period in FY 2025, for a forecast gain of \$153.5 million.

Withholding revenue was \$537.2 million in December, setting a record for the month. This is a 10.7% increase from last year and \$32.3 million above forecast. The sharp withholding increase in December is in stark contrast to the large decline of (7.3)% in November. The number of processing days were the same in 2024 and 2025, and wage and salary data from the Bureau of Economic Analysis does not show noteworthy trend changes, so we assume the reason for this turnaround is the October shutdown of the federal government. Many federal employees were furloughed in October, reducing November withholding collections. When the shutdown ended, they returned to work in November and received back pay in addition to their normal wages, which boosted December withholding revenue.

Year-to-date, withholding has grown 3.4% relative to the same period in FY 2025 and \$36.8 million more than forecasted.

Total (estimated plus final) tax payments in December were \$57.5 million, 13.1% more than the previous year and \$5.5 million above the enacted budget forecast.

December is a minor month for payment collections, making up approximately 3% of the total in most fiscal years. YTD, total payments are 16.5% more than the same period in FY 2025 and \$55.2 million higher than the forecast.

Refunds in December were \$9.4 million, a decrease of (78.0)% from December 2024. December is not a significant month for refunds, and typically makes up less



than 2% of the fiscal year total. Since the enacted budget forecast assumed a higher refund level of \$42.7 million, there was a \$33.3 million forecast gain in December. Refunds have declined (16.7)% YTD, for a total forecast gain of \$61.5 million.

Table 3

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

	<u>December</u>	<u>YTD</u>
Withholding	10.7%	3.4%
Estimated/Final Payments	13.1%	16.5%
Refunds	(78.0)%	(16.7)%

Corporate Income Tax (CIT) net revenue in December was \$313.6 million, a (14.1)% decrease from the prior year and \$(43.3) million short of the enacted forecast. Gross collections were lower than in 2024 and refunds were higher, resulting in the lowest level of collections for the month since December 2021. December is an important month for CIT, on average making up about 19% of the total collections in a given fiscal year. YTD, CIT collections are 5.4% greater than the same period in FY 2025, for a forecast gain of \$82.8 million.

Insurance Premium Tax (IPT) revenue was \$94.3 million in December, an increase of 10.5% compared to the same month in the prior year and \$6.3 million above the enacted budget forecast. Estimated payments by AHCCCS contractors are due in December, so the increase in IPT revenue likely reflects a greater premium base compared to prior years. YTD, IPT revenue is up by 12.2% and is \$32.1 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in December was \$1.3 million, which is (16.3)% below collections a year prior and \$(0.4) million below the enacted forecast. Year to date, General Fund tobacco tax revenues total \$8.6 million, which is 1.3% above collections through the first half of FY 2025 and \$(0.5) million below forecast.

Liquor Tax revenue deposited into the General Fund in December was \$3.3 million. This is (17.4)% less than the amount deposited in December 2024 and \$(1.1) million below the enacted forecast. Year to date, General Fund deposits from liquor tax collections total \$21.8 million, a (4.3)% decrease from collections in the first half of FY 2025 and \$(1.2) million below forecast.

The **Lottery Commission** reported that total ticket sales in December were \$154.7 million. This amount is \$21.6 million, or 16.3% higher than in December 2024.

Highway User Revenue Fund (HURF) collections of \$158.2 million in December were (0.4)% below the amount collected in December 2024 and \$(6.7) million below forecast. Year to date, HURF collections are \$897.5 million, 1.3% above the prior year and \$(19.2) million less than forecast.

In December, the state collected \$14.5 million in dedicated **Marijuana Excise Taxes**, which was (1.2)% less than December 2024 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. December's total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) revenue was \$5.1 million. Of this amount, the General Fund received \$3.8 million. (See *Table 4*).

Table 4

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

	<u>December</u>	<u>YTD</u>
Marijuana Excise Tax	\$14.5	\$82.0
Medical Marijuana TPT	\$0.7	\$4.6
<u>Distribution:</u>		
General Fund	\$0.5	\$3.4
Counties	\$0.1	\$0.7
Cities	\$0.1	\$0.5
Recreational Marijuana TPT	\$4.4	\$25.4
<u>Distribution:</u>		
General Fund	\$3.3	\$18.8
Counties	\$0.7	\$4.1
Cities	\$0.4	\$2.5
Total State Marijuana Tax Collections	\$19.6	\$112.0

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Enacted Forecast December 2025

	Current Month					FY 2026 YTD (Six Months)				
	Actual December 2025	Change From		Enacted Forecast		Actual December 2025	Change from		Enacted Forecast	
		December 2024		December 2024			December 2024		December 2024	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$677,119,858	\$5,724,010	0.9 %	(\$21,236,850)	(3.0) %	\$4,120,772,930	\$119,606,895	3.0 %	(\$34,539,531)	(0.8) %
Income - Individual	585,262,974	91,964,893	18.6	71,043,155	13.8	3,004,562,551	217,822,395	7.8	153,498,069	5.4
- Corporate	313,616,477	(51,306,264)	(14.1)	(43,252,343)	(12.1)	942,859,952	48,322,040	5.4	82,781,600	9.6
Property	3,014,225	3,441,854	--	1,300,007	75.8	25,150,802	4,767,069	23.4	2,283,200	10.0
Luxury - Tobacco	1,250,554	(243,364)	(16.3)	(394,545)	(24.0)	8,602,288	112,161	1.3	(504,697)	(5.5)
- Liquor	3,327,820	(700,542)	(17.4)	(1,143,317)	(25.6)	21,849,900	(972,261)	(4.3)	(1,200,655)	(5.2)
Insurance Premium	94,281,661	8,991,106	10.5	6,264,774	7.1	375,322,225	40,832,640	12.2	32,061,980	9.3
Other Taxes	1,710,654	494,717	40.7	350,541	25.8	8,142,543	135,135	1.7	174,517	2.2
Sub-Total Taxes	\$1,679,584,223	\$58,366,409	3.6 %	\$12,931,423	0.8 %	\$8,507,263,190	\$430,626,073	5.3 %	\$234,554,481	2.8 %
<u>Other Revenue</u>										
Lottery	0	0	--	0	--	114,039,355	(42,816,707)	(27.3)	(51,859,878)	(31.3)
Gaming	2,743,502	616,529	29.0	452,638	19.8	17,650,107	4,509,436	34.3	1,468,959	9.1
License, Fees and Permits	5,058,404	1,150,504	29.4	852,580	20.3	27,711,999	(1,140,876)	(4.0)	(1,113,624)	(3.9)
Interest	17,858,093	(4,309,422)	(19.4)	5,935,016	49.8	98,156,108	(25,825,200)	(20.8)	38,265,146	63.9
Sales and Services	2,248,956	177,956	8.6	48,365	2.2	12,930,092	1,482,720	13.0	445,807	3.6
Other Miscellaneous	1,632,726	(1,291,153)	(44.2)	(1,495,083)	(47.8)	9,999,836	(14,005,056)	(58.3)	(5,725,410)	(36.4)
Medicaid Hospital Revenue	0	0	--	0	--	0	(71,248,984)	--	0	--
Transfers and Reimbursements	38,348,912	38,179,510	--	36,098,912	--	40,187,544	13,324,196	49.6	22,848,217	131.8
Sub-Total Other Revenue	\$67,890,592	\$34,523,923	103.5 %	\$41,892,428	161.1 %	\$320,675,041	(\$135,720,471)	(29.7) %	\$4,329,217	1.4 %
TOTAL BASE REVENUE	\$1,747,474,815	\$92,890,333	5.6 %	\$54,823,851	3.2 %	\$8,827,938,231	\$294,905,602	3.5 %	\$238,883,698	2.8 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(98,858,913)	6,829,235	(6.5)	(0)	0.0	(593,152,980)	40,975,912	(6.5)	(0)	0.0
One-Time Transfers	0	0	--	0	--	0	(3,472,950)	--	0	--
Income Tax Rebate	(500)	(500)	--	(500)	--	(1,250)	8,500	(87.2)	(1,250)	--
Other One-Time Revenue Adjustments	0	0	--	0	--	14,574,359	14,574,359	--	(325,641)	(2.2)
Sub-Total Other Adjustments	(98,859,413)	6,828,735	(6.5) %	(500)	0.0 %	(578,579,871)	52,085,821	(8.3) %	(326,891)	0.1 %
TOTAL GENERAL FUND REVENUE	\$1,648,615,402	\$99,719,068	6.4 %	\$54,823,351	3.4 %	\$8,249,358,360	\$346,991,423	4.4 %	\$238,556,807	3.0 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	158,191,644	(575,035)	(0.4) %	(6,666,594)	(4.0) %	897,487,560	11,332,849	1.3 %	(19,200,942)	(2.1) %

Monthly Indicators

NATIONAL

According to the Bureau of economic Analysis' (BEA) initial estimate of U.S. Real **Gross Domestic Product (GDP)**, economic output increased at a seasonally adjusted annual rate of 4.3% in the 3rd quarter of 2025. Due to the October federal government shutdown, this initial estimate replaces the release of both the advance and second estimates, which would have been published in October and November, respectively. Increases in consumer spending, exports, and government expenditures were partially offset by a lower level of investment and higher imports.

The **Consumer Confidence Index**, published by the Conference Board, decreased by (3.8) points to 89.1 in December. Consumers' views of the present economic situation became significantly worse during the month. Future expectations were unchanged but remained historically low. Inflation worries eased slightly, and plans for major purchases such as homes and automobiles declined as well. Over the last 12 months, the index has decreased by (18.6)%.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in December increased at a seasonally adjusted rate of 0.3%. Rising shelter prices contributed the most to the increase, though food and energy prices also grew during the period. Compared to the same month last year, consumer prices are up by 2.7% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 2.6%.

ARIZONA

Tourism

Phoenix Sky Harbor Airport Ridership decreased to 4.3 million passengers in November, which is a (6.2)% loss from the prior month and (3.3)% below November 2024's figure.

November 2025 **state park visitation** fell (9.9)% from October's level, totaling 202,244 for the month across all parks. This is (15.6)% below November 2024 levels.

Hotel occupancy was 63.0% in November, which is (3.1)% below November 2024's rate.

Revenue per available room was \$102.38 in November, or (4.4)% below the amount 12 months prior.



Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state gained 17,500 **nonfarm jobs** in November compared to October. In the 10-year period prior to the pandemic (2010-2019), Arizona experienced an average net gain of 28,800 jobs in November. Compared to the same month in 2024, the state gained 21,300 jobs in November 2025, an increase of 0.6%.

The state's seasonally adjusted **unemployment rate** rose to 4.3% to November from 4.2% in September. The U.S. seasonally adjusted unemployment rate increased from 4.4% in September to 4.5% in November. (Note that unemployment data for October 2025 was not collected due to the delay of services by the federal Bureau of Labor Statistics as a result of the federal government shutdown in October.)

OEO reported that a total of 1,528 **initial claims for unemployment insurance** were filed in Arizona in the week ending on December 27th. This represents a (13.7)% decrease in initial claims compared to a year ago.

According to OEO, there were a total of 17,344 **continued claims for unemployment insurance** in Arizona for the week ending on December 20th, which is (19.8)% lower than the comparable week in 2024.

State Agency Data

As of January 1, 2026, the total **AHCCCS caseload** was 1.78 million members. Total monthly enrollment decreased (1.1)% from December to January and decreased (10.3)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased (1.2)% in January compared to December and decreased (10.5)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 754,968, a decrease of (1.1)% from December and (11.4)% lower than last year.

For January 2026, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.2% over the prior month. At 74,958, this population is 3.7% higher than a year ago.

Based on information the **Department of Child Safety** provided for November 2025, reports of child maltreatment totaled 44,828 over the last 12 months, an increase of 5.1% from the comparable period in the prior year.

There were 8,303 children in out-of-home care as of November 2025, or (5.5)% fewer than in November 2024. Compared to the prior month, the number of out-of-home children decreased by (0.7)%.

There were 5,504 individuals receiving **TANF Cash Assistance** in November 2025, representing a (9.1)% decline from October 2025. Year over year, the number of cash benefit recipients has decreased by (41.6)%.

The **Supplemental Nutrition Assistance Program (SNAP)** provides assistance to low-income households to purchase food. There were 679,784 individuals receiving SNAP benefits in November 2025, representing a (12.4)% decline from October 2025. Year over year, the number of SNAP recipients has decreased by (27.5)%.

The Arizona Department of Correction's **Inmate Population** was 34,986 as of November 30, 2025. This was a (0.8)% decrease since October 31, 2025 and a (1.6)% decrease since November 2024.



Table 6

Indicator	MONTHLY INDICATORS			
	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	November	4.3%	NA	0.6%
- Total Unemployment Rate (discouraged/underemployed)	3 rd Q 2025	8.0%	0.1%	0.8%
- Initial Unemployment Insurance Claims	Week Ending Dec 27	1,528	(34.3)%	(13.7)%
- Continued Unemployment Insurance Claims	Week Ending Dec 20	17,344	(6.5)%	(19.8)%
- Non-Farm Employment - Total	November	3,302,200	0.5%	0.6%
Manufacturing	November	193,700	0.7%	(0.7)%
Construction	November	226,400	(0.5)%	0.9%
- Average Hourly Earnings, Private Sector	November	\$35.46	0.0%	6.4%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	August	36,455	(3.0)%	(11.7)%
Multi-family		14,582	(7.9)%	(30.5)%
- 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)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	November	4,271,323	(6.2)%	(3.3)%
- State Park Visitors	November	202,244	(9.9)%	(15.6)%
- Revenue Per Available Hotel Room	November	\$102.38	(9.8)%	(4.4)%
- Arizona Hotel Occupancy Rate	November	63.0%	(4.6)%	(3.1)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	2 nd Q 2025	\$520.9 billion	7.7%	6.6%
- 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	1,778,026	(1.1)%	(10.3)%
Traditional Acute Care		948,100	(1.2)%	(10.5)%
Other Acute Care		754,968	(1.1)%	(11.4)%
Long-Term Care – Elderly & DD		74,958	0.2%	3.7%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	November	44,828	0.6%	5.1%
DCS Out-of-Home Children	November	8,303	(0.7)%	(5.5)%
Filled Caseworkers (1406 Budgeted)	November	1,285	(10)	1
- ADC Inmate Growth	November	34,986	(0.8)%	(1.6)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	November	5,504	(9.1)%	(41.6)%
- SNAP Recipients	November	679,784	(12.4)%	(27.5)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	3 rd Q, 2025 1 st Estimate)	\$24.0 trillion	4.3%	2.7%
- Consumer Confidence Index (1985 = 100)	December	89.1	(4.1)%	(18.6)%
- Leading Economic Index (2016 = 100)	September	98.3	(0.3)%	(3.4)%
- Consumer Price Index, (1982-84 = 100)	December	324.1	0.3%	2.7%

JCCR Meeting Follow-Up

Arizona Department of Agriculture – Fourth Quarterly Report on Nogales Building Sale - Pursuant to a provision from the December 2024 JCCR meeting, Arizona Department of Agriculture (AZDA) submitted a 4th quarterly status report on the status of selling the old inspection building in Nogales. The Committee favorably reviewed the purchase of a new inspection building in Rio Rico with the provision that AZDA provide quarterly reports until final sale of the Nogales building. AZDA has now completed the move of operations and staff into the new inspection building. The old building has been appraised twice. AZDA planned to complete the public notice of sale and the final listing during the week of December 29, 2025. (Nate Belcher)

Summary of Recent Agency Reports

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, 2025, the EDC Fund has no unobligated monies. SFD anticipates that there would be requests from the EDC Fund in the next 3 fiscal years, but did not provide an estimate of the magnitude of such requests.

The NSF program funds construction and land costs for districts that qualify for new school space. In their December 1 report, SFD 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 10, 2025. (Gordon Robertson)

Arizona Department of Administration – Report on Repayment of State Debt and Obligations – Pursuant to A.R.S. § 41-726, the Arizona Department of Administration (ADOA) is required to report on the amount of potential savings if the state repays the balance of any outstanding General Fund financing obligations, under the following repayment scenarios: \$50 million, \$100 million, \$150 million, and \$200 million. Based on the

state's remaining debt, ADOA provided the following 2 scenarios:

- \$50.0 million in debt payoff would result in \$8.7 million in net lifetime savings.
- \$99.3 million in debt payoff would result in \$9.9 million in net lifetime savings.

ADOA's report only listed debt obligations that are eligible for early retirement (also called "callable") before the debt's final maturity date. Under this limited standard, ADOA did not provide a \$150 million or \$200 million debt payoff scenario, as the state does not currently have that level of "callable" General Fund debt obligations.

For debt obligations that are not callable, the state may go through a process known as "cash defeasance." Under the defeasance process, the state deposits sufficient monies into an escrow account, so that the escrow account pays out all future required debt service payments. Once the defeasance process is completed, the associated debt is effectively removed from the state's list of outstanding obligations. ADOA did not include cash defeasance options in their report. (Gordon Robertson)

AHCCCS – Report on DCS CHP Program and Financial Accountability Trends – Pursuant to Laws 2018, Chapter 152, AHCCCS reported program and financial accountability trends from October 1, 2023, to September 30, 2024, for children enrolled in the Department of Child Safety - Comprehensive Health Plan (DCS CHP, formerly CMDP).



Statewide, the percentage of foster care eligible members served increased from 67.1% in October 2023 to 68.5% in September 2024. During that same time, the total value of encounters decreased from \$9.7 million in October 2023 to \$9.0 million in September 2024. The services accounting for the largest share of costs in September 2024 were Inpatient Services (\$2.9 million), Support Services (\$1.9 million), and Treatment Services (\$1.3 million). New monthly enrollment decreased by 85 persons, from 380 to 295.

AHCCCS is also required to report the number of Notices of Adverse Benefit Determination reported by RBHAs, as well as the number of appeals filed and the outcome of those appeals. Notices of Adverse Benefit Determination include denials, suspensions, and terminations. In September 2024, the DCS CHP RBHA reported 58 notices of adverse benefit determination, the most reported reason being that the benefit was not medically necessary. In the same month, the RBHA received 3 member appeals. The RBHA also issued 9 appeal outcomes in September 2024, of which 4 were upheld, 1 was overturned, and 4 received an extension. (Brian Belakovsky)

AHCCCS – Report on Emergency Department Utilization – Pursuant to A.R.S. § 36-2903.11, AHCCCS reported on Arizona emergency department (ED) utilization. AHCCCS continues to analyze the state's Medicaid population using the American College of Emergency Physicians' coding, which assigns visits to 1 of 5 categories. AHCCCS generally considers levels 1-3 as ED visits for issues that could be addressed via a primary care physician (PCP) in an office or urgent care center. However, the level coding system does not necessarily consider mitigating circumstances (such as the member's age or the date and time of the health event), so there may be instances where the ED setting is appropriate for level 1-3 issues.

In FY 2024, total ED visits decreased from FY 2023 by (28,900), or (2.6)%, and cost a total of \$631.9 million. Compared to the prior year, this amount represents a decrease of \$(21.1) million, or (3.2)%, in total payments for AHCCCS recipients receiving ED services. In FY 2024, ED visits specifically for level 1-3 issues decreased from FY 2023 by (31,300), or (5.7)%, and cost a total of \$146.9 million. Level 1-3 payments represented 23.2% of total ED payments in FY 2024, a decline from 25.0% in FY 2023. (Chandler Coiner)

Department of Child Safety – Guardian Expense Report – Pursuant to an FY 2026 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on actual operating expenses for the Guardian case management system in SFY 2025 and the proposed operating expenses for SFY 2026.

In SFY 2025, DCS reported spending \$21.0 million on the Guardian case management system, including \$10.4 million for maintenance and operations, \$7.2 million for major enhancements, and \$3.4 million for business analytics and reporting. This compares to \$18.2 million in SFY 2024. Major enhancements pertain to system improvements required to meet federal requirements of the Comprehensive Child Welfare Information System. Business analytics includes data and reporting enhancements necessary to meet federal reporting requirements.

In SFY 2026, the agency anticipates spending \$18.5 million on its case management system, or (11.7)% below SFY 2025 spending. This amount includes \$9.5 million for maintenance and operations, \$5.5 million for major enhancements, and \$3.5 million for business analytics and reporting. (Maggie Rocker)

Department of Corrections – Report on Mental Health Transition Pilot Program – Pursuant to A.R.S. § 31-291, the Arizona Department of Corrections (ADC) submitted its annual report on the

Mental Health Transition Pilot Program for FY 2025. The program provides 90 days of mental health services for up to 500 inmates per year that have been diagnosed with a serious mental illness and are nearing their release from ADC custody. During the 90 days, services are provided through AHCCCS with the intent that the inmate continue AHCCCS coverage upon release. ADC reports that the first inmates in the program began receiving services in March 2023. In FY 2025, ADC reports that 358 total inmates participated in the program. Of the participants, 38 successfully completed all 90 days before the end of the fiscal year, 26 were still enrolled at the end of FY 2025, and 139 were unsuccessfully discharged from the program. Since the program began, ADC reports that 36% of participants returned to ADC custody, compared to a 26% return rate for those with a serious mental illness that did not participate in the program. (Jordan Johnston)

Arizona Department of Corrections – Annual Bed Capacity Report – Pursuant to an FY 2026 General Appropriations Act footnote, the Arizona Department of Corrections (ADC) submitted its report detailing bed capacity changes in FY 2025 and planned changes in FY 2026.

At the end of FY 2025, ADC reported a total operating capacity of 43,589 beds and an inmate population of 35,551 for an operating bed surplus of 8,038 (See *Table 7* below).



Table 7

End of FY 2025 ADC Systemwide Bed Surplus (+) / Shortfall (-)

	Permanent Beds	Total Beds (incl. Temp.)	Inmate Population 6/30/25	Permanent Surplus (+) Shortfall (-)	Total Surplus (+) Shortfall (-)
ADC System					
Minimum	11,713	12,050	11,710	3	340
Medium	16,056	19,817	18,030	(1,974)	1,787
Close	8,227	8,678	5,286	2,941	3,392
Maximum	1,223	1,572	384	839	1,188
Other	<u>1,130</u>	<u>1,472</u>	<u>141</u>	<u>989</u>	<u>1,331</u>
Total – ADC System	38,349	43,589	35,551	2,798	8,038

Arizona Criminal Justice Commission – Report on Anti-Racketeering Revolving Fund – Pursuant to A.R.S. § 13-2314.01 and § 13-2314.03, the Arizona Criminal Justice Commission (ACJC) provided its first quarterly report on the activities of the Arizona Anti-Racketeering Revolving Fund (ARRF).

ACJC is required to compile quarterly expenditures of the Attorney General, department, agency, county attorney, and political subdivision reports into a single comprehensive report of sources and expenditures as well as report on forfeiture orders. The following reflects the reports for the fourth quarter of FY 2025 and the first quarter of FY 2026.

4th Quarter of FY 2025

In the 4th quarter of FY 2025, the ARRF received revenues totaling \$3.7 million, and had expenditures totaling \$7.9 million. Of these revenues and expenditures, revenues reported to ACJC by county attorneys totaled \$2.2 million and expenditures totaled \$3.9 million.

In the 4th quarter of FY 2025, participating agencies received \$4.9 million in net collections from seized assets originally valued at \$3.3 million.

1st Quarter of FY 2026

In the first quarter of FY 2026, the ARRF received revenues totaling \$2.6 million, and had expenditures totaling \$5.0 million. Of these revenues and expenditures, revenues reported to ACJC by county attorneys totaled \$2.3 million and expenditures totaled \$3.2 million.

In the first quarter of FY 2025, participating agencies project received \$1.5 million in net collections from seized assets originally valued at \$3.1 million.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and prosecutorial agencies. Additionally, assets seized as part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes. (Ethan Scheider)

Arizona Criminal Justice Commission – Report on Criminal Justice Enhancement Fund – Pursuant to A.R.S. § 41-2401(C), 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 2025, CJEF revenues totaled \$25.4 million, a 6.3% increase from \$23.9 million in FY 2024. FY 2025 CJEF expenditures totaled \$26.2 million, a (1.5)% decrease from \$26.6 million in FY 2024. CJEF ended the year with a cash balance of \$22.2million. (Ethan Scheider)

Department of Economic Security – Report on Domestic Violence – Pursuant to an FY 2025 General Appropriation Act footnote, the Department of Economic Security reported the amount of state and federal monies available for domestic violence funding in FY 2025. Six agencies spent a total of \$32.3 million in domestic violence funding, including:

- \$4.0 million in state funds.
- \$25.6 million in federal funds.
- \$2.7 million in other funds.

Aside from the six agencies included in the report, the Administrative Office of the Courts provides domestic violence services including addressing domestic violence



issues in the courts, providing domestic-case related education to judges and court staff, and updating various case management systems. The Office of the Attorney General also distributed \$2.0 million for victims of crime which may include domestic violence victims. (Grace Timpany)

Arizona Department of Education – Report on the College Credit by Examination Incentive Program – Pursuant to A.R.S. § 15-246.06, the Arizona Department of Education (ADE) submitted a report on the College Credit by Examination Incentive Program (CCEIP), which provides incentive bonuses to school districts and charter schools for students who obtain a passing score on a qualifying examination for college credit while in high school. Qualifying exams include the Advanced Placement (AP), Cambridge International Exams, and International Baccalaureate Exams.

ADE reported the following information on the program for FY 2025:

- There were 40,800 students that took a qualifying examination in the 2023-2024 school year (CCEIP awards are based on exam results from the preceding school year).
- 18,883, or 46%, of students taking a qualifying examination received a passing score in FY 2025.
- There were 33,916 CCEIP bonus awards, of which 33,009, or 97%, were associated with AP exams.
- A total of \$3.6 million in bonus awards were distributed for FY 2025, of which \$2.7 million went to schools with less than half of students eligible for free or reduced-price lunch (FRPL) with the remaining \$695,200 going to schools with more than half of their students eligible for FRPL.
- After prorating awards based on available resources, the average award per qualifying examination was \$97 for schools with less than 50% FRPL eligibility (statute allows up to \$300) and \$145 for schools with more than 50% FRPL eligibility (statute allows up to \$450). (Gordon Robertson)

Department of Gaming - Division of Racing Report – Pursuant to an FY 2026 General Appropriations Act footnote, the Arizona Department of Gaming (ADG) submitted a report on the workload, regulatory, and budgetary changes to the Division of Racing since FY 2017. This includes changes in the number of regulated tracks, live races, staffing, funding levels, and the impact of the federal Horseracing Integrity and Safety Act (HISA) of 2020.

The Division of Racing oversees live horse racing and wagering in Arizona. The Division also houses the Unarmed Combat Division, which regulates boxing and mixed martial arts events in the state.

- **Racetracks** – There were 3 racetracks operating in FY 2017. By FY 2023, the number of tracks had increased to 5. Since FY 2024, Turf Paradise has been the sole operating track in the state.
- **Number of Races** – The number of live races was 1,133 in FY 2017 and peaked at 1,842 in FY 2018. Total races declined to a low of 487 in FY 2024 but rebounded to 874 in FY 2025.
- **Staffing Levels** – Since FY 2017, the Division's staff has increased from 11 full-time and 1 seasonal employee to 12 full-time and 7 seasonal employees in FY 2025. While overall racing activity has gone down in the state, the division's staff grew in response to HISA regulatory requirements. Starting in FY 2024, the Division has been reassigning staff to non-racing related positions during the offseason to save on personnel costs from the Racing Regulation Fund, by shifting the employees' cost to other sources during reassignment.
- **Funding Levels** – Total appropriations for the Racing Regulation Fund have increased from \$3.1 million in FY 2017 to \$4.1 million in FY 2025. After accounting for HISA and other specific line items, the net expenditure authority for the Racing Division for general use has decreased from \$2.9 million to \$2.3 million during the same period, a decline of (18.8)%.
- **HISA Assessment** – In 2020, the U.S. Congress passed HISA, which sets federal regulatory standards for horse racing. Since FY 2023, the state has appropriated money to pay the annual HISA regulatory assessment. In FY 2025, the state appropriated \$1,355,100 for the assessment from the Racing Regulation Fund. This compares to an actual FY 2025 net HISA assessment of \$746,800 levied by the federal government. The Division expects the assessment to increase significantly in coming years due to changes in how the assessment is calculated. (Ben Newcomb)

JLBC Staff – Public Programs Eligibility Report - As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, or other persons lawfully present in the United States, and requires semi-annual reports to the Joint Legislative Budget Committee. Below is a summary of the reports:



Department of Economic Security - The department reported that 9,620 applications were received for childcare assistance during the reporting period of June 1, 2025, to November 30, 2025. Of those, 63 applications were denied because of failure to provide evidence of citizenship or legal residence in the United States.

Department of Education – The department reported that 14,243 people applied for instruction in Arizona Adult Education during the reporting period of May to November 2025. Of this amount, 120 were denied instruction because they failed to provide evidence of citizenship or legal residence in the United States. (Grace Timpany)

Judiciary - Supreme Court – Report on State Expenditures on Counties – Pursuant to A.R.S. § 12-262(C), the Administrative Offices of the Courts (AOC) provided a report on the amounts provided to counties in FY 2025 for probation services.

The total amount distributed to the counties was \$49.3 million. The largest recipients were Pima County (\$11.5 million) and Pinal County (\$6.9 million). Maricopa County is not eligible for state payment of these services. (Ethan Scheider)

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. There were 8,007 total cases in FY 2025 including 7,042 involving coaching, 754 needing assistance, and 211 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.

Coaching cases increased by 1,188 and assistance cases by 46 over the FY 2024 caseload, but investigation cases decreased by (255). Three state agencies accounted for the highest number of inquiries and complaints in FY 2025. The Department of Economic Security (DES) accounts 18.2% of all cases, the Department of Child Safety (DCS) for 14.4%, and the Arizona Department of Transportation (ADOT) accounts for 4.5%.

Overall, the caseload increased by 13.9% from FY 2024 primarily due to increased referrals. There was a net increase of 979 cases in FY 2025. (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 December 1, 2025, DPS reports distributing all of the \$5.0 million FY 2023 appropriation and \$6.7 million of the \$10.0 million FY 2024 appropriation. The recipients of the FY 2023 appropriation are shown in *Table 8* and recipients of the FY 2024 appropriation are shown in *Table 9*. (Jordan Johnston)

Table 8

FY 2023 Civil Air Patrol Appropriation Distribution

Recipient	Allocation
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	102,000
Total	\$5,000,000

Table 9

FY 2024 Civil Air Patrol Appropriation Distribution

Recipient	Allocation
Mesa Falcon Field Hangar	\$ 579,600
Sedona Hangar	14,800
Yuma Squadron	7,900
Statewide Communication System	928,600
Lake Havasu Squadron	3,700
Deer Valley Airport	5,147,000
Total	\$6,681,600

Secretary of State – FY 2025 Access Voter Information Database Expenditures – Pursuant to an FY 2026 General Appropriation Act footnote, the Secretary of State (SOS) submitted a report on the FY 2025 actual expenditures for the state's voter registration database, Access Voter Information Database (AVID).

For FY 2025, SOS reported a total of \$2.04 million in AVID expenditures. This was funded by the following sources: \$161,900 from the General Fund, \$483,500 from the appropriated Election System Improvement Fund (monies are from the federal Help America Vote Act funding) \$778,600 from the non-appropriated County Contributions to the Voter Registration Fund, and \$619,700 from other federal funds. The other federal funds came from an American Rescue Plan Act grant of \$316,700, a Uniformed and Overseas Citizens Absentee Voting Act grant of \$198,000, and a United States Department of Homeland Security grant of \$105,000.

The actual expenditures for AVID maintenance and operations in FY 2025 totaled \$1.65 million. Of the operational and maintenance costs, 49.8% of expenditures were spent on professional and outside services, 29.3% for SOS staffing costs, and 20.9% for other operating expenses.

SOS incurred \$392,700 for AVID development costs. These funds were spent on contracted services to update AVID as required by Laws 2022, Chapter 358 relating to early ballot tracking and Laws 2024, Ch. 73 relating to elector notification of changes to voter registration information.
(Micaela Andrews)