

## Summary

The state's Fiscal Year 2024 ended on June 30th. This *Monthly Fiscal Highlights* provides an analysis of the state's FY 2024 General Fund revenue performance based on current preliminary data. The state will continue its FY 2024 book closing process over the next several months.

June 2024 revenue collections were \$248 million above the JLBC January Baseline forecast. Almost the entire June forecast gain was generated from non-tax sources such as unclaimed property deposits, interest earnings and Medicaid reimbursements. The combined forecast gain across these non-tax revenue sources was \$224 million. In contrast, the state's main tax categories in June were only \$24 million above forecast.

### Overall FY 2024 Results

The total level of FY 2024 General Fund collections was \$15.8 billion. Excluding Urban Revenue Sharing, one-time transfers, prior year TPT diversions and the FY 2024 budget's one-time income tax rebate, total FY 2024 General Fund revenues were (0.1)% below the prior year.

After accounting for the June gains noted above, the total FY 2024 year-end revenue results are \$563 million above the Baseline forecast. The enacted budget assumed that FY 2024 revenue collections would be \$151 million above the JLBC January Baseline forecast. This means that based on the preliminary data, FY 2024 revenue collections were \$412 million above the levels assumed in the enacted budget.

We have several observations about the preliminary FY 2024 revenue results:

- 1) The net gain to the FY 2024 budget will also depend on whether actual state spending differed significantly from the enacted budget's projection. The August *Monthly Fiscal Highlights* will address that issue.

- 2) A substantial portion of the FY 2024 revenue overage is considered one-time as it was generated from potentially nonrecurring non-tax sources.
- 3) Regardless of these 2 factors, any forecast gains are beneficial since the enacted budget's 3-year plan only had an ending FY 2027 cash balance of \$8 million.

Below summarizes the performance of various revenue categories during FY 2024 relative to the January forecast:

### Main Tax Categories

- Sales Tax: \$49 million gain – The category generally saw modest growth during the year, increasing by 3.3% in FY 2024 compared to a forecasted growth of 2.7%.
- Individual Income Tax (IIT): \$156 million gain – Significant gains were generated due to lower-than-expected refunds partially offset by forecast losses in payments and withholding.
- Corporate Income Tax (CIT): \$92 million gain – CIT declined by (3.4)% in FY 2024. The forecast, however, had anticipated a larger drop from the historically high FY 2023 level of collections.
- Insurance Premium Tax (IPT): \$51 million gain – Likely due to significant premium increases across several types of insurance during calendar year 2023.

### Other State Revenue Categories

- Medicaid Refunds: the \$160 million gain in Transfers and Reimbursements was due to: 1) actual DES Developmental Disabilities spending being less than projected; and 2) AHCCCS health plan profits exceeding certain levels in the managed care program.
- Unclaimed Property: Unclaimed property proceeds of \$211 million, an all-time high, helped drive a \$41 million gain in the Other Miscellaneous revenue category.

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## FY 2024 Revenue Results – Detail By Category

Table 1 displays the FY 2024 performance of the state's major revenue categories, along with how their collections compared to the January Baseline forecast.

	<u>Prelim.</u> <u>Actual</u>	\$ in M +/- <u>Forecast</u>
Sales Tax	3.3%	\$49
Individual Income Tax	(7.5)%	\$156
Corporate Income Tax	(3.4)%	\$92
Insurance Premium Tax	7.8%	\$51

### Sales Tax

During FY 2024, Sales Tax collections grew by 3.3%, which is the slowest growth rate for this revenue category since FY 2016. However, since the Baseline forecast assumed an even lower growth rate of 2.7%, actual collections in FY 2024 ended up \$49 million above projections.

Table 2 provides more details on the 5 major sales tax categories that combined make up approximately 90% of total state sales tax revenue. All the major categories with the exception for the Contracting and Utilities classifications underperformed in FY 2024, relative to their historical growth rates.

As shown in Table 2, the Retail/Remote Seller category, which makes up 54% of total sales tax revenue, grew by 3.2% in FY 2024. This figure is further reduced to 2.1% after including technical corrections reported by the Department of Revenue (DOR) in the fall of 2023.

The slower growth in retail sales in Arizona appears to be part of a wider, national trend. Recent data provided by the Urban Institute indicates that during the period from July 2023 to May 2024, state sales tax collections nationwide increased (year over year) by a modest 1.5%.

Reports from analysts suggest that the slower growth in retail sales can be attributed to several factors, including a continued shift in consumer spending from goods to services, slower real (inflation-adjusted) wage growth, depleted excess savings built up during the pandemic, rising credit card debts and higher interest rates to finance big-ticket purchases (such as motor vehicles and major household appliances).

The pullback in consumer spending does not appear to be limited to the retail sector. Current data suggests that Arizona households are also dining out less frequently than previously. As displayed in Table 2, sales tax revenue from restaurants and bars grew by 2.9% in FY 2024, which apart from the pandemic year of FY 2020 is the slowest increase since the Great Recession in FY 2010.

Contracting activity continued to be an important driver of overall sales tax collections in FY 2024, with a 12.2% increase over the prior year. This marked the 7<sup>th</sup> consecutive year with double-digit growth for contracting sales tax revenue.

<u>Tax Category</u>	<u>Annual</u> <u>Growth Rate</u>
Retail/Remote Seller <sup>1/</sup>	3.2%
Contracting	12.2%
Use Tax <sup>2/</sup>	(24.6)%
Restaurant & Bar	2.9%
Utilities <sup>3/</sup>	20.0%

<sup>1/</sup> Absent DOR's technical corrections in August and October of 2023, Retail/Remote Seller growth would have been 2.1%.  
<sup>2/</sup> Absent DOR's technical corrections in August and October of 2023, Use Tax growth would have been (10.5)%.  
<sup>3/</sup> Absent a large taxpayer refund of \$40 million issued in October 2022 (which artificially lowered the FY 2023 revenue base), Utilities growth would have been 10.6%.

### Individual Income Tax

Individual Income Tax (IIT) collections in FY 2024 totaled \$4.85 billion, a (7.5)% decrease from FY 2023. Since the Baseline forecast assumed an even larger decline of (10.5)%, the state ended up with an IIT forecast gain of \$156.4 million in FY 2024. As discussed below, the primary reason for the large forecast gain was significantly lower amounts of refunds than anticipated under the Baseline projection.

### Withholding

In January 2023, the Department of Revenue implemented lower withholding rates to reflect the reduced tax liability accrued under the 2.5% single IIT rate that went into effect at the same time.

As a result of the lower withholding rates, the Baseline forecast assumed that withholding collections would decline by (6.1)% in FY 2024, to a total of \$5.32 billion. Actual withholding revenue declined by (6.3)%, to a total of \$5.31 billion, thereby resulting in a FY 2024 withholding forecast loss of \$(11.2) million.



## Payments

As a result of the final phase-in of the tax rate reductions originally enacted in 2021, the IIT rates were reduced from 2.55%/2.98% in TY 2022/FY 2023 to a single rate of 2.5%, beginning in TY 2023/FY 2024.

While the Baseline forecast assumed that the implementation of the 2.5% single rate in TY 2023 would result in an IIT payment decline of (22.0)% in FY 2024, actual payments decreased by (25.2)%, which resulted in forecast loss of \$(65.9) million.

Tax return data compiled by DOR from the early part of the 2024 tax-filing season suggests that the larger-than-expected reduction in IIT payments may be related to decreased capital gains earnings. Based on returns filed and processed in January and February of 2024 (for TY 2023), capital gains were down by slightly more than (20)% over the comparable period in the prior year. While early tax-filing data is often a relatively good predictor of the direction (increase or decrease) of the change in capital gains earnings, it is not a good predictor of the magnitude of such change. For this reason, we cannot yet draw any definitive conclusions regarding the impact of capital gains on FY 2024 IIT payments.

## Refunds

While the new, lower withholding rates discussed above went into effect in January 2023, they did not materially affect refund levels until individuals filed their TY 2023 returns in the spring of 2024. All else equal, lower withholding rates result in lower refunds (or higher final payments).

As a result of the combined net effect of the 2.5% single rate and the lower withholding rates, beginning in TY 2023, the Baseline forecast assumed that refunds would decline from \$2.48 billion in FY 2023 to \$2.23 billion in FY 2024, a decrease of (10.0)%. The actual amount of refunds issued in FY 2024 was \$2.0 billion, a reduction of (19.4)%. The lower-than-projected refund level generated a forecast gain of \$233.5 million.

## **Corporate Income Tax**

In FY 2024, net Corporate Income Tax (CIT) revenue was \$1.74 billion, a decrease of (3.4)% from the previous year. However, since the Baseline forecast assumed an even larger decline of (8.5)%, actual CIT collections for FY 2024 ended up \$92 million above projections.

Arizona was one of several states experiencing a decline in CIT collections. According to a recent report from the Urban Institute, in the 46 states that levy a corporate income tax, 24 states reported year-over-year declines in the 11-month period from July 2023 to May 2024.

Since Arizona corporate tax filing data is not aggregated even by broad industry categories, we are not able to determine the exact reasons for the FY 2024 decrease in CIT revenue. However, considering that many other states also experienced a reduction in CIT collections, as noted above, we assume that this decrease is related to corporate profitability.

National data from the U.S. Bureau of Economic Analysis (BEA) indicates that corporate profit growth slowed considerably over the last year. Corporate pre-tax profits at the national level grew by a modest 1.0% in 2023. This follows 30% and 8% profit growth in 2021 and 2022, respectively.

## **Insurance Premium Tax**

For all of FY 2024, IPT collections were \$820.4 million, an increase of 7.8% over the prior fiscal year and \$50.7 million above the Baseline forecast.

Premium taxes levied on the state's Medicaid program represent approximately 50% of IPT collections. The state experienced an increase in AHCCCS caseloads throughout the COVID-19 public health emergency as federal legislation prohibited disenrollment of members for financial eligibility reasons from March 2020 through April 2023. The resumption of disenrollment for ineligible members was expected to reduce IPT collections from AHCCCS contractors in FY 2024 compared to the prior year.

However, while AHCCCS enrollment did decline throughout FY 2024, it did not decline as much as originally anticipated. Additionally, there have been significant premium increases across several non-AHCCCS insurance types (such as motor vehicle and property insurance) over the last year. The 7.8% growth in FY 2024 IPT collections is likely due to the combined impact of these factors.

The Department of Insurance and Financial Institutions (DIFI) will release data on FY 2024 IPT collections by insurance line later this year. Once this information becomes available to us, we will be able to make a more detailed assessment of the FY 2024 IPT increase.

## **Tobacco Tax**

Tobacco Tax revenues deposited into the General Fund totaled \$19.2 million, which is 2.5% above FY 2023 collections but \$(0.1) million below the Baseline forecast.

## **Liquor Tax**

Liquor Tax revenue deposited into the General Fund totaled \$43.7 million in FY 2024, which is (3.6)% less than the prior year's total and \$(3.1) million below the Baseline forecast.



**Lottery Revenue**

The Lottery Commission reported that the total amount of ticket sales in FY 2024 was \$1.53 billion, which is an increase of 0.8% over the prior year. Lottery General Fund profit distributions totaled \$222.3 million, which is an increase of 26.4% above the prior year.

**Gaming Revenue**

In FY 2024, the Department of Gaming transferred \$36.5 million of revenue to the General Fund related to event wagering and fantasy sports. This amount reflects licensing fees and privilege fee (tax) revenue, less any department administrative expenses allowed by statute. This is a (26.1)% decrease from last year and a Baseline forecast loss of \$(0.1) million.

The FY 2024 decline in General Fund gaming revenue is due to the artificially high FY 2023 total, which included a deposit of \$13.4 million in FY 2022 license fees that were not processed until FY 2023. Adjusting for the delayed FY 2022 license fee deposit, FY 2024 gaming revenue increased 1.6% over FY 2023.

**Highway User Revenue Fund (HURF)**

HURF collections reached \$1.8 billion in FY 2024, an increase of 3.0% over the prior year. HURF collections were \$(16.5) million below forecast.

**Marijuana Excise Tax**

Marijuana excise tax collections were \$176.6 million during FY 2024, which is 4.6% above FY 2023 total collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts.

**Table 3**  
**Marijuana State Tax Collections and Distributions**  
**(\$ in Millions)**

	<u>June</u>	<u>FY 2024</u>
<b>Marijuana Excise Tax</b>	<b>\$14.4</b>	<b>\$176.6</b>
<b>Medical Marijuana TPT*</b>	<b>\$0.9</b>	<b>\$15.8</b>
<u>Distribution:</u>		
General Fund	\$0.7	\$11.7
Counties	\$0.1	\$2.6
Cities	\$0.1	\$1.6
<b>Recreational Marijuana TPT*</b>	<b>\$4.7</b>	<b>\$52.2</b>
<u>Distribution:</u>		
General Fund	\$3.5	\$38.5
Counties	\$0.8	\$8.5
Cities	\$0.5	\$5.2
<b>Total State Marijuana Tax* Collections</b>	<b>\$20.0</b>	<b>\$244.6</b>

\* Amounts may not add to total due to rounding



Table 4

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

	Current Month					FY 2024 YTD (Twelve Months)				
	Actual June 2024	Change From June 2023		Baseline Forecast		Actual June 2024	Change from June 2023		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b><u>Taxes</u></b>										
Sales and Use	\$669,934,376	\$33,642,072	5.3 %	\$25,100,105	3.9 %	\$7,934,130,102	\$256,340,781	3.3 %	\$49,040,469	0.6 %
Income - Individual	455,361,791	(4,707,493)	(1.0)	(25,298,784)	(5.3)	4,845,766,544	(393,786,318)	(7.5)	156,366,733	3.3
- Corporate	266,657,397	3,918,821	1.5	26,951,598	11.2	1,744,821,675	(61,489,679)	(3.4)	92,046,825	5.6
Property	(211,278)	477,609	--	(508,453)	--	25,995,007	3,786,994	17.1	4,231,155	19.4
Luxury - Tobacco	1,399,610	(315,563)	(18.4)	(185,066)	(11.7)	19,160,068	473,233	2.5	(60,612)	(0.3)
- Liquor	2,604,453	(2,521,383)	(49.2)	(2,313,745)	(47.0)	43,743,382	(1,636,435)	(3.6)	(3,131,829)	(6.7)
Insurance Premium	153,228,462	(1,836,315)	(1.2)	448,043	0.3	820,435,089	59,093,102	7.8	50,718,339	6.6
Other Taxes	916,668	(271)	(0.0)	16,115	1.8	17,196,480	(1,157,568)	(6.3)	(2,534,121)	(12.8)
<b>Sub-Total Taxes</b>	<b>\$1,549,891,479</b>	<b>\$28,657,478</b>	<b>1.9 %</b>	<b>\$24,209,814</b>	<b>1.6 %</b>	<b>\$15,451,248,348</b>	<b>(\$138,375,890)</b>	<b>(0.9) %</b>	<b>\$346,676,958</b>	<b>2.3 %</b>
<b><u>Other Revenue</u></b>										
Lottery	0	0	--	0	--	222,285,158	46,473,185	26.4	0	0.0
Gaming	9,819,405	110,450	1.1	2,520,816	34.5	36,477,311	(12,899,863)	(26.1)	(112,699)	(0.3)
License, Fees and Permits	4,687,672	1,519,858	48.0	1,983,982	73.4	52,664,494	10,482,726	24.9	7,614,365	16.9
Interest	63,838,565	(19,121,532)	(23.0)	23,717,531	59.1	371,165,806	4,402,622	1.2	11,165,807	3.1
Sales and Services	2,404,742	419,894	21.2	(694,007)	(22.4)	30,757,014	(2,399,254)	(7.2)	(3,725,504)	(10.8)
Other Miscellaneous	202,406,068	37,829,719	23.0	46,593,876	29.9	226,979,639	48,335,600	27.1	41,189,838	22.2
Disproportionate Share	75,853,500	(22,285,474)	(22.7)	0	0.0	75,853,500	(22,285,474)	(22.7)	0	0.0
Transfers and Reimbursements	190,647,014	21,265,417	12.6	150,053,005	369.6	327,232,896	51,636,021	18.7	160,323,860	96.1
<b>Sub-Total Other Revenue</b>	<b>\$549,656,965</b>	<b>\$19,738,332</b>	<b>3.7 %</b>	<b>\$224,175,203</b>	<b>68.9 %</b>	<b>\$1,343,415,818</b>	<b>\$123,745,561</b>	<b>10.1 %</b>	<b>\$216,455,665</b>	<b>19.2 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$2,099,548,443</b>	<b>\$48,395,810</b>	<b>2.4 %</b>	<b>\$248,385,017</b>	<b>13.4 %</b>	<b>\$16,794,664,166</b>	<b>(\$14,630,329)</b>	<b>(0.1) %</b>	<b>\$563,132,623</b>	<b>3.5 %</b>
<b><u>Other Adjustments</u></b>										
Urban Revenue Sharing	(130,401,650)	(38,155,093)	41.4	0	0.0	(1,564,819,794)	(457,861,118)	41.4	0	0.0
One-Time Transfers	843,331,200	843,331,200	--	0	0.0	843,331,200	767,869,104	--	0	0.0
TPT Diversions	0	2,287,489,600	--	0	--	0	2,287,489,600	--	0	--
Income Tax Rebate	(11,900)	(11,900)	--	(11,900)	--	(273,550,100)	(273,550,100)	--	(593,750)	0.2
<b>Sub-Total Other Adjustments</b>	<b>712,917,650</b>	<b>3,092,653,807</b>	<b>-- %</b>	<b>(11,900)</b>	<b>(0.0) %</b>	<b>(995,038,694)</b>	<b>2,323,947,486</b>	<b>(70.0) %</b>	<b>(593,750)</b>	<b>0.1 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$2,812,466,094</b>	<b>\$3,141,049,617</b>	<b>-- %</b>	<b>\$248,373,117</b>	<b>9.7 %</b>	<b>\$15,799,625,472</b>	<b>\$2,309,317,157</b>	<b>17.1 %</b>	<b>\$562,538,873</b>	<b>3.7 %</b>
<b><u>Non-General Funds</u></b>										
Highway User Revenue Fund	183,120,935	8,337,632	4.8 %	(5,980,623)	(3.2) %	1,801,131,546	51,837,034	3.0 %	(16,539,424)	(0.9) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) third estimate of U.S. **Real Gross Domestic Product** (GDP) in the 1<sup>st</sup> quarter of 2024 is a seasonally adjusted annualized growth rate of 1.4%. This estimate is an upward revision from their advance estimate of 1.3%.

The **Consumer Confidence Index**, published by the Conference Board, decreased to 100.4 in June, a reduction of (0.9) points from the revised May level. Consumers were slightly more optimistic about present business conditions, but this was outweighed by increased pessimism for the future. Inflation continues to be a prominent area of concern to consumers, with the expected path of inflation being 5.3% over the next year. Year over year, the consumer confidence index has decreased (8.8)%.

The Conference Board's **U.S. Leading Economic Index** (LEI) decreased (0.5) points to 101.2 in May. Reduced consumer confidence, manufacturing new orders, and building permits were the main contributors to the index's decline. According to the Conference Board's press release, "the LEI doesn't currently signal a recession", though the negative growth rate does suggest a future slowdown in economic activity. The LEI fell by (2.0)% over the 6-month period between November 2023 and May 2024, a slower rate of decrease from the (3.4)% decline over the prior 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index** (CPI) in June declined (0.1)% from the previous month on a seasonally adjusted basis. Compared to the same month last year, consumer prices are up by 3.0% before seasonal adjustment. Increased food and shelter prices were offset by falling energy prices, which were led by a (3.8)% decrease in gasoline prices. The Core CPI, which excludes food and energy, is up by 3.3% from a year ago.

ARIZONA

Housing

In May, Arizona reached a 12-month total of 40,849 **single-family building permits** issued. This marks an increase of 1.7% above April's rolling total and an increase of 42.9% over May 2023's 12-month total.

Arizona's 12-month total of 20,318 **multi-family building permits** in May is (3.4)% below April's total and (19.1)% below the same 12-month period ending in May 2023.

The **median home price** in Maricopa County fell slightly again to \$481,990 in June, a (0.5)% decrease from the median sale price in May and a 1.5% increase over the median home price a year prior.

Tourism

**Phoenix Sky Harbor Airport Ridership** rose to 4.7 million in May, marking a 4.5% increase from the prior month and a 12.7% increase over last May's ridership.

**Hotel occupancy** was 67.2% in May, which is (6.5)% below April's occupancy rate and 0.3% above that of May 2023.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state lost (46,300) **nonfarm jobs** in June compared to May. Job losses on a month-over-month basis are common in June, as schools and universities close for the summer and winter visitors return to their home states. Prior to the pandemic, nonfarm employment recorded an average net loss of (51,600) jobs in June (2010-2019). Compared to a year prior, the state added 66,200 jobs in June, an increase of 2.1%.

The state's seasonally adjusted **unemployment rate** decreased from 3.4% in May to 3.3% in June, the lowest recorded jobless rate for the state since January 1976 (historical data prior to January 1976 is not available). May also marked the 6<sup>th</sup> consecutive month-over-month decline of the Arizona unemployment rate. The U.S. seasonally adjusted unemployment rate increased to 4.1% in June from 4.0% in May. The last time Arizona's jobless rate was at least (0.8)% lower than the U.S. unemployment rate was in July 2020.

OEO reported that a total of 4,423 **initial claims for unemployment insurance** were filed in Arizona in the week ending on July 6<sup>th</sup>. This represents a (7.5)% year-over-year decrease in initial claims, with the week ending July 8, 2023 seeing 4,783 initial claims.

According to OEO, there were a total of 30,725 **continued claims for unemployment insurance** in Arizona for the week ending on June 29<sup>th</sup>. This is 7.2% greater than last year's total of 28,660 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. Bureau of Economic Analysis (BEA) recently released state personal income estimates for the 1<sup>st</sup> quarter of 2024. Personal income in Arizona grew at an annual rate of 8.4% in the 1<sup>st</sup> quarter. Net earnings, dividends, interest, rent, and transfer receipts all increased during the quarter. Transfer receipts increased the most, with a seasonally adjusted annual growth rate of 14.7%. The BEA estimates that the total level of personal income was \$471.8 billion.

## The Arizona Department of Correction's **Inmate**

**Population** was 35,138 as of June 30, 2024. This figure was essentially unchanged from the prior month but 2.2% higher than in June 2023.

## State Agency Data

As of July 1, 2024, the total **AHCCCS caseload** was 2.12 million members. Total monthly enrollment decreased (0.6)% from June and decreased (5.3)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.4)% in July, or (5.2)% lower than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 964,041 – a decrease of (1.0)% from June, or (6.1)% lower than last year.

For July 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.5%. At 70,661, this population is 3.5% higher than a year ago.

Based on information the **Department of Child Safety** provided for May 2024, reports of child maltreatment totaled 42,814 over the last 12 months, a decrease of (2.0)% from the prior year.

There were 9,414 children in out-of-home care as of May 2024, or (14.3)% less than in May 2023. Compared to the prior month, the out-of-home children population declined by (1.6)%.

There were 10,605 individuals receiving **TANF** Cash Assistance in June 2024, representing a (2.4)% decline from May 2024. Year over year, the number of cash benefit recipients has decreased by (1.2)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 953,162 individuals receiving SNAP benefits in June 2024, representing a 0.1% increase from May 2024. Year over year, the number of SNAP recipients has increased by 1.5%.



Table 5

Indicator	MONTHLY INDICATORS			
	Time Period	Current Value	Change From Prior Period	Change From Prior Year
<b>Arizona</b>				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	June	3.3%	(0.1)%	(0.5)%
- Total Unemployment Rate (discouraged/underemployed)	1 <sup>st</sup> Q 2024	7.2%	(0.1)%	0.7%
- Initial Unemployment Insurance Claims	Week Ending July 6	4,423	1.9%	(7.5)%
- Continued Unemployment Insurance Claims	Week Ending June 29	30,725	(1.3)%	7.2%
- Non-Farm Employment - Total	June	3,208,500	(1.4)%	2.1%
Manufacturing	June	194,100	0.1%	(0.6)%
Construction	June	215,900	0.2%	0.6%
- Average Hourly Earnings, Private Sector	June	\$33.04	(0.1)%	5.4%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	May	40,849	1.7%	42.9%
Multi-family		20,318	(3.4)%	(19.1)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	June	5,133	(15.4)%	(13.6)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	June	\$481,990	(0.5)%	1.5%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	May	4,730,781	4.5%	12.7%
- State Park Visitors	April	334,154	(9.6)%	(2.9)%
- Revenue Per Available Hotel Room	May	\$102.54	(24.3)%	1.5%
- Arizona Hotel Occupancy Rate	May	67.2%	(6.5)%	0.3%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	1 <sup>st</sup> Q 2024	\$471.8 billion	8.4%	4.6%
- Arizona Population, U.S. Census	July 2023	7,431,344	N/A	0.9%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	July 1st	2,122,636	(0.6)%	(5.3)%
Traditional Acute Care		1,087,934	(0.4)%	(5.2)%
Other Acute Care		964,041	(1.0)%	(6.1)%
Long-Term Care – Elderly & DD		70,661	0.5%	3.5%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	May	42,814	(1.4)%	(2.0)%
DCS Out-of-Home Children	May	9,414	(1.6)%	(14.3)%
Filled Caseworkers (1,406 Budgeted)	May	1,273	(15)	(37)
- ADC Inmate Growth	June	35,138	0.03%	2.2%
- Department of Economic Security				
- TANF Cash Assistance Recipients	June	10,605	(2.4)%	(1.2)%
- SNAP (Food Stamps) Recipients	June	953,162	0.1%	1.5%
<b>United States</b>				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	1 <sup>st</sup> Q, 2024 3 <sup>rd</sup> Estimate)	\$22.8 trillion	1.4%	2.9%
- Consumer Confidence Index (1985 = 100)	June	100.4	(0.9)%	(8.8)%
- Leading Economic Index (2016 = 100)	May	101.2	(0.5)%	(5.3)%
- Consumer Price Index, (1982-84 = 100)	June	314.2	(0.1)%	3.0%





## Summary of Recent Agency Reports

**ADOA – School Facilities Division – Report on Building Renewal Grant Fund** – Pursuant to A.R.S. § 41-5731, the School Facilities Division (SFD) within the Arizona Department of Administration (ADOA) is required to submit an annual report on unobligated monies in the Building Renewal Grant Fund. ADOA-SFD reported that as of May 28, 2024, the unencumbered balance of the fund is \$1.0 million. In addition, ADOA-SFD reports that the division has substantially reviewed 324 projects applications totaling \$194.5 million that are pending funding from the enacted budget's \$200 million FY 2025 Building Renewal Grant Fund appropriation. (Gordon Robertson)

**Arizona Health Care Cost Containment System – Annual Serious Mental Illness Report** – Pursuant to A.R.S. § 36-3415(B), the Arizona Health Care Cost Containment System (AHCCCS) reported SFY 2022 Medicaid and Non-Medicaid Serious Mental Illness (SMI) behavioral health expenditures. AHCCCS expended \$968.0 million Total Funds on behavioral health services for 50,578 Medicaid-funded SMI members, including:

- \$322.1 million for treatment services.
- \$158.3 million for inpatient services.
- \$155.4 million for pharmacy costs.
- \$332.2 million for all other service categories.

The agency expended \$52.8 million Total Funds for 14,362 non-Medicaid SMI clients in SFY 2022, including:

- \$13.4 million for support services.
- \$11.6 million for medical services.
- \$11.1 million for pharmacy costs.
- \$16.7 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. (Maggie Rucker)

**Arizona Health Care Cost Containment System – Report on On-Call Obstetrics and Gynecological Services** – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Health Care Cost Containment System (AHCCCS) reported on the use of monies from the on-call obstetrics and gynecological services line item. The FY 2024 budget appropriated \$7.5 million on a one-time basis to maintain service availability in low-volume obstetric delivery areas and rural communities. The funding is intended to be spent across 3 years.



For CY 2023, AHCCCS reported 4 community health centers (CHCs) received a total of \$2.5 million from the program: Canyonlands Community Health Centers, Mariposa Community Health Center, Little Colorado Health Clinic, and Regional Center for Border Health (San Luis). In aggregate, the 4 participating hospitals reported 936 deliveries during on-call hours and 2,415 non-delivery visits. (Maggie Rucker)

**AHCCCS – Report on Community Health Center Graduate Medical Education Residency Positions** – Pursuant to A.R.S. § 36-2907.06, the Arizona Health Care Cost Containment System (AHCCCS) is required to submit an annual report documenting the number of new residency positions created by community health centers and rural health clinics with approved primary care graduate medical education programs as well as the amount of monies contributed.

According to AHCCCS, the Centers for Medicare and Medicaid Services has denied their requests for federal authorization of Medicaid funding. Given that A.R.S. § 36-2907.06 requires the program to receive CMS approval prior to implementation, AHCCCS will not be establishing a community health center GME program.

Laws 2021, Chapter 81 required AHCCCS to create a separate graduate medical education program for qualifying community health centers and rural health clinics, with an intended start date of March 1, 2022. (Maggie Rucker)

**AHCCCS – Report on Graduate Medical Education Residency Positions** – Pursuant to A.R.S. § 36-2903.01, the Arizona Health Care Cost Containment System (AHCCCS) submitted its annual report on the number of residency positions funded by local, county, or tribal governments. The agency reported that FY 2024 contributions provided \$406.2 million for partial funding of 2,214 residency positions at 29 hospitals. The largest recipients included Banner University Medical Center - Tucson (\$85.5 million), Valleywise Health Medical Center (\$66.0 million), Phoenix Children’s Hospital (\$57.0 million), Banner University Medical Center - Phoenix (\$53.3 million), and St. Joseph’s Hospital - Phoenix (\$47.3 million).

The \$406.2 million in Total Funds included local contributions of \$99.2 million and a federal match of \$307.0 million. Local government contributors included University of Arizona (\$54.5 million), Valleywise Health (\$23.7 million), Arizona State University (\$17.4 million), the City of Tucson (\$2.6 million) and Mohave County (\$1.0 million). (Maggie Rucker)

**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 third quarter of FY 2024, the AG received its full \$600,000 FY 2024 appropriation to the fund (plus \$174 of other revenues). As of June 30, 2024, the unencumbered balance in the fund was \$334. (Gordon Robertson)

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

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

Through the fourth quarter of FY 2024, the AG received the full \$900,000 for deposit into the ICAC Enforcement Fund. A total of \$1,151,600 was expended from the fund balance through the fourth quarter of FY 2024 to help pay for the operating costs of the ICAC Task Force. As of June 30, 2024, the ICAC Enforcement Fund had an unencumbered fund balance of \$1,272,300. (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 fourth quarter of FY 2024, the AG deposited a total of \$24.2 million into various consumer accounts. Of that amount, \$204,600 was deposited in the CPCF Revolving Fund, \$197,100 was deposited into the Consumer

Restitution Subaccount, \$10,000 was deposited into the General Fund, and \$23.8 million was deposited into the Consumer Remediation Subaccount, of which all the Remediation deposits were opioid claims-related monies. The AG made no deposits into the Antitrust Enforcement Revolving Fund.

Deposits to the CPCF Revolving Fund

The AG deposited \$204,600 into the appropriated CPCF Revolving Fund, which may be used for consumer fraud education and investigation, costs associated with the Tobacco Master Settlement Agreement, or any other purpose permitted by statute. This amount resulted from small legal settlements and interest income. As of June 30, 2024, the fund had an unencumbered balance of \$26.3 million.

Deposits to the Antitrust Enforcement Revolving Fund

The AG deposited no additional monies into the appropriated Antitrust Enforcement Revolving Fund, which may be used for antitrust enforcement expenses, excluding attorney compensation. As of June 30, 2024, the fund had an unencumbered balance of \$1.1 million.

Deposits to the Consumer Restitution Subaccount

The AG deposited \$197,100 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 June 30, 2024, the fund had an unencumbered balance of \$10.1 million.

Deposits to the Consumer Remediation Subaccount

The AG deposited \$23.8 million into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount resulted from \$1.5 million of interest income and \$22.3 million of deposits as part of ongoing settlements resolving allegations that the settling entities engaged in unfair or deceptive practices related to the advertisement or sale of opioids: \$4.8 million from Cardinal Health; \$571,200 from McKinsey and Company Inc.; \$8.1 million from Publicis Health LLC; and \$8.8 million from Johnson and Johnson Janssen. As of June 30, 2024, the fund had an unencumbered balance of \$38.0 million.

Deposits to the General Fund

The AG deposited \$10,000 into the General Fund. This amount resulted from various small legal settlements.

Opioid Claims-Related Litigation

The AG reported \$23.0 million of opioid monies for deposit in the partially-appropriated Consumer Remediation Subaccount. These monies are described above under the



Remediation Subaccount section. The AG does not consider the McKinsey revenues part of opioid claims-related litigation because this opioid settlement precedes the national opioid settlement agreement. Of the interest revenue described above, \$1.3 million is attributable to opioid claims-related deposits. The AG spent \$9,700 on aid to others and \$75.0 million on operating transfers out through the fourth quarter of FY 2024. As of June 30, 2024, the Remediation Subaccount had an unencumbered balance of opioid claims-related monies of \$26.2 million. (Gordon Robertson)

**Arizona Commerce Authority – Report on Major Events Fund Expenditures** – Pursuant to A.R.S. § 41-1506.02, the Arizona Commerce Authority (ACA) submitted its semiannual report including actual expenditures from the Major Events Fund by purpose and an expenditure plan for all remaining monies in the fund by purpose. ACA’s report covers funding through June 30, 2024.

ACA reported spending all \$15.0 million of the monies appropriated into the Major Events Fund in FY 2022 and FY 2023. ACA granted \$10.0 million to the Super Bowl Host Committee, funding up to 25% of the operating expenditures required under the event support contract between the host organization and the local organizing committee. ACA also awarded \$3.0 million in grants to the Final Four Host Committee for up to 25% of the operating expenditures required under the event support contract between the host organization and the local organizing committee for the 2024 NCAA Men's Final Four. In addition, the Authority granted \$1.9 million to the Arizona Major Events Host Committee for operating costs, with the remaining \$27,100 going to the L. William Seidman Research Institute at Arizona State University for studies of the economic impacts of hosting the Super Bowl and the Final Four. (Nate Belcher)

**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 10,326 applications were received for childcare assistance during the reporting period of December 1, 2023, to May 31, 2024. Of those, no applications were denied because of criteria for citizenship or legal residency.

**Department of Education** – The department reported that 10,215 people applied for instruction in Arizona Adult Education during the reporting period of December 2023 to May 2024. Of this amount, 159 were denied instruction because they failed to provide evidence of citizenship or legal residence in the United States. (Grace Timpany)

**Department of Public Safety (DPS) – Report on Microwave Backbone Communication System** – Pursuant to a footnote in the FY 2022 General Appropriation Act, DPS is required to submit an annual report on the status of and expenditures on the update to the microwave backbone communication system, which will focus on the North Loop. DPS submitted its third report covering the period from May 1, 2023 to April 30, 2024. The department reports that they've completed "Loop One" of the project (covering a region from Wickenburg to Prescott). The department anticipates they will complete "Loop Two" (covering a region from Phoenix to Payson) by early 2025. The project consists of 5 total "Loops". The department reports that they've obtained 28 of 34 total land use permits, started construction on 15 of 35 total sites, and installed 6 of 45 total radio towers. DPS further reports the main risks for the project are currently a delayed land use permit approval, environmental restrictions on at least 9 construction sites, and limited frequency availability in some site locations.

The FY 2022 budget appropriated \$48.2 million from the General Fund for the Microwave Backbone Statewide Communication System line item. Through the end of April 2023, the department has expended \$13.7 million and has \$11.6 million in outstanding encumbrances. The department anticipates expending \$13.4 million in the next reporting period and the full remaining amount of \$9.5 million to complete the project in FY 2026. The completion of the project is dependent primarily on weather and permit approvals from landowners. (Jordan Johnston)

**Department of Revenue – Report on Capital Gains Tax Paid by Nonresidents on Real Estate Transactions** - Pursuant to A.R.S. § 43-312B, the Department of Revenue (DOR) is required to estimate and report to the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSP), by June 30 of each year, the amount of capital gains tax paid by nonresidents of this state on real estate transactions in Arizona. Based on the most recent data available, DOR estimates that \$14.7 million was paid by nonresidents in capital gains tax on real estate transactions in Arizona in Tax Year (TY) 2022. This is a (12.0)% decline from the revised TY 2021 level of \$16.7 million. (Benjamin Newcomb)

