

Joint Legislative Budget Committee

Monthly Fiscal Highlights

June 2025

Summary

May 2025 General Fund collections were \$1.26 billion, which is an increase of 1.4% above May 2024. The modest overall revenue growth during the month resulted in a forecast loss of \$(34) million below the January Baseline revenue forecast.

Sales Tax

Overall Sales Tax collections in May (which represent April sales activity) grew by 2.7% above May 2024. This level of May collections was essentially at forecast, resulting in a minor forecast gain of \$1.6 million compared to the January Baseline forecast.

May Sales Tax collections replicated the trends seen in last month's data, as the combined retail/remote seller subcategory continued performing well, growing by 5.0% year-over-year. In addition, we continue to see a slowdown in contracting and restaurant/bar activity – both categories posted slow growth in April followed by actual declines this month in May.

Individual Income Tax

While the high point of the state's tax filing season has passed, the state does still see significant levels of income tax payment and refund processing during the month of May. Individual Income Tax collections during May were (0.6)% below the prior year, which resulted in a forecast loss of \$(19) million below the January Baseline projections.

The results across Individual Income Tax were mixed, as withholding collections declined by (2.2)% which generated the forecast loss for the category. That withholding loss was partially offset by moderate growth in payments and the state paying out less refunds than expected.

Corporate Income Tax

May Corporate Income Tax (CIT) revenues declined by (7.7)% below the prior year, which marks the fourth consecutive month of declines for the tax category. This May performance resulted in a \$(10) million loss compared to the January Baseline forecast.

Year-to-Date Results

Year-to-date through May, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2025 General Fund revenues are 5.3% above the prior year.

With the May results, after 5 months of tracking against the January Baseline forecast, the state has generated a cumulative forecast gain of \$189 million. This year-to-date forecast gain is generally consistent with the revenue projections used in the recently enacted FY 2026 budget.

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May Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2025 Collections	Difference From Baseline Forecast	Difference From FY 2024
May	\$ 1,255.6	\$ (34.0)	\$ 17.6
Year-to-Date	\$ 14,322.3	\$ 188.7	\$ 1,335.2

Sales Tax collections of \$688.4 million were 2.7% above May of last year and \$1.6 million above the Baseline forecast. Year to date, sales tax revenue is up by 3.1% and is \$(12.9) million below forecast. Sales taxes remitted to the state in May are from sales that occurred in April.

Table 2 displays the May 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		
	May	YTD
Retail/Remote Seller ^{1/}	5.0%	2.4%
Contracting	(0.7)%	1.5%
Use Tax ^{2/}	4.6%	14.4%
Restaurant & Bar	(0.9)%	1.6%
Utilities	3.4%	6.2%

^{1/} If this amount were adjusted for corrections of previously filed tax returns in 2023 and 2024, the YTD Retail/Remote Seller growth would have been 3.4% in May.

^{2/} If this amount were adjusted for corrections of previously filed tax returns in 2023 and 2024, YTD Use Tax collections would have been down by (0.2)% in May.

As shown in the table above, both the Prime Contracting and Restaurant and Bar Classifications of the Transaction Privilege Tax (TPT) declined year-over-year in May. Sales tax revenue from contracting activity has remained weak throughout most of FY 2025 and this category is currently on track to increase at the lowest percentage rate since FY 2016.

Industry-specific data provided by the Department of Revenue (DOR) indicates that the poor performance of the Contracting Classification in terms of state tax revenue is primarily due to: (1) Nonresidential (Industrial and Commercial) Construction, which is down by (1.7)% YTD,

and (2) Specialty Trade Contracting (i.e., plumbers, electricians, painters, roofers, etc.) , down by (6.7)% YTD. Combined, contracting sales tax collections from these two sectors of Arizona's construction industry make up approximately 45% of the state Prime Contracting TPT tax base.

The Restaurant and Bar Classification of TPT is another "underperformer" with a modest YTD growth rate of 1.6% through May, which is the slowest growth for the comparable period since May 2020 when this industry was grappling with challenges associated with the initial phase of the Covid-19 pandemic. Anecdotal information from industry representatives suggests that the slowdown in Restaurant and Bar sales may be related to a combination of factors, such as consumers becoming more "cost conscious" or frugal by seeking out deals and discounts to a larger extent than previously as well as dining out less frequently than before.

Individual Income Tax (IIT) net revenue in May was \$477.8 million, a year-over-year decrease of (0.6)% and \$(18.6) million less than the Baseline forecast. Payments and refunds generated small forecast gains that were offset by a decline in withholding collections. Year-to-date (YTD) through May, IIT has grown 12.3% compared to the same period in FY 2024 and is \$220.0 million above the forecast.

May withholding revenue was \$429.8 million, a decrease of (2.2)% from the prior year and \$(24.9) million short of the Baseline forecast. It is not clear what the cause of the year-over-year decline in revenue is. According to the Bureau of Economic Analysis (BEA), wages and salaries have continued to grow at a consistent rate at both the national and state levels. A possible contributing factor is that there was one fewer processing day in May 2025 compared to the same month in 2024. Year to date, withholding has grown 4.9% from the same period in FY 2024 and is \$36.5 million more than the forecast.



Payment revenue (estimated and final) was \$120.5 million in May, a 4.8% increase from last May and \$3.8 million above the forecast. Both estimated and final payments were higher than the previous year. Typically, total May payments make up about 12% of the fiscal year total. As shown in *Table 3* below, year to date, total payments are 9.9% above the level in FY 2024 and are \$181.0 million greater than the Baseline forecast.

Refunds were \$72.5 million in May, (1.2)% lower than in May 2024. Since the Baseline forecast assumed a higher refund level of \$74.9 million, there was a forecast gain of \$2.5 million for the month. On average, May refunds make up between 8% and 9% of the total refunds in a fiscal year. YTD, refunds have decreased (8.2)% relative to the same period in FY 2024, resulting in a YTD forecast gain of \$2.5 million.

Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>May</u>	<u>YTD</u>
Withholding	(2.2)%	4.9%
Estimated/Final Payments	4.8%	9.9%
Refunds	(1.2)%	(8.2)%

Corporate Income Tax (CIT) net revenue in May was \$90.8 million, a (7.7)% decline from the previous year and a forecast loss of \$(10.1) million. Despite the decrease in revenue, this is the second-highest total ever collected in the month of May, which typically makes up 4%-5% of the fiscal year total. YTD, net CIT revenue is up by 3.4% compared to the same period in FY 2024 but is \$(58.9) million below the Baseline forecast.

Insurance Premium Tax (IPT) revenue was \$58.6 million in May, a decrease of (9.4)% compared to the same month in the prior year and \$(7.4) million below the Baseline forecast. The year-over-year decline may be attributable to a timing issue – IPT revenue can vary in May depending on the timing of deposits into the General Fund. YTD, IPT revenue is up by 7.6% and is \$4.7 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in May was \$1.6 million, which is (7.9)% below collections a year prior and less than \$5,000 above the Baseline forecast. Year to date, General Fund tobacco tax revenues total \$15.3 million, which is (13.3)% below collections through the comparable period in FY 2024 and \$(1.2) million under forecast.

Liquor Tax revenue deposited into the General Fund in May was \$5.6 million. This is (2.6)% less than the amount deposited in May 2024 and \$0.2 million above the Baseline forecast. Year to date, General Fund deposits from liquor tax collections total \$44.7 million, an 8.7% increase over the same period in FY 2024 and \$2.4 million above forecast.

The **Lottery Commission** reported that total ticket sales in May were \$123.2 million. This amount is \$3.9 million, or 3.3% higher than in May 2024.

Highway User Revenue Fund (HURF) collections of \$147.8 million in May were 0.3% above the level in May 2024 but \$(3.4) million less than forecast. Year to date, collections are \$1.66 billion, 2.4% above the same period in the prior year and \$3.6 million more than forecast.

In May, the state collected \$16.2 million in dedicated **Marijuana Excise Taxes**, which was 4.0% greater than May 2024 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. May'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 \$3.8 million. (See *Table 4*)

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

	<u>May</u>	<u>YTD</u>
Marijuana Excise Tax	\$16.2	\$162.9
Medical Marijuana TPT	\$0.9	\$10.8
<u>Distribution:</u>		
General Fund	\$0.6	\$8.0
Counties	\$0.1	\$1.8
Cities	\$0.1	\$1.1
Recreational Marijuana TPT	\$4.3	\$49.8
<u>Distribution:</u>		
General Fund	\$3.2	\$36.8
Counties	\$0.7	\$8.1
Cities	\$0.4	\$5.0
Total State Marijuana Tax Collections	\$21.4	\$223.6

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Baseline Forecast May 2025

	Current Month					FY 2025 YTD (Eleven Months)				
	Actual May 2025	Change From				Actual May 2025	Change from			
		May 2024		Baseline Forecast			May 2024		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$688,427,565	\$18,386,588	2.7 %	\$1,619,938	0.2 %	\$7,486,574,820	\$222,379,094	3.1 %	(\$12,862,433)	(0.2) %
Income - Individual	477,836,412	(3,044,508)	(0.6)	(18,599,181)	(3.7)	4,932,575,298	542,170,544	12.3	220,042,023	4.7
- Corporate	90,792,589	(7,611,605)	(7.7)	(10,080,215)	(10.0)	1,528,712,450	50,548,172	3.4	(58,944,907)	(3.7)
Property	4,559,912	(1,362,707)	(23.0)	(3,712,219)	(44.9)	32,627,534	6,421,249	24.5	(5,033,103)	(13.4)
Luxury - Tobacco	1,568,512	(135,303)	(7.9)	4,670	0.3	15,284,227	(2,353,700)	(13.3)	(1,180,012)	(7.2)
- Liquor	5,593,572	(151,966)	(2.6)	235,335	4.4	44,701,702	3,562,773	8.7	2,439,989	5.8
Insurance Premium	58,551,331	(6,045,045)	(9.4)	(7,434,572)	(11.3)	717,603,396	50,396,769	7.6	4,658,770	0.7
Other Taxes	1,348,036	341,780	34.0	259,246	23.8	17,878,272	1,598,460	9.8	(835,844)	(4.5)
Sub-Total Taxes	\$1,328,677,928	\$377,233	0.0 %	(\$37,706,997)	(2.8) %	\$14,775,957,699	\$874,723,362	6.3 %	\$148,284,482	1.0 %
<u>Other Revenue</u>										
Lottery	0	0	--	0	--	217,294,062	(4,991,096)	(2.2)	0	0.0
Gaming	2,237,868	28,663	1.3	(394,463)	(15.0)	31,193,327	4,535,421	17.0	694,899	2.3
License, Fees and Permits	4,070,054	260,656	6.8	819,571	25.2	50,442,244	2,465,421	5.1	3,096,265	6.5
Interest	22,079,935	(4,054,849)	(15.5)	6,377,922	40.6	231,689,527	(75,637,715)	(24.6)	22,638,135	10.8
Sales and Services	2,422,780	(179,559)	(6.9)	(487,227)	(16.7)	25,200,735	(3,151,537)	(11.1)	(1,428,951)	(5.4)
Other Miscellaneous	637,182	(2,833,347)	(81.6)	(2,357,112)	(78.7)	29,773,763	5,200,192	21.2	(4,421,191)	(12.9)
Medicaid Hospital Revenue	0	0	--	0	--	37,500,000	37,500,000	--	0	0.0
Transfers and Reimbursements	1,140,322	(839,451)	(42.4)	(218,832)	(16.1)	72,515,321	(64,070,562)	(46.9)	19,849,584	37.7
Sub-Total Other Revenue	\$32,588,141	(\$7,617,888)	(18.9) %	\$3,739,859	13.0 %	\$695,608,979	(\$98,149,875)	(12.4) %	\$40,428,742	6.2 %
TOTAL BASE REVENUE	\$1,361,266,069	(\$7,240,655)	(0.5) %	(\$33,967,138)	(2.4) %	\$15,471,566,678	\$776,573,487	5.3 %	\$188,713,224	1.2 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(105,688,149)	24,713,501	(19.0)	(0)	0.0	(1,162,569,637)	271,848,508	(19.0)	(0)	0.0
One-Time Transfers	0	0	--	0	--	13,291,800	13,291,800	--	0	0.0
Income Tax Rebate	0	91,242	--	0	--	(15,100)	273,523,100	(100.0)	(5,350)	54.9
Sub-Total Other Adjustments	(105,688,149)	24,804,743	(19.0) %	(0)	0.0 %	(1,149,292,937)	558,663,408	(32.7) %	(5,350)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,255,577,920	\$17,564,088	1.4 %	(\$33,967,138)	(2.6) %	\$14,322,273,741	\$1,335,236,895	10.3 %	\$188,707,874	1.3 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	147,793,450	431,166	0.3 %	(3,403,618)	(2.3) %	1,657,230,480	39,219,869	2.4 %	3,624,285	0.2 %

Monthly Indicators

NATIONAL

According to the Bureau of Economic Analysis' (BEA) second estimate of U.S. real **Gross Domestic Product** (GDP), economic output declined at a seasonally adjusted annual rate of (0.2)% in the 1st quarter of 2025. This estimate was revised from the advance estimate of (0.3)% released in the prior month.

The **Consumer Confidence Index**, published by the Conference Board, increased by 12.3 points to 98.0 in May. This is the first month of growth since November 2024. Consumers' views of present situation were favorable compared to the previous month and future expectations improved significantly. Respondents reported less concern about inflation and more plans to make large purchases over the next 6 months. Over the last 12 months, the index has decreased by (3.3)%.

The Conference Board's **U.S. Leading Economic Index** (LEI) declined by (1.0)% to 99.4 in April, the largest monthly fall since March 2023. According to their press release, however, the LEI measure "did not fall enough to trigger the recession signal." Seven of the 10 components that make up the index contributed to April's decline, with reduced consumer expectations and lower stock prices being the largest negative contributors in April. Positive contributions came from the index for credit and new manufacturing orders. In the 6 months from October to April, the LEI declined (2.0)%, the same rate of decrease as the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased by 0.1% in May over the prior month on a seasonally adjusted basis. The indices for shelter and food both increased during the month, offsetting a decline in energy prices. Compared to the same month last year, consumer prices are up by 2.4% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 2.8% from a year ago.

ARIZONA

Housing

In April, Arizona had a 12-month total of 39,645 **single-family building permits** issued. This represents a decrease of (1.3)% from the prior month's rolling total and a decrease of (1.3)% from the previous April's 12-month total.

Arizona's 12-month total of 15,044 **multi-family building permits** in April is 2.8% above March's rolling total and (28.5)% below the 12-month period ending in April 2024.

The **median home price** in Maricopa County was \$481,500 in May, 1.4% above the level in the prior month, but (0.6)% less than in May 2024.

Tourism

Phoenix Sky Harbor Airport Ridership decreased to 4.6 million passengers in April, down (9.5)% from the prior month and 1.2% greater than ridership in April 2024.

April 2025 **state park visitation** fell (8.9)% from March's level, reaching a total of 296,053 for the month. Visitation is down (11.4)% from April 2024 levels.

Hotel occupancy was 69.7% in April, which is (5.5)% lower than March's occupancy rate and (4.0)% below that of April 2024.

Revenue per available room was \$125.08 in April, which is (20.2)% below the prior month's average and (7.7)% lower than the April 2024 figure.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state lost (19,300) **nonfarm jobs** in May compared to April. In the 10-year period prior to the pandemic (2010-2019), Arizona experienced an average net loss of (6,700) jobs in May. Compared to the same month in 2024, the state gained 18,300 jobs in May 2025, an increase of 0.6%.

The state's seasonally adjusted **unemployment rate** remained at 4.1% from April to May. The U.S. seasonally adjusted unemployment rate also held its course at 4.2% in both April and May. This is the 14th consecutive month that Arizona's unemployment rate has been below the national rate.

OEO reported that a total of 3,687 **initial claims for unemployment insurance** were filed in Arizona in the week ending on May 17th. This represents a (5.9)% year-over-year decrease in initial claims, with the week ending May 18, 2024 seeing 3,918 initial claims.



According to OEO, there were a total of 30,313 **continued claims for unemployment insurance** in Arizona for the week ending May 10th, which is 8.7% higher than last year's total of 27,892 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

State Agency Data

As of June 1, 2025, the total **AHCCCS caseload** was 1.9 million members. Total monthly enrollment decreased (1.4)% from May and decreased (10.8)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (1.3)% in June compared to May, and (6.5)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 810,105 – a decrease of (1.7)% from May and (16.8)% lower than last year.

For June 2025, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.3% over the prior month. At 73,397, this population is 4.3% higher than a year ago.

Based on information the **Department of Child Safety** provided for April 2025, reports of child maltreatment totaled 43,286 over the last 12 months, a decrease of (0.3)% from the comparable period in the prior year.

There were 8,551 children in out-of-home care as of April 2025, or (10.4)% less than in April 2024. Compared to the prior month, the out-of-home children population increased by 0.4%.

There were 7,919 individuals receiving **TANF Cash Assistance** in May 2025, representing a (1.9)% decline from April 2025. Year over year, the number of cash benefit recipients has decreased by (27.1)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 910,205 individuals receiving SNAP benefits in May 2025, representing a (0.4)% decline from April 2025. Year over year, the number of SNAP recipients has decreased by (4.4)%.

The Arizona Department of Correction's **Inmate Population** was 35,544 as of April 30, 2025. This was a (0.1)% decrease since March 31, 2025 and a 1.7% increase since April 2024.



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	May	4.1%	0.0%	0.7%
- Total Unemployment Rate (discouraged/underemployed)	1 st Q 2025	7.7%	0.7%	0.5%
- Initial Unemployment Insurance Claims	Week Ending May 17	3,687	3.1%	(5.9)%
- Continued Unemployment Insurance Claims	Week Ending May 10	30,313	11.9%	8.7%
- Non-Farm Employment - Total	May	3,261,200	(0.6)%	0.6%
Manufacturing	May	191,500	(0.2)%	(1.9)%
Construction	May	224,100	(0.8)%	(0.1)%
- Average Hourly Earnings, Private Sector	May	\$34.72	0.1%	5.0%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	April	39,645	(1.3)%	(1.3)%
Multi-family		15,044	2.8%	(28.5)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	May	5,877	0.0%	(3.1)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	May	\$481,500	1.4%	(0.6)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	April	4,581,646	(9.5)%	1.2%
- State Park Visitors	April	296,053	(8.9)%	(11.4)%
- Revenue Per Available Hotel Room	April	\$125.08	(20.2)%	(7.7)%
- Arizona Hotel Occupancy Rate	April	69.7%	(5.5)%	(4.0)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	4 th Q 2024	\$494.2 billion	4.5%	4.7%
- 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	June 1st	1,905,495	(1.4)%	(10.8)%
Traditional Acute Care		1,021,993	(1.3)%	(6.5)%
Other Acute Care		810,105	(1.7)%	(16.8)%
Long-Term Care – Elderly & DD		73,397	0.3%	4.3%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	April	43,286	0.7%	(0.3)%
DCS Out-of-Home Children	April	8,551	0.4%	(10.4)%
Filled Caseworkers (1406 Budgeted)	April	1,253	19	(35)
- ADC Inmate Growth	April	35,544	(0.1)%	1.7%
- Department of Economic Security				
- TANF Cash Assistance Recipients	May	7,919	(1.9)%	(27.1)%
- SNAP (Food Stamps) Recipients	May	910,205	(0.4)%	(4.4)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	1 st Q, 2024 (2 nd Estimate)	\$23.5 trillion	(0.2)%	2.1%
- Consumer Confidence Index (1985 = 100)	May	98.0	14.4%	(3.3)%
- Leading Economic Index (2016 = 100)	April	99.4	(1.0)%	(4.0)%
- Consumer Price Index, (1982-84 = 100)	May	321.5	0.1%	2.4%