

Summary

May 2026 General Fund revenue collections totaled \$1.23 billion, which is a decrease of (1.8)% below May 2025.

As noted in prior *Monthly Fiscal Highlights*, the state's tax forms used in the spring 2026 tax filing season assumed that Arizona would conform with all the tax law changes in last year's federal budget legislation (H.R. 1).

Given that legislation has been enacted to conform to those federal tax changes, our office is now benchmarking the state's revenue collections against the January JLBC Baseline including the impact of tax conformity.

Year-to-Date Results/Overall Forecast Comments

Year-to-date through May, the state's General Fund collections are \$350 million above the Baseline revenue forecast including the impact of tax conformity. In comparison, due to higher-than-expected collections, the enacted budget increased the state's FY 2026 revenue projections by \$354 million. This means that the state's current revenue performance is consistent with the recently enacted state budget.

May Revenue Results

Total May collections were \$(79) million below the January Baseline revenue forecast including tax conformity. The state's monthly forecast loss was concentrated in Corporate Income Tax and Insurance Premium Tax.

Sales Tax

Overall Sales Tax collections in May (which represent April sales activity) increased by 0.6% over May 2025 and were \$(16) million below forecast. The May Sales Tax results are difficult to interpret, as the Department of Revenue (DOR) made several technical corrections to the collection data which resulted in understating the growth rates across several Sales Tax subcategories (*see the May Revenues section below for more information*).

Individual Income Tax

The state continues to see significant income tax payment and refund processing during May, as DOR completes the final processing of returns submitted in the spring tax filing season.

During May, overall Individual Income Tax (IIT) collections decreased by (2.7)% below the prior year and were \$10 million above forecast. Below summarizes the components of the May IIT results:

- Withholding revenues grew by 2.6%, which generally aligns with job and wage growth trends. Recent data indicates wage growth has slowed at both the national and state level.
- Payments (estimated and final) declined by (22)% during May, likely due to the impact of tax conformity. Even after accounting for conformity, the magnitude of this payment decline was unexpected.
- While the dollar amount of refunds was expected to increase (due to tax conformity deductions), the amount of refunds paid in May actually declined by (3.5)%. As discussed in last month's *Monthly Fiscal Highlights*, some taxpayers may have delayed filing their returns until the conformity issue was resolved.

Corporate Income Tax

Following a strong performance in April, Corporate Income Tax (CIT) revenues changed course during May, declining by (37)% below May 2025. This decline resulted in a loss of \$(37) million compared to the forecast. The reason for this abrupt shift in CIT performance compared to only one month prior is unclear.

Insurance Premium Tax

May Insurance Premium Tax (IPT) revenues declined by (55)% and were \$(47) million below forecast. This unexpected decline is related to higher-than-expected premium tax refunds. Given recent volatility in insurance premiums, at this time we lack sufficient information to determine whether this May IPT refund surge is part of a longer-term trend for the tax category.

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May Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2026 Collections	Difference From Forecast	Difference From FY 2025
May	\$ 1,232.9	\$ (79.2)	\$ (22.7)
Year-to-Date	\$ 14,932.1	\$ 350.1	\$ 538.5

Sales Tax collections of \$692.6 million in May were 0.6% above the amount collected in May 2025 and \$(16.1) million below the Baseline forecast. Sales tax revenue collected in May reflects sales activity that occurred in April.

Year to date through May, sales tax revenue is up by 3.5% and is \$39.0 million above forecast.

Table 2 shows the May 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		
	May	YTD
Retail/Remote Seller	(2.7)%	3.8%
Contracting	(7.2)%	(2.5)%
Use Tax	(23.2)%	9.9%
Restaurant/Bar	6.6%	4.6%
Utilities	10.6%	2.5%

While both the Restaurants/Bars and Utilities categories performed well in May with year-over-year percentage gains of 6.6% and 10.6%, respectively, other sales tax categories experienced year-over-year declines of between (2.7)% and (23.2)%, as shown in Table 2.

We should note that the Department of Revenue has made us aware of several technical issues, such as amendments of previously filed sales tax returns and adjustments for prior overpayments that had the effect of understating the growth rates in May for the Retail/Remote Seller and Contracting classifications as well as Use Tax.

Individual Income Tax (IIT) net revenue in May was \$465.0 million, (2.7)% lower than the prior year and \$10.2 million greater than the forecast, after adjusting for the impact of conforming state tax law to the federal tax code changes made by H.R. 1. A reduced refund level produced a forecast gain that offset lower-than-expected withholding and payments collections.

Year-to-date (YTD), IIT is 4.6% higher than the same period in FY 2025 and \$303.8 million above the forecast.

May withholding revenue was \$441.1 million, 2.6% more than the previous June but \$(4.0) million less than anticipated. The year-over-year increase is in line with wage and salary growth published by the Bureau of Economic Analysis. According to the most recent data from April, national wage growth was 3.5%, while Arizona wage growth was 2.9% in the 4th quarter of 2025. YTD, withholding revenue is 3.8% more than the same period in FY 2025 and \$14.2 million higher than the forecast.

Revenue from payments (estimated and final) was \$93.8 million in May, a (22.1)% decrease from last year and \$(26.3) million below the forecast after adjusting for the impact of conformity. YTD, total payments are 8.4% greater than in FY 2025 and \$58.3 million above of the adjusted forecast.

Refunds in May were \$69.9 million, (3.5)% less than last year. The refund forecast was \$110.5 million, resulting in a forecast gain of \$40.6 million. On average, May refunds make up between 8% and 9% of the total in a fiscal year. YTD, refunds have grown 5.6% compared to the same period in FY 2025 for a \$231.3 million forecast gain.



Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>May</u>	<u>YTD</u>
Withholding	2.6%	3.8%
Estimated/Final Payments	(22.1)%	8.4%
Refunds	(3.5)%	5.6%

Corporate Income Tax (CIT) net revenue was \$57.0 million in May, a (37.2)% decline from the prior year and \$(37.0) million under the conformity-adjusted forecast. The level of net collections in May is the lowest for the month since 2023. On average, May CIT revenue makes up between 4% and 5% of the fiscal year total. YTD, net CIT collections have grown 6.9% compared to the same period in FY 2025 and are \$69.9 million above forecast.

Insurance Premium Tax (IPT) revenue was \$26.6 million in May, a decrease of (54.7)% compared to the same month in the prior year and \$(47.2) million below the Baseline forecast. This decrease can be attributed to higher-than-expected premium tax refunds. For context, insurers whose annual installment payments exceed actual tax liabilities are typically credited with refunds in May. The total amount of IPT refunds in May this year was \$103.5 million compared to \$48.9 million in May 2025. YTD, IPT revenue is up by 4.6% and is \$(68.6) million below forecast.

The amount of **Tobacco Tax** deposited into the General Fund in May was \$1.3 million, which is (17.3)% less than collections a year prior and \$(0.3) million below the Baseline forecast. Year to date, General Fund tobacco tax revenues total \$14.7 million, which is (3.9)% below collections through May in FY 2025 and \$(0.8) million below the Baseline forecast.

Liquor Tax revenue deposited into the General Fund in May was \$4.4 million. This is (21.3)% below the amount deposited in May 2025 and \$(1.7) million below the Baseline forecast. Year to date, General Fund deposits from liquor tax collections total \$43.6 million, a (2.5)% decrease from collections through May of FY 2025 and \$(2.7) million below forecast.

The **Lottery Commission** reported that total ticket sales in May were \$121.1 million. This amount is \$(2.1) million, or (1.7)% lower than in May 2025.

Highway User Revenue Fund (HURF) collections of \$142.6 million in May were (3.5)% below the amount collected in May 2025 and \$(10.6) million below forecast. The May collections decline may reflect lower demand caused by the recent increase in fuel prices. Year to date, HURF collections are \$1.68 billion, 1.2% above the prior year and \$(37.8) million less than forecast.

In May, the state collected \$16.0 million in dedicated **Marijuana Excise Taxes**, which was (0.7)% below collections made in May 2025. 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 \$6.4 million. Of this amount, the General Fund received \$4.7 million. (See Table 4).

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

	<u>May</u>	<u>YTD</u>
Marijuana Excise Tax	\$16.0	\$158.6
Medical Marijuana TPT	\$0.7	\$7.8
<u>Distribution:</u>		
General Fund	\$0.5	\$5.7
Counties	\$0.1	\$1.3
Cities	\$0.1	\$0.8
Recreational Marijuana TPT	\$5.7	\$50.2
<u>Distribution:</u>		
General Fund	\$4.2	\$37.1
Counties	\$0.9	\$8.1
Cities	\$0.6	\$5.0
Total State Marijuana Tax Collections	\$22.4	\$216.7

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Baseline Forecast w/ Conformity May 2026

	Current Month					FY 2026 YTD (Eleven Months)				
	Actual May 2026	Change From May 2025		Baseline Forecast w/ Conformity		Actual May 2026	Change from May 2025		Baseline Forecast w/ Conformity	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$692,642,895	\$4,215,330	0.6 %	(\$16,070,699)	(2.3) %	\$7,749,353,743	\$262,778,922	3.5 %	\$38,983,916	0.5 %
Income - Individual	464,999,897	(12,836,514)	(2.7)	10,202,282	2.2	5,158,477,936	225,902,639	4.6	303,760,676	6.3
- Corporate	57,001,660	(33,790,929)	(37.2)	(37,042,184)	(39.4)	1,633,684,432	104,971,982	6.9	69,932,378	4.5
Property	5,912,977	1,353,065	29.7	1,347,783	29.5	37,421,034	4,793,500	14.7	237,976	0.6
Luxury - Tobacco	1,297,398	(271,114)	(17.3)	(275,335)	(17.5)	14,695,142	(589,085)	(3.9)	(761,029)	(4.9)
- Liquor	4,400,325	(1,193,247)	(21.3)	(1,697,335)	(27.8)	43,578,690	(1,123,012)	(2.5)	(2,749,765)	(5.9)
Insurance Premium	26,552,749	(31,998,582)	(54.7)	(47,242,684)	(64.0)	750,935,802	33,332,406	4.6	(68,636,306)	(8.4)
Other Taxes	10,935,857	9,587,822	711.2	9,520,652	672.7	35,699,659	17,821,387	99.7	16,919,369	90.1
Sub-Total Taxes	\$1,263,743,758	(\$64,934,170)	(4.9) %	(\$81,257,520)	(6.0) %	\$15,423,846,438	\$647,888,739	4.4 %	\$357,687,214	2.4 %
Other Revenue										
Lottery	0	0	--	0	--	171,343,255	(45,950,807)	(21.1)	0	0.0
Gaming	4,039,013	1,801,145	80.5	1,497,608	58.9	42,227,258	11,033,930	35.4	4,110,488	10.8
License, Fees and Permits	4,278,328	208,274	5.1	164,193	4.0	49,309,365	(1,132,878)	(2.2)	(528,203)	(1.1)
Interest	14,995,931	(7,084,004)	(32.1)	(2,304,998)	(13.3)	179,259,008	(52,430,519)	(22.6)	(2,395,335)	(1.3)
Sales and Services	2,893,314	470,535	19.4	260,360	9.9	26,188,686	987,951	3.9	(1,644,039)	(5.9)
Other Miscellaneous	4,440,077	3,802,895	596.8	3,773,572	566.2	22,249,257	(7,524,506)	(25.3)	3,690,176	19.9
Medicaid Hospital Revenue	37,500,000	37,500,000	--	0	--	37,500,000	(71,248,984)	(65.5)	0	0.0
Transfers and Reimbursements	(105,465)	(1,245,788)	--	(1,332,310)	--	53,004,165	(19,511,156)	(26.9)	(10,788,924)	(16.9)
Sub-Total Other Revenue	\$68,041,198	\$35,453,057	108.8 %	\$2,058,425	3.1 %	\$581,080,993	(\$185,776,969)	(24.2) %	(\$7,555,837)	(1.3) %
TOTAL BASE REVENUE	\$1,331,784,955	(\$29,481,113)	(2.2) %	(\$79,199,096)	(5.6) %	\$16,004,927,432	\$462,111,770	3.0 %	\$350,131,377	2.2 %
Other Adjustments										
Urban Revenue Sharing	(98,858,813)	6,829,335	(6.5)	(0)	0.0	(1,087,447,047)	75,122,589	(6.5)	(0)	0.0
One-Time Transfers	0	0	--	0	--	0	(13,291,800)	--	0	--
Income Tax Rebate	0	0	--	0	--	(4,450)	10,650	(70.5)	(3,200)	256.0
Other One-Time Revenue Adjustments	0	0	--	0	--	14,574,359	14,574,359	--	0	0.0
Sub-Total Other Adjustments	(98,858,813)	6,829,335	(6.5) %	(0)	0.0 %	(1,072,877,138)	76,415,798	(6.6) %	(3,200)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,232,926,142	(\$22,651,778)	(1.8) %	(\$79,199,096)	(6.0) %	\$14,932,050,294	\$538,527,568	3.7 %	\$350,128,177	2.4 %
Non-General Funds										
Highway User Revenue Fund	142,607,780	(5,185,670)	(3.5) %	(10,581,483)	(6.9) %	1,676,631,939	19,401,460	1.2 %	(37,760,222)	(2.2) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) 2nd estimate of U.S. Real **Gross Domestic Product** (GDP) in the 1st quarter of 2026 is a seasonally adjusted annual growth rate of 1.6%. This reflects a downward revision of (0.4)% from the advance estimate. The revision reduced the level of investment and consumer spending during the period.

The Conference Board's **Consumer Confidence Index** was 93.1 in May, a decline of (0.7) points from the upwardly revised April level. Respondents reported increased pessimism about the current economic situation, citing higher energy prices and expectations that interest rates will increase over the next year. Despite the expected rise in interest rates, the future expectation index improved during the month. This was due to improved views on future business conditions and the labor market. Over the last 12 months, the index has decreased by (5.4)%.

The **Leading Economic Index**, published by the Conference Board, was 97.4 in April, a 0.1% increase from the March level. Of the index's 10 components, 7 saw improvements during the month. Stock prices and building permits had the largest increases. According to the press release, "the gains did not offset the steep fall registered in March... signaling fragile economic conditions ahead." In the 6 months from October to April, the index decreased by (0.7)%, a slower rate of decline than the (1.0)% in the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased at a seasonally adjusted rate of 0.5% in May. Higher energy prices made up over 60% of the overall CPI increase. Food and shelter prices also rose during the month. Compared to the same month last year, consumer prices have risen 4.2% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 2.9%.

ARIZONA

Tourism

Phoenix Sky Harbor Airport Ridership dropped to around 4.5 million passengers in April, which is a (12.0)% fall from the prior month and (1.5)% below April 2025's figure.

Hotel occupancy was 69.8% in April, which is a (7.4)% drop from March's rate.

Revenue per available room was \$127.37 in April, which represents a (23.9)% decrease from March's average revenue.

Employment

According to the latest employment report released by OEO, the state lost (14,300) **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 (6,600) jobs in May. Compared to the same month in 2025, the state gained 16,000 jobs in May 2026, an increase of 0.5%.

The state's seasonally adjusted **unemployment rate** rose to 4.8% in April from 4.7% in May. The U.S. seasonally adjusted jobless rate held steady at 4.3% in May.

OEO reported that a total of 3,281 **initial claims for unemployment insurance** were filed in Arizona in the week ending on June 6th, representing a (20.6)% decline in initial claims compared to 52 weeks prior.

According to OEO, there were a total of 24,021 **continued claims for unemployment insurance** in Arizona for the week ending on May 30th, which is (24.2)% below the comparable week in 2025.

Housing

In April, Arizona had a 12-month total of 31,973 **single-family building permits** issued. This represents a (1.4)% decrease from the prior month's rolling total and a decline of (19.4)% from April 2025's 12-month total.

Arizona's 12-month total of 15,936 **multi-family building permits** in April is (7.9)% below March's rolling total and 5.9% above the 12-month period ending in April 2025.

State Agency Data

As of June 1, 2026, the total **AHCCCS caseload** was 1.71 million members. Total monthly enrollment decreased (0.5)% from May to June and decreased (10.0)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased (0.4)% in June compared to May and decreased (11.0)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 729,334, a decrease of (0.6)% from May and (10.0)% lower than last year.



For June 2026, the Elderly and Physically Disabled Long-Term Care population decreased by less than (0.1)% over the prior month. At 27,183, this population is (0.7)% lower than a year ago. The Developmental Disabilities (DD) Long-Term Care population increased by 0.5% over the prior month. At 48,478, this population is 5.3% higher than a year ago.

Based on information the **Department of Child Safety** provided for April 2026, reports of child maltreatment totaled 45,520 over the last 12 months, an increase of 5.2% from the comparable period in the prior year.

There were 8,235 children in out-of-home care as of April 2026, or (3.4)% fewer than in April 2025. Compared to the prior month, the number of out-of-home children decreased by (0.2)%.

There were 4,194 individuals receiving **Temporary Assistance for Needy Families (TANF) Cash Assistance** in April 2026, representing a 2.5% increase from March 2026. Year over year, the number of cash benefit recipients has decreased by (28.7)%.

The **Supplemental Nutrition Assistance Program (SNAP)** provides assistance to low-income households to purchase food. There were 435,196 individuals receiving SNAP benefits in April 2026, representing a (3.2)% decline from March 2026. Year over year, the number of SNAP recipients has decreased by (52.4)%.

The Arizona Department of Correction's **Inmate Population** was 34,825 as of April 30, 2026. This was a 0.3% increase since March 31, 2026 and a (2.0)% decrease since April 2025.



Table 6

Indicator	MONTHLY INDICATORS			
	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<i>Employment</i>				
- Seasonally Adjusted Unemployment Rate	May	4.8	0.1%	0.5%
- Total Unemployment Rate (discouraged/underemployed)	1 st Q 2026	8.4%	(0.1)%	0.8%
- Initial Unemployment Insurance Claims	Week Ending June 6	3,281	15.9%	(20.6)%
- Continued Unemployment Insurance Claims	Week Ending May 30	24,021	0.8%	(24.2)%
- Non-Farm Employment - Total	May	3,281,400	(0.4)%	0.5%
Manufacturing	May	192,900	0.5%	0.3%
Construction	May	224,800	1.2%	(0.4)%
- Average Hourly Earnings, Private Sector	May	\$35.78	(0.3)%	3.3%
<i>Building</i>				
- Building Permits (12 month rolling sum)				
Single-family	April	31,973	(1.4)%	(19.4)%
Multi-family		15,936	(7.9)%	5.9%
<i>Tourism and Restaurants</i>				
- Phoenix Sky Harbor Air Passengers	April	4,511,328	(12.0)%	(1.5)%
- State Park Visitors	April	262,163	(17.5)%	(11.4)%
- Revenue Per Available Hotel Room	April	\$127.37	(23.9)%	1.8%
- Arizona Hotel Occupancy Rate	April	69.8%	(7.4)%	0.1%
<i>General Measures</i>				
- Arizona Personal Income, SAAR	4 th Q 2025	\$528.7 billion	4.3%	4.3%
- Arizona Population (U.S. Census)	July 2025	7,623,818	N/A	0.9%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	July 2024/Nov 2019	Positive/Stable	N/A	N/A
<i>Agency Measures</i>				
- AHCCCS Recipients	June 1st	1,714,644	(0.5)%	(10.0)%
Traditional Acute Care		909,649	(0.4)%	(11.0)%
Other Acute Care		729,334	(0.6)%	(10.0)%
Long-Term Care – Elderly & Physically Disabled		27,183	(0.1)%	(0.7)%
Long-Term Care – Developmentally Disabled (DD)		48,478	0.5%	5.3%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	April	45,520	0.1%	5.2%
DCS Out-of-Home Children	April	8,235	(0.2)%	(3.4)%
Filled Caseworkers (1406 Budgeted)	April	1,246	1	(7)
- ADC Inmate Growth	April	34,825	0.3%	(2.0)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	April	4,194	2.5%	(28.7)%
- SNAP Recipients	April	435,196	(3.2)%	(52.4)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	1 st Q, 2026 2 nd Estimate)	\$24.2 trillion	1.6%	2.7%
- Consumer Confidence Index (1985 = 100)	May	93.1	(0.7)%	(5.4)%
- Leading Economic Index (2016 = 100)	April	97.4	0.1%	(1.7)%
- Consumer Price Index, (1982-84 = 100)	May	335.1	0.5%	4.2%



JLBC Meeting Follow-Up

DES – Report on DDD Population by Diagnosis – Pursuant to the provisions set forth in the January 29, 2026, JLBC meeting, the Arizona Department of Economic Security (DES) submitted a second report on the Division of Developmental Disabilities (DDD) population by diagnosis. Data from February through April 2026 is displayed in *Table 7* below. DES is required to provide monthly updates on this information through June 2026. (Brian Belakovsky)

Table 7

**DES-DDD Population Count
Delineated by Primary Diagnosis**

	Feb. 2026	March 2026	April 2026
Autism	25,746	25,869	26,246
Intellectual Disability	16,218	16,224	16,252
"At Risk" Individuals	14,560	14,723	15,026
Cerebral Palsy	3,760	3,757	3,756
Epilepsy	2,311	2,308	2,317
Down Syndrome	<u>643</u>	<u>651</u>	<u>659</u>
Total	63,238	63,532	64,256

Secretary of State – Report on Special Election Expenses Line Item Transfer – Pursuant to a provision from the March 2026 JCCR meeting, the Secretary of State (SOS) submitted their 3rd monthly report on the previous month's expenditures and year-to-date expenditures of the monies transferred from the surplus in the FY 2026 Special Election expenses line item to the operating budget.

Summary of Recent Agency Reports

Arizona Commerce Authority – Annual Report on the Healthy Forest Enterprise Incentives Program – Pursuant to A.R.S. § 41-1516I, the Arizona Commerce Authority provided its annual May 1 report on the Healthy Forest Enterprise Incentives Program regarding the quantity and measured weight of qualifying forest products.

In calendar year 2025 the total weight of qualified harvested, processed, or transported forest products was 709,266 tons compared to 603,971 tons in 2024.

The Committee approved the transfer of \$650,000 for cybersecurity expenses at the January 2026 JLBC meeting. As of June 12, 2026, SOS reports spending of \$648,900 to date.

The Committee approved the transfer of \$2,490,000 at the March 2026 JLBC meeting for 10 projects. As of June 12, 2026, SOS reported year-to-date expenditures as follows for the 10 projects:

- \$921,600 of the \$1,750,000 allocated for 5 projects for county expenses;
- \$228,300 of the \$240,000 allocated for physical security of the Secretary of State;
- \$221,900 of the \$500,000 allocated for 4 projects for SOS's 2026 election expenses.

The year-to-date reported expenditures from the 2 transfers totaled \$2,020,700. (Micaela Andrews)

The Healthy Forest Enterprise Incentives Program allows businesses primarily engaged in the harvesting, initial processing, or transporting of forest products in Arizona to qualify for a tax credit of \$10,000 for the first 20,000 tons they harvest, process, or transport in a tax year and an additional \$5,000 for every 10,000 tons thereafter. In each tax year, the credits may not exceed \$500,000 per taxpayer or \$2,000,000 in aggregate.

In addition to the production tax credit, businesses may qualify for a use and transaction privilege tax exemption on qualified purchases. (Nate Belcher)



Department of Corrections – Report on Health Care Performance Measures – Pursuant to an FY 2026 General Appropriations Act footnote, ADC submitted its latest report detailing the status of health care performance measures tracked for the purposes of contract monitoring. The report includes measures or quality indicators required by the permanent injunction in the *Jensen v. Thornell* litigation issued in April 2023. ADC reports that the injunction requires that each quality indicator not meeting 100% compliance requires a corrective action plan.

According to ADC, from June 2025 to October 2025, 140 of the 813 quality indicators audited (17% of indicators) were considered as meeting 100% compliance. Another 358 quality indicators (44% of indicators) were considered as meeting at least 75% compliance. (Jordan Johnston)

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 third 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.

In the third quarter of FY 2026, the ARRF received revenues totaling \$2.6 million, and had expenditures totaling \$4.9 million. Of these revenues and expenditures, revenues reported to ACJC by county attorneys totaled \$1.3 million and expenditures totaled \$3.1 million.

In the third quarter of FY 2026, participating agencies received \$5.6 million in net collections from seized assets originally valued at \$9.0 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)

Department of Economic Security – Report on Child Support Administration Fund Escalator – Pursuant to an FY 2026 General Appropriations Act footnote, the Department of Economic Security (DES) reported its plan to expend an additional \$15.5 million of Child Support Administration Fund monies received by the department in excess of its \$17.7 million appropriation for FY 2026.

The department intends to use the \$15.5 million to complete the final stages of replacing the Arizona Tracking and Locate Automated System (ATLAS) case management system, which collects and distributes child support payments. DES reports that the new system will automate workflows and address issues related to customer access, data reliability, usability and system security. The replacement system went live in May 2024. (Grace Timpany)

DES – Quarterly Report on the Parents as Paid Caregivers Program – Pursuant to A.R.S. § 36-2970.01, the Department of Economic Security (DES) submitted an additional quarterly report detailing the utilization of attendant care and habilitation services under the Division of Developmental Disabilities (DDD) Parents as Paid Caregivers (PPCG) program. DES reported the following for the quarter ending September 30, 2025, for the DDD PPCG program:

- There were 8,885 children and 8,509 parents in the DDD PPCG program. This represents an increase of 222 and 238, respectively, compared to the prior quarter. However, DES estimates that approximately 10% of providers are currently out of compliance with new Electronic Visit Verification (EVV) reporting requirements. As a result, actual PPCG participation levels are likely higher, and reported levels may increase in future quarters once these providers come into compliance.
- There were 1,661 emergency department visits across 702 children and 174 inpatient hospitalizations across 127 children.
- The average amount of time a minor in the PPCG program has been enrolled in the Arizona Long Term Care System (ALTC) is 4.8 years. Their actual participation in PPCG would be significantly shorter.
- The average weekly hours of approved services, delineated by primary diagnosis, is displayed in *Table 8* below. (Brian Belakovsky)



Table 8
Average Approved Hours (Weekly) by Primary Diagnosis

	April 1, 2025 through <u>June 30, 2025</u>	July 1, 2025 through <u>Sept. 30, 2025</u> ^{1/}
"At Risk" Individuals	33.6	30.9
Autism	30.4	28.4
Cerebral Palsy	35.7	31.9
Epilepsy	35.1	31.6
Intellectual Disability	32.0	29.7

^{1/} The federally mandated 40-hour weekly limit on PPCG service hours began on July 1, 2025, as required by Laws 2025, Chapter 93.

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 fifth report covering the period from May 1, 2025 to April 30, 2026. The department reports it has completed 6 site builds this year. The department reports that they've obtained 35 of 36 total land use permits, completed construction on 32 of 36 total sites, and installed 20 of 47 total radio towers. DPS further reports the main risks for the project are currently 1 delayed land use permit approval, material and equipment delays, environmental restrictions on at least 2 construction sites, and weather restrictions.

The FY 2022 budget appropriated \$48.2 million from the General Fund for the Microwave Backbone Statewide Communication System line item. The FY 2026 budget appropriated \$1.5 million from the Arizona Highway Patrol Fund in additional funding for the project, for a new total project funding of \$49.7 million.

Through the end of April 2026, the department has expended \$37.5 million and has \$9.6 million in outstanding encumbrances. The department anticipates expending the \$9.6 million in encumbrances in the next reporting period and an additional \$2.6 million to complete the project in FY 2027. The department anticipates that the project will be complete and operational by the end of FY 2027, with an expected close out date of May 31, 2027. (Jordan Johnston)

Secretary of State – Report on 2026 Primary/General Election Expenses – Pursuant to FY 2027 General Appropriation Act footnotes, the Secretary of State (SOS) reported on the agency’s proposed expenditure plan for the 2026 Primary and General elections. SOS received a \$4 million FY 2026 supplemental and a new FY 2027 appropriation of \$4 million for these costs. Under the proposed \$8 million expenditure plan, the agency reported the following amounts:

- Voting Equipment Logic and Accuracy Testing: \$700,000
- Publicity Pamphlet: \$3.6 million
- Petition Processing: \$1.4 million
- Signature Validation Reimbursement: \$50,000
- Sample Ballot: \$1.6 million
- Recount Expenses: \$150,000
- SOS Direct Costs : \$500,000

(Micaela Andrews)

University of Arizona – Report on the On-Farm Irrigation Efficiency Program – Pursuant to Laws 2022, Chapter 322, the University of Arizona (UA) is required to report on the On-Farm Irrigation Efficiency Fund including the number of applications received and approved, the monies awarded and encumbered, the total number of acres impacted by the funding, the types of proposed technologies, and the total administrative costs of the program.

The On-Farm Irrigation Efficiency Program provides grants and collects data on irrigation systems to reduce on-farm water use. As of December 31, 2025, UA reports 115 total applications received of which 111 were approved and 107 are active. Applicants have been paid \$32.0 million for 21,414 acres and \$6.8 million remains encumbered representing an additional 4,620 acres. Through December 2025, administrative costs totaled \$2.3 million with an additional \$492,700 encumbered for the remainder of FY 2026.

UA reports that the Water Irrigation Board and staff have conducted demonstrations and workshops to help farmers adopt techniques that reduce water use while maintaining soil health and yields. Field technicians also conduct site visits throughout each year to evaluate irrigation system installations, maximize water savings, and receive updates from grantees with completed projects. Grantees are required to provide 3 years of water use data to track water savings and evaluate various irrigation systems. (Grace Timpany)

