

## Summary

October 2024 General Fund collections totaled \$1.31 billion, which is an increase of 26.2% above October 2023. October revenues significantly exceeded projections, posting a \$128 million gain above the enacted budget revenue forecast.

Most of the state's October forecast gain was concentrated in the Individual and Corporate Income Tax categories.

### Individual Income Tax

Overall Individual Income Tax (IIT) collections grew by 26.4% above October 2023, which resulted in a \$74 million forecast gain.

The IIT category saw significant forecast gains in withholding collections, which grew by 6.4% during the month. While this is generally in line with recent employment and wage trends, the withholding growth was higher than expected – the enacted forecast projected more modest withholding growth given that October 2024 has one less Monday than October 2023 (Monday is the main withholding tax processing day).

The forecast gain for IIT was also helped by refund activity, as the dollar value of refunds issued by the state in October 2024 was (38.4)% below the level of refunds issued in October 2023. October IIT refunds mostly relate to tax return extensions which grant an additional 6-months from the typical April tax return deadline.

### Corporate Income Tax

Corporate Income Tax (CIT) revenues were at record levels, with the state collecting the highest level of CIT revenue for the month of October by a significant margin. This record level of collections resulted in a forecast gain of \$72 million for the tax category during October. As we have noted in prior *Monthly Fiscal Highlights*, our office does not have access to specific CIT tax filing data or CIT filing data separated by detailed industry classification. Because of this lack of data, we do not have information on potential causes of the large October CIT forecast gain.

### Sales Tax

October Sales Tax collections (which represents September sales activity) grew by 5.0% compared to October 2023. After accounting for a technical correction made by DOR, the adjusted rate of growth for the Sales Tax category was 3.4% during October. This performance generated a forecast gain of \$12 million.

### Year-to-Date Results/Operating Balance

Year-to-date through October, excluding Urban Revenue Sharing and one-time fund transfers, FY 2025 General Fund revenues are 7.8% above the prior year and are \$235 million above the enacted budget forecast.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-November 2024 is \$6.3 billion.

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October Revenues

| <b>Table 1</b>                                |                    |                         |                     |
|-----------------------------------------------|--------------------|-------------------------|---------------------|
| <b>General Fund Revenues (\$ in Millions)</b> |                    |                         |                     |
|                                               | <b>FY 2025</b>     | <b>Difference From</b>  | <b>Difference</b>   |
|                                               | <b>Collections</b> | <b>Enacted Forecast</b> | <b>From FY 2024</b> |
| October                                       | \$ 1,306.8         | \$ 127.9                | \$ 271.7            |
| Year-to-Date                                  | \$ 5,182.2         | \$ 235.4                | \$ 507.3            |

**Sales Tax** collections of \$676.3 million in October were 5.0% above the same month in the prior year and \$11.8 million above the enacted budget forecast. October collections reflect sales that occurred in September. Year to date through October, sales tax revenue is up by 4.0% compared to the same period in the prior year and is \$10.1 million above enacted budget forecast.

Last October, the Department of Revenue (DOR) informed our office that a taxpayer had incorrectly filed and remitted sales tax collections from January 2021 to May 2022 under the wrong sales tax categories, and as a result, total General Fund revenue for this period was overstated by \$10 million.

For this reason, in October 2023, DOR made the necessary technical adjustments to correct for the misreporting of collections from January 2021 to May 2022, which required the department to shift monies from the Use Tax category to the Retail classification. As a result, sales tax revenue last October was reduced by \$(10) million, which means that the October 2023 tax base was artificially lowered by the same amount.

Absent this technical adjustment, the "real" sales tax growth in October 2024 would have been 3.4% and the adjusted year-to-date growth rate would have been 2.8%. (The "real" year-to-date growth rate of 2.8% also reflects an earlier technical adjustment from August 2023 discussed in the *September 2024 Monthly Fiscal Highlights*.)

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

Contracting sales tax collections rebounded in October with a year-over-year increase of 12.8%. This followed 4 consecutive months with either low single-digit growth or outright year-over-year declines in tax collections from contracting activities.

Tax revenue from restaurant and bar sales increased, year over year, by 1.8% in October and is up by 1.0% year to date. The last time this sales tax classification performed worse for the comparable period was at the height of the pandemic 4 years ago.

| <b>Table 2</b>                                       |                |            |
|------------------------------------------------------|----------------|------------|
| <b>Sales Tax Growth Rates Compared to Prior Year</b> |                |            |
|                                                      | <b>October</b> | <b>YTD</b> |
| Retail/Remote Seller <sup>1/</sup>                   | (1.0)%         | (2.2)%     |
| Contracting                                          | 12.8%          | 3.4%       |
| Use Tax <sup>2/</sup>                                | 127.8%         | 111.3%     |
| Restaurant & Bar                                     | 1.8%           | 1.0%       |
| Utilities                                            | 10.6%          | 10.2%      |

<sup>1/</sup> Absent DOR's technical corrections in October 2023, Retail/Remote Seller growth would have been 3.0% in October 2024 and 1.0% YTD.

<sup>2/</sup> Absent DOR's technical corrections in October 2023, Use Tax growth would have been (2.7)% in October 2024 and 7.8% YTD.

**Individual Income Tax (IIT)** net revenue in October was \$470.6 million, a 26.4% increase from the previous October and \$73.8 million greater than the enacted budget forecast. Year-to-date (YTD) through October, IIT has grown 13.5% compared to the same period in FY 2024 and is \$103.7 million above forecast.

Withholding revenue in October was \$516.0 million, which is 6.4% more than last October and \$50.0 million above forecast. This increase comes despite there being one fewer Monday in October 2024 compared to October 2023. Monday is typically the day of the week with the largest deposits from the processing of withholding payments. In addition, there were over \$12 million in cancelled refunds in October due to an over-issuance of refunds in August. YTD, withholding has grown 6.5% compared to the same period in FY 2024 and has outperformed the forecast by \$65.3 million.



Tax payments (estimated and final) in October totaled \$112.6 million, which was a (21.6)% decrease from October 2023 and \$(28.8) million below the forecast. October is an important month for final payments because tax filers who requested a 6-month extension in April are required to file their returns during the month. Over the past 3 years, October tax payments have made up between 9%-11% of the fiscal year total. YTD through October, total payments are (10.8)% lower than FY 2024 and are \$(34.0) million below forecast.

Refunds were \$158.0 million in October, a (38.4)% decrease from last year. As noted above, taxpayers who received a 6-month filing extension in April are required to file their returns in October, so there is often an elevated level of refunds issued during the month. On average, October refund levels represent just under 8% of the fiscal year total. Since the enacted budget forecast assumed a higher refund level of \$210.5 million, the forecast gain for this category was \$52.5 million in October. YTD, refunds have decreased (35.1)% relative to the same time period in FY 2024, resulting in a YTD forecast gain of \$72.5 million.

**Table 3**  
**Individual Income Tax Growth Rates Compared to Prior Year**

|                          | <u>October</u> | <u>YTD</u> |
|--------------------------|----------------|------------|
| Withholding              | 6.4%           | 6.5%       |
| Estimated/Final Payments | (21.6)%        | (10.8)%    |
| Refunds                  | (38.4)%        | (35.1)%    |

**Corporate Income Tax (CIT)** net collections in October were \$113.9 million, which is nearly 3 times the October 2023 level and \$71.5 million above forecast. This is the highest level of CIT ever collected in the month of October, and significantly above the previous record level of \$69 million reached in October 2021. Historically, October is not an important month for CIT collections, typically making up about 5% of the total for the fiscal year. YTD, net CIT has grown 18.8% and has surpassed the forecast by \$97.4 million.

**Insurance Premium Tax (IPT)** revenue was \$117,300 in October. This represents a slight increase in revenue compared to the same month in the prior year, when IPT refunds exceeded actual collections and therefore resulted in a net revenue loss of \$(2,600) during October 2023.

IPT revenue in October was \$(17.8) million below the enacted budget forecast. IPT collections in October vary considerably from year to year, and the enacted budget assumed there would be a moderate amount of IPT revenue based on pre-FY 2025 trends. YTD, IPT revenue is up by 16.0% and is \$18.8 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in October was \$1.4 million, which is (18.4)% below collections a year prior and about \$(23,000) below the enacted budget forecast. Year to date, General Fund tobacco tax revenues total \$5.8 million, which is (10.5)% below collections through the first four months of FY 2024 and \$(0.5) million under forecast.

**Liquor Tax** revenue deposited into the General Fund in October was \$3.6 million. This is 3.5% more than the amount deposited in October 2023 and about \$(16,000) below the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$14.5 million, a 14.9% increase over the comparable period in FY 2024, and \$(0.2) million below forecast.

The **Lottery Commission** reported that total ticket sales in October were \$106.3 million. This amount is \$(25.8) million, or (19.5)% lower than in October 2023.

**Highway User Revenue Fund (HURF)** collections of \$147.4 million in October were 6.3% above the amount collected in October 2023 and \$6.0 million above forecast. YTD, collections are \$580.5 million, 2.4% above the same period in the prior year and \$1.5 million more than forecast.

In October, the state collected \$16.0 million in dedicated **Marijuana Excise Taxes**, which marks an 8.4% increase over October 2023 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. This month's total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) revenue was \$5.7 million. Of this amount, the General Fund received \$4.3 million. (See *Table 4*)

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

|                                              | <u>October</u> | <u>YTD</u>    |
|----------------------------------------------|----------------|---------------|
| <b>Marijuana Excise Tax</b>                  | <b>\$16.0</b>  | <b>\$54.2</b> |
| <b>Medical Marijuana TPT</b>                 | <b>\$1.0</b>   | <b>\$4.3</b>  |
| <u>Distribution:</u>                         |                |               |
| General Fund                                 | \$0.8          | \$3.2         |
| Counties                                     | \$0.2          | \$0.7         |
| Cities                                       | \$0.1          | \$0.4         |
| <b>Recreational Marijuana TPT</b>            | <b>\$4.7</b>   | <b>\$17.4</b> |
| <u>Distribution:</u>                         |                |               |
| General Fund                                 | \$3.5          | \$12.8        |
| Counties                                     | \$0.8          | \$2.8         |
| Cities                                       | \$0.5          | \$1.7         |
| <b>Total State Marijuana Tax Collections</b> | <b>\$21.8</b>  | <b>\$75.9</b> |

\* Amounts may not add to total due to rounding



Table 5

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

|                                    | Current Month          |                             |                 |                       |                 | FY 2025 YTD (Four Months) |                             |                 |                      |                |
|------------------------------------|------------------------|-----------------------------|-----------------|-----------------------|-----------------|---------------------------|-----------------------------|-----------------|----------------------|----------------|
|                                    | Actual<br>October 2024 | Change From<br>October 2023 |                 | Enacted Forecast      |                 | Actual<br>October 2024    | Change from<br>October 2023 |                 | Enacted Forecast     |                |
|                                    |                        | Amount                      | Percent         | Amount                | Percent         |                           | Amount                      | Percent         | Amount               | Percent        |
| <b>Taxes</b>                       |                        |                             |                 |                       |                 |                           |                             |                 |                      |                |
| Sales and Use                      | \$676,340,101          | \$32,071,895                | 5.0 %           | \$11,764,190          | 1.8 %           | \$2,664,008,339           | \$103,252,239               | 4.0 %           | \$10,145,257         | 0.4 %          |
| Income - Individual                | 470,600,947            | 98,295,856                  | 26.4            | 73,809,816            | 18.6            | 1,861,562,926             | 220,707,782                 | 13.5            | 103,691,139          | 5.9            |
| - Corporate                        | 113,895,801            | 74,191,180                  | 186.9           | 71,545,984            | 168.9           | 560,338,010               | 88,618,275                  | 18.8            | 97,399,138           | 21.0           |
| Property                           | 6,428,100              | 4,222,036                   | 191.4           | 4,049,558             | 170.3           | 10,638,932                | 7,734,480                   | 266.3           | 7,135,528            | 203.7          |
| Luxury - Tobacco                   | 1,437,226              | (324,907)                   | (18.4)          | (23,158)              | (1.6)           | 5,838,940                 | (688,433)                   | (10.5)          | (460,177)            | (7.3)          |
| - Liquor                           | 3,606,716              | 122,362                     | 3.5             | (16,309)              | (0.5)           | 14,499,473                | 1,878,635                   | 14.9            | (172,884)            | (1.2)          |
| Insurance Premium                  | 117,262                | 119,905                     | --              | (17,804,403)          | (99.3)          | 248,089,811               | 34,265,461                  | 16.0            | 18,772,336           | 8.2            |
| Other Taxes                        | 942,327                | 45,272                      | 5.0             | (89,548)              | (8.7)           | 5,700,122                 | 1,726,409                   | 43.4            | 1,794,451            | 45.9           |
| <b>Sub-Total Taxes</b>             | <b>\$1,273,368,480</b> | <b>\$208,743,600</b>        | <b>19.6 %</b>   | <b>\$143,236,130</b>  | <b>12.7 %</b>   | <b>\$5,370,676,553</b>    | <b>\$457,494,849</b>        | <b>9.3 %</b>    | <b>\$238,304,788</b> | <b>4.6 %</b>   |
| <b>Other Revenue</b>               |                        |                             |                 |                       |                 |                           |                             |                 |                      |                |
| Lottery                            | 99,202,000             | 50,894,300                  | 105.4           | (10,371,875)          | (9.5)           | 99,202,000                | (29,105,700)                | (22.7)          | (10,371,875)         | (9.5)          |
| Gaming                             | 1,744,335              | 1,744,335                   | --              | (466,427)             | (21.1)          | 7,427,877                 | 3,384,962                   | 83.7            | (1,058,454)          | (12.5)         |
| License, Fees and Permits          | 5,672,581              | 2,010,923                   | 54.9            | 1,163,812             | 25.8            | 19,471,788                | 1,758,793                   | 9.9             | 985,817              | 5.3            |
| Interest                           | 24,697,519             | (7,925,849)                 | (24.3)          | 2,709,369             | 12.3            | 76,762,210                | (24,542,341)                | (24.2)          | 8,482,943            | 12.4           |
| Sales and Services                 | 1,626,581              | (3,345,042)                 | (67.3)          | (1,332,198)           | (45.0)          | 7,699,608                 | (3,188,242)                 | (29.3)          | (2,346,787)          | (23.4)         |
| Other Miscellaneous                | 2,481,891              | (5,332,644)                 | (68.2)          | (5,599,324)           | (69.3)          | 17,322,427                | 6,192,661                   | 55.6            | 5,636,393            | 48.2           |
| Medicaid Hospital Revenue          | 0                      | 0                           | --              | 0                     | --              | 0                         | 0                           | --              | 0                    | --             |
| Transfers and Reimbursements       | 256,084                | (3,256,868)                 | (92.7)          | (1,409,850)           | (84.6)          | 2,966,403                 | (7,024,462)                 | (70.3)          | (4,173,871)          | (58.5)         |
| <b>Sub-Total Other Revenue</b>     | <b>\$135,680,991</b>   | <b>\$34,789,156</b>         | <b>34.5 %</b>   | <b>(\$15,306,492)</b> | <b>(10.1) %</b> | <b>\$230,852,314</b>      | <b>(\$52,524,328)</b>       | <b>(18.5) %</b> | <b>(\$2,845,834)</b> | <b>(1.2) %</b> |
| <b>TOTAL BASE REVENUE</b>          | <b>\$1,409,049,471</b> | <b>\$243,532,755</b>        | <b>20.9 %</b>   | <b>\$127,929,638</b>  | <b>10.0 %</b>   | <b>\$5,601,528,867</b>    | <b>\$404,970,520</b>        | <b>7.8 %</b>    | <b>\$235,458,954</b> | <b>4.4 %</b>   |
| <b>Other Adjustments</b>           |                        |                             |                 |                       |                 |                           |                             |                 |                      |                |
| Urban Revenue Sharing              | (105,688,149)          | 24,713,501                  | (19.0)          | (0)                   | 0.0             | (422,752,595)             | 98,854,003                  | (19.0)          | (0)                  | 0.0            |
| One-Time Transfers                 | 3,472,950              | 3,472,950                   | --              | 0                     | 0.0             | 3,472,950                 | 3,472,950                   | --              | 0                    | 0.0            |
| Income Tax Rebate                  | (1,750)                | (1,750)                     | --              | (1,750)               | --              | (9,250)                   | (9,250)                     | --              | (9,250)              | --             |
| <b>Sub-Total Other Adjustments</b> | <b>(102,216,949)</b>   | <b>28,184,701</b>           | <b>(21.6) %</b> | <b>(1,750)</b>        | <b>0.0 %</b>    | <b>(419,288,895)</b>      | <b>102,317,703</b>          | <b>(19.6) %</b> | <b>(9,250)</b>       | <b>0.0 %</b>   |
| <b>TOTAL GENERAL FUND REVENUE</b>  | <b>\$1,306,832,522</b> | <b>\$271,717,456</b>        | <b>26.2 %</b>   | <b>\$127,927,888</b>  | <b>10.9 %</b>   | <b>\$5,182,239,972</b>    | <b>\$507,288,223</b>        | <b>10.9 %</b>   | <b>\$235,449,703</b> | <b>4.8 %</b>   |
| <b>Non-General Funds</b>           |                        |                             |                 |                       |                 |                           |                             |                 |                      |                |
| Highway User Revenue Fund          | 147,431,162            | 8,779,821                   | 6.3 %           | 5,993,895             | 4.2 %           | 580,547,881               | 13,382,845                  | 2.4 %           | 1,463,468            | 0.3 %          |

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) advance estimate of U.S. **Real Gross Domestic Product (GDP)** in the 3<sup>rd</sup> quarter of 2024 is a seasonally adjusted annualized growth rate of 2.8%. Increased consumer spending, exports, and federal government spending all contributed to the rise in GDP.

The Conference Board's **Consumer Confidence Index** increased by 9.5 points to 108.7 in October, which is the highest the metric has been since January 2024. Consumers became more optimistic about both present and future conditions. However, inflation concerns worsened somewhat during the month, as the expected path of inflation increased slightly. Over the last 12 months, the index has increased by 9.7%.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, decreased (0.5) points to 99.7 in September. Reduced manufacturing new orders was the largest driver of this decline, along with fewer building permits, lower consumer confidence, and an inverted yield curve. In the 6 months from March to September, the LEI declined by (2.6)%, which exceeded the (2.2)% decrease over the previous 6-month period. According to the Conference Board's press release, this matches its "expectation for moderate growth at the close of 2024 and into early 2025."

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in October increased by 0.2% from the prior month on a seasonally adjusted basis. Shelter and food prices rose while energy prices remained flat. Compared to the same month last year, consumer prices are up by 2.6% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 3.3% from a year ago.

ARIZONA

Housing

In September, Arizona had a 12-month total of 41,703 **single-family building permits** issued. This marks an increase of 1.0% above August's rolling total and an increase of 36.6% over the previous September's 12-month total.

Arizona's 12-month total of 19,183 **multi-family building permits** in September is (8.5)% below the prior month and (18.2)% below the 12-month period ending in September 2023.

The **median home price** in Maricopa County inched up to \$478,030 in October, a 1.7% increase over the median sale price in September and a 2.0% increase over the median home price a year prior.

Tourism

**Phoenix Sky Harbor Airport Ridership** stayed steady at 3.9 million in September, marking an (0.2)% decrease from the prior month and a 4.3% increase over September 2023 ridership.

In September, **revenue per available room** rose sharply to \$89.49, representing a 28.5% increase over August's average revenue but a (1.6)% decline from September 2023's figure.

**Hotel occupancy** was 62.6% in September, which is 3.7% above August's occupancy rate but (1.8)% below that of 12 months prior.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state added 24,400 **nonfarm jobs** in October compared to September. The largest net job gains came from the following 3 sectors of the Arizona economy: Leisure and Hospitality (+7,700 jobs), Trade, Transportation and Utilities (+5,900 jobs), and Health Care and Social Assistance (+4,800 jobs).

In the 10-year period prior to the pandemic (2010-2019), the state had an average net gain of 27,800 jobs in October. Compared to the same month in the prior year, the state added 65,000 jobs in October, an increase of 2.0%.

The state's seasonally adjusted **unemployment rate** increased from 3.5% in September to 3.6% in October. The Arizona jobless rate was 4.2% in October 2023. The U.S. seasonally adjusted unemployment remained unchanged at 4.1% in October. The Arizona unemployment rate has remained below the US jobless rate since April this year.

OEO reported that a total of 3,004 **initial claims for unemployment insurance** were filed in Arizona in the week ending on October 26<sup>th</sup>. This represents a (8.5)% year-over-year decline in initial claims, with the week ending October 28, 2023 seeing 3,283 initial claims.



According to OEO, there were a total of 26,254 **continued claims for unemployment insurance** in Arizona for the week ending October 19<sup>th</sup>. This is 6.9% greater than last year's total of 24,570 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 November 1, 2024, the total **AHCCCS caseload** was 2.0 million members. Total monthly enrollment decreased (1.6)% from October and decreased (4.4)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.4)% in November compared to October, or (1.6)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 901,380 – a decrease of (3.1)% from October and (8.0)% lower than last year.

For November 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.5%. At 71,806, this population is 4.1% higher than a year ago.

Based on information the **Department of Child Safety** provided for September 2024, reports of child maltreatment totaled 42,528 over the last 12 months, a decrease of (3.2)% from the prior year.

There were 9,060 children in out-of-home care as of September 2024, or (14.3)% less than in September 2023. Compared to the prior month, the out-of-home children population grew by 0.2%.

There were 9,635 individuals receiving **TANF Cash Assistance** in October 2024, representing a (1.9)% decline from September 2024. Year over year, the number of cash benefit recipients has decreased by (12.9)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 941,023 individuals receiving SNAP benefits in October 2024, representing a (1.4)% decline from September 2024. Year over year, the number of SNAP recipients has decreased by (1.4)%.





| <b>Table 6</b>                                                   |                                                    |                      |                                 |                               |
|------------------------------------------------------------------|----------------------------------------------------|----------------------|---------------------------------|-------------------------------|
| <b>MONTHLY INDICATORS</b>                                        |                                                    |                      |                                 |                               |
| <u>Indicator</u>                                                 | <u>Time Period</u>                                 | <u>Current Value</u> | <u>Change From Prior Period</u> | <u>Change From Prior Year</u> |
| <b>Arizona</b>                                                   |                                                    |                      |                                 |                               |
| <u>Employment</u>                                                |                                                    |                      |                                 |                               |
| - Seasonally Adjusted Unemployment Rate                          | October                                            | 3.6%                 | 0.1%                            | (0.6)%                        |
| - Total Unemployment Rate (discouraged/underemployed)            | 3 <sup>rd</sup> Q 2024                             | 7.2%                 | 0.2%                            | 0.4%                          |
| - Initial Unemployment Insurance Claims                          | Week Ending Oct 26                                 | 3,004                | (1.8)%                          | (8.5)%                        |
| - Continued Unemployment Insurance Claims                        | Week Ending Oct 19                                 | 26,254               | (2.5)%                          | 6.9%                          |
| - Non-Farm Employment - Total                                    | October                                            | 3,298,600            | 0.7%                            | 2.0%                          |
| Manufacturing                                                    | October                                            | 191,700              | (0.3)%                          | (1.2)%                        |
| Construction                                                     | October                                            | 219,200              | 0.6%                            | 1.6%                          |
| - Average Hourly Earnings, Private Sector                        | September                                          | \$33.89              | 1.1%                            | 6.5%                          |
| <u>Building</u>                                                  |                                                    |                      |                                 |                               |
| - Building Permits (12 month rolling sum)                        |                                                    |                      |                                 |                               |
| Single-family                                                    | September                                          | 41,703               | 1.0%                            | 36.6%                         |
| Multi-family                                                     |                                                    | 19,183               | (8.5)%                          | (18.2)%                       |
| - Maricopa County/Other, Single-Family Home Sales (ARMLS)        | October                                            | 4,763                | 4.9%                            | 15.4%                         |
| - Maricopa County/Other, Single-Family Median Home Price (ARMLS) | October                                            | \$478,030            | 1.7%                            | 2.0%                          |
| <u>Tourism and Restaurants</u>                                   |                                                    |                      |                                 |                               |
| - Phoenix Sky Harbor Air Passengers                              | September                                          | 3,895,425            | (0.2)%                          | 4.3%                          |
| - State Park Visitors                                            | June                                               | 281,145              | (3.8)%                          | (1.0)%                        |
| - Revenue Per Available Hotel Room                               | September                                          | \$89.49              | 28.5%                           | (1.6)%                        |
| - Arizona Hotel Occupancy Rate                                   | September                                          | 62.6%                | 3.7%                            | (1.8)%                        |
| <u>General Measures</u>                                          |                                                    |                      |                                 |                               |
| - Arizona Personal Income, SAAR                                  | 2 <sup>nd</sup> Q 2024                             | \$489.4 billion      | 5.2%                            | 5.5%                          |
| - Arizona Population                                             | 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                               | July 2024/Nov 2019                                 | Positive/Stable      | N/A                             | N/A                           |
| <u>Agency Measures</u>                                           |                                                    |                      |                                 |                               |
| - AHCCCS Recipients                                              | November 1st                                       | 2,049,486            | (1.6)%                          | (4.4)%                        |
| Traditional Acute Care                                           |                                                    | 1,076,300            | (0.4)%                          | (1.6)%                        |
| Other Acute Care                                                 |                                                    | 901,380              | (3.1)%                          | (8.0)%                        |
| Long-Term Care – Elderly & DD                                    |                                                    | 71,806               | 0.5%                            | 4.1%                          |
| - Department of Child Safety (DCS)                               |                                                    |                      |                                 |                               |
| Reports of Child Maltreatment (12-month total)                   | September                                          | 42,528               | 0.4%                            | (3.2)%                        |
| DCS Out-of-Home Children                                         | September                                          | 9,060                | 0.2%                            | (14.3)%                       |
| Filled Caseworkers (1406 Budgeted)                               | September                                          | 1,303                | 13                              | (47)                          |
| - ADC Inmate Growth                                              | September                                          | 35,300               | 0.1%                            | 3.0%                          |
| - Department of Economic Security                                |                                                    |                      |                                 |                               |
| - TANF Cash Assistance Recipients                                | October                                            | 9,635                | (1.9)%                          | (12.9)%                       |
| - SNAP (Food Stamps) Recipients                                  | October                                            | 941,023              | (1.4)%                          | (1.4)%                        |
| <b>United States</b>                                             |                                                    |                      |                                 |                               |
| - Gross Domestic Product (Chained 2017 dollars, SAAR)            | 3 <sup>rd</sup> Q, 2024 (1 <sup>st</sup> Estimate) | \$23.4 trillion      | 2.8%                            | 2.7%                          |
| - Consumer Confidence Index (1985 = 100)                         | October                                            | 108.7                | 10.1%                           | 9.7%                          |
| - Leading Economic Index (2016 = 100)                            | September                                          | 99.7                 | (0.5)%                          | (4.8)%                        |
| - Consumer Price Index, (1982-84 = 100)                          | October                                            | 315.7                | 0.2%                            | 2.6%                          |



## JCCR Meeting Summary

At its **November 13, 2024** meeting, the Joint Committee on Capital Review considered the following issues:

### Regular Agenda

**Arizona Department of Administration - Review of FY 2025 Building Renewal Allocation Plan** – A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Administration (ADOA) requested review of its \$19.0 million FY 2025 Building Renewal Allocation Plan. The Committee gave a favorable review of the plan. As part of its review, the Committee included two provisions that require ADOA to report on 1) any expenditures from the \$502,100 Emergency Contingency allocation and 2) any proposed reallocations of monies between project categories.

**Arizona Department of Corrections - Review of FY 2025 Building Renewal Allocation Plan** - A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Corrections (ADC) requested review of its \$8.6 million FY 2025 Building Renewal Allocation Plan. The Committee gave a favorable review to \$7.6 million of ADC's FY 2025 Building Renewal Allocation Plan, which excludes the allocation of \$917,400 for Butte Avenue Bridge utility relocation in Florence.

**Northern Arizona University - Review of Capital Projects** - A.R.S. § 15-1671 requires Committee review of cash projects funded by the Capital Infrastructure Fund (CIF). Northern Arizona University (NAU) requested Committee review of \$5.0 million for capital improvement projects funded via CIF cash. The Committee gave a favorable review of the University's request with the standard university financing provisions.

### Consent Agenda

**Arizona Game and Fish - Review of FY 2025 Building Renewal and Capital Projects** – A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Game and Fish Department (AGFD) requested review of a total of \$3.3 million for 32 projects. The Committee gave a favorable review of the plan. As part of its review, the Committee included a provision requiring AGFD to report on any expenditures from the agency's building renewal emergency allocation in their quarterly capital report.

**Arizona State Parks Board - Review of FY 2025 Capital Improvement Projects – State Parks Revenue Fund** - A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Parks Board (ASPB) requested review of its proposal to use \$3.0 million from the State Parks Revenue Fund in FY 2025 for major repair and maintenance projects. The Committee gave a favorable review of the request. As part of its review, the Committee included a provision requiring ASPB to submit a report prior to reallocating monies between project categories.

**Rio Nuevo - Presentation of Projects** - A.R.S. § 48-4203E requires the Rio Nuevo Multipurpose Facilities District (District) to present to the Committee any construction project (or other improvement to real property) with a cost of more than \$500,000. For FY 2024, the District reported that it has allocated funds to 4 projects above this \$500,000 threshold and has agreed to spend a combined \$6.5 million on these projects. The Committee gave a favorable review of the District's presentation.

**Arizona Department of Transportation - Review of FY 2025 Building Renewal Allocation Plan** - A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Committee gave a favorable review of the agency's expenditure plan of \$22.1 million from the State Highway Fund and \$457,300 from the State Aviation Fund for general building renewal projects.

**Arizona Department of Transportation – Vehicle Fueling Facilities** – A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects. The Arizona Department of Transportation (ADOT) requested review of \$9.0 million appropriated from the State Highway Fund in FY 2025 for increased costs associated with the replacement of vehicle fueling facilities that received appropriations in prior years. The Committee gave a favorable review of the request. As part of its review, the Committee included a provision requiring that ADOT report on the projected beginning construction date and the projected completion date of each of the 10 fueling facility projects.





## JLBC Meeting Follow-Up

**AHCCCS – Report on Targeted Investment Program Expenditures** – Pursuant to a provision from the June 2017 JLBC meeting, the Arizona Health Care Cost Containment System (AHCCCS) submitted its annual report on actual Targeted Investment Program (TIP) expenditures. TIP provides incentive payments to Medicaid providers who develop processes for integrated care. The program is funded through Federal Funds and Political Subdivision Funds.

In FY 2024, Arizona spent \$48.0 million total on TIP expenditures. The Adult and Child Ambulatory program, which funds primary care providers, behavioral health providers, and integrated clinics, accounted for 88% of expenses at \$42.4 million. The remaining \$5.6 million was spent across 3 other program categories: Justice, Hospitals, and Administration. Justice pertains to the integration of acute and behavioral health services for adults with behavioral health needs transitioning from incarceration. (Maggie Rocker)

## Summary of Recent Agency Reports

**AHCCCS – Report on the American Rescue Plan Act Spending Plan** – Pursuant to Laws 2023, Chapter 133, the Arizona Health Care Cost Containment System (AHCCCS) is required to report quarterly on any changes to the agency's Home and Community-Based Services (HCBS) spending plan for the implementation of the American Rescue Plan Act (ARPA) of 2021.

As of October 2024, AHCCCS projects its ARPA HCBS spending plan will total \$1.63 billion, which represents a \$9.0 million increase from its July 2024 quarterly report and a \$119.7 million increase from its original spending plan.

The largest allocations include \$1.2 billion for time-limited directed payments to providers for attracting and retaining healthcare workers; \$199.0 million for payments to parents serving as caregivers for minor children enrolled in the ALTCS program; and \$71.5 million for incentive payments to HCBS providers. To date, the agency has expended \$1.40 billion on a Total Funds basis.

ARPA provided states a temporary 10% federal match increase for HCBS expenditures for the period beginning April 1, 2021 and ending March 31, 2022. States have until March 31, 2025, to fully expend funds. (Maggie Rocker)

**AHCCCS – Annual Serious Mental Illness Report** – Pursuant to A.R.S. § 36-3415(B), the Arizona Health Care Cost Containment System (AHCCCS) reported SFY 2023 Medicaid and Non-Medicaid Serious Mental Illness (SMI) behavioral health expenditures. AHCCCS expended \$1.08 billion Total Funds on behavioral health services for 51,444 Medicaid-funded SMI members, including:

- \$352.9 million for treatment services.
- \$167.7 million for pharmacy costs.
- \$149.2 million for inpatient services.
- \$410.4 million for all other service categories.

The agency expended \$53.2 million Total Funds for 14,504 non-Medicaid SMI clients in SFY 2023, including:

- \$12.5 million for support services.
- \$11.8 million for pharmacy costs.
- \$11.2 million for medical services.
- \$17.7 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 Rocker)

**AHCCCS – Report on DCS CHP Program and Financial Accountability Trends** – Pursuant to Laws 2018, Chapter 152, AHCCCS reported program and financial accountability trends from October 1, 2022, to September 30, 2023, for children enrolled in the Department of Child Safety - Comprehensive Health Plan (DCS CHP, formerly CMDP).

Statewide, the percentage of foster care eligible members served increased from 58.1% in October 2022 to 67.0% in September 2023. During that same time, the total value of encounters increased slightly from \$9.0 million in October 2022 to \$9.1 million in September 2023. The services accounting for the largest share of costs in September 2023 were Inpatient Services (\$3.0 million), Support Services (\$2.0 million), and Treatment Services (\$1.4 million). New monthly enrollment increased by 91 persons, from 242 to 333.



AHCCCS is also required to report the number of Notices of Adverse Benefit Determination reported by RBHAs, as well as the number of appeals filed and the outcome of those appeals. Notices of Adverse Benefit Determination include denials, suspensions, and terminations. In September 2023, the DCS CHP RBHA reported 59 notices of adverse benefit determination, the most reported reason being that the benefit was not medically necessary. In the same month, the RBHA received 4 member appeals. All 3 appeals with outcomes in September 2023 were upheld. (Maggie Rocker)

**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 first quarter of FY 2025, the AG received \$25,000 of its \$100,000 FY 2025 appropriation to the fund. A total of \$639,500 was expended from the fund (including prior year funds) through the first quarter of FY 2025. As of September 30, 2024, the CFAF had an unencumbered balance of \$25,300. (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 instant ticket lottery vending machines 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 first quarter of FY 2025, the AG received no monies for deposit into the ICAC Enforcement Fund. A total of \$480,100 was expended from the fund balance through the first quarter of FY 2025 to help pay for the operating costs of the ICAC Task Force. As of September 30, 2024, the ICAC Enforcement Fund had an unencumbered fund balance of \$1,239,000. (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 first quarter of FY 2025, the AG deposited a total of \$25.3 million into various consumer accounts. Of that amount, \$4.8 million was deposited in the CPCF Revolving Fund, \$777,000 was deposited into the Consumer Restitution Subaccount, and \$19.7 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 or the General Fund.

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

**Deposits to the CPCF Revolving Fund**  
The AG deposited \$4.8 million 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: a deposit of \$250,000 from a settlement with Coulter Motor Company resolving allegations that Coulter engaged in deceptive or unfair advertising; a deposit of \$549,900 from a settlement with Johnson & Johnson resolving allegations that the company engaged in unfair or deceptive practices related to the advertisement or sale of opioids; a deposit of \$3.8 million from a settlement with Johnson & Johnson resolving allegations that the company deceptively advertised and misled consumers about the safety of its talc powder products; and other small legal settlements. As of September 30, 2024, the fund had an unencumbered balance of \$28.7 million.

**Deposits to the Consumer Restitution Subaccount**  
The AG deposited \$777,000 into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount resulted from: a deposit of \$673,500 from a settlement with Navient Corporation resolving allegations



that Navient used unfair and deceptive practices to steer student loan borrowers into risky and subprime loans; various small legal settlements; and interest income. As of September 30, 2024, the fund had an unencumbered balance of \$10.7 million.

Non-Opioid Deposits to the Consumer Remediation Subaccount

The AG deposited \$73,200 of non-opioid related revenues into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount is comprised entirely of interest income derived from non-opioid balances in the fund. As of September 30, 2024, the Remediation Subaccount had an unencumbered balance of \$11.8 million, of which \$10.0 million is non-opioid related.

Opioid Claims-Related Deposits to the Consumer Remediation Subaccount

The AG deposited \$19.7 million of opioid revenues into the partially-appropriated Consumer Remediation Subaccount. This amount resulted from \$215,100 of interest income derived from opioid balances in the fund and \$19.4 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: \$10.9 million from Cardinal Health; \$3.3 million from Allergan Ltd.; \$3.0 million from Teva Pharmaceuticals USA Inc.; \$2.9 million from CVS Pharmacy Inc.; and a transfer out of \$(549,900) from Johnson and Johnson Janssen for deposit into the CPCF Revolving Fund. The AG spent \$12.0 million on aid to others and \$44.0 million on operating transfers out through the first quarter of FY 2025. As of September 30, 2024, the Remediation Subaccount had an unencumbered balance of \$11.8 million, of which \$1.9 million is related to opioid claims.

Deposits to the General Fund

The AG deposited no monies into the General Fund. (Gordon Robertson)

**Arizona Commerce Authority – Annual Report on Arizona Competes Fund** – Pursuant to A.R.S. § 41-1545.04, the Arizona Commerce Authority (ACA) provided its annual report on: 1) grants from the previous fiscal year and other projects currently funded from the Arizona Competes Fund, and 2) performance measures for the recipients including job creation, capital investment and average wages.

New FY 2024 Grants

ACA awarded grants from the Arizona Competes Fund totaling \$14.7 million in FY 2024.

ACA awarded 6 new grants totaling \$12.9 million for the purpose of expanding or retaining businesses in Arizona. These grants were awarded to the following recipients:

| <u>Recipient</u>                 | <u>Amount</u>       |
|----------------------------------|---------------------|
| EnPro Industries, Inc.           | \$ 700,000          |
| Nucor Steel Kingman, LLC         | 400,000             |
| LG Energy Solution Arizona, Inc. | 5,000,000           |
| Republic Services, Inc.          | 1,500,000           |
| ASM America, Inc.                | 5,000,000           |
| LifeStance Health, Inc.          | 300,000             |
| <b>Total</b>                     | <b>\$12,900,000</b> |

Each recipient agreed, as part of the granting process, to meet certain metrics regarding job creation. Over the next 3 years, they plan to create a collective total of 4,414 new jobs, provide average annual wages above the county median wage, make a collective capital investment of \$3.4 billion, and pay for at least 65% of their employees' health insurance costs.

ACA also provides grants to small and rural businesses through 4 different programs, though only 2 of the programs awarded grants in FY 2024. The Arizona Innovation Challenge (AIC) awarded a total of \$1.5 million to 10 different companies to promote new technologies and small business growth. The Arizona Small Business Development Center Grant (AZSBDCG) gave \$335,000 to Maricopa Community Colleges to "enhance economic development" through tracking and improving small business creation and expansion. No grants were awarded via the Rural Economic Development Grant (REDG) or via the Arizona COVID-19 Assistance Grant (AZCAG) in FY 2024.

Performance Measures

ACA awarded 53 grants totaling \$89.4 million from FY 2012 through FY 2024 for the purpose of expanding or retaining business in Arizona. These figures exclude 5 grants totaling \$6.5 million that were rescinded. Through FY 2024, these grantees made initial commitments to create 37,058 jobs with average annual wages of \$66,185 and to make capital investments totaling \$20.9 billion. To date, grantees have actually created 22,293 jobs with average annual wages of \$89,404 and have made capital investments totaling \$10.3 billion. The grantees have 3 years to reach the agreed upon metrics from the time the grant is awarded. Grantees that did not achieve the agreed upon metrics were only funded for the job creation and capital investments that were completed.



In addition to the grants above, from FY 2012 through FY 2024, ACA made 167 REDG, AIC, AZSBDCG, and AZCAG grant awards totaling \$35.0 million for the purpose of supporting rural and small businesses. As of June 30, 2024, these grantees created 9,094 jobs and \$836.0 million in capital investment compared to commitments of 6,237 jobs and \$859.6 million in capital investment.

ACA reports that grants for expanding/retaining businesses in Arizona and grants made via the AIC program created 23,181 jobs. Of those jobs, the 2 largest categories of jobs were in manufacturing (11,071) and finance and insurance (6,614 jobs).

Fund Status

The Arizona Competes Fund typically receives a General Fund deposit of \$500,000 and an additional deposit of \$3.5 million in lottery revenues. For FY 2025 through FY 2027, the annual \$3.5 million deposit from lottery revenues will be decreased to \$1.75 million, after which it will increase back to \$3.5 million beginning in FY 2028. As of June 30, 2024, the Arizona Competes Fund had a balance of roughly \$59.7 million, which includes balances reserved for grants which have not been completed. (Nate Belcher)

**Arizona Department of Forestry and Fire**

**Management – Report on Gila River Nonnative Species Eradication Grant Expenditures** – Pursuant to an FY 2023 General Appropriations Act (GAA) footnote as amended by the FY 2025 GAA, the Arizona Department of Forestry and Fire Management (DFFM) reported on the total expenditures for Gila River nonnative species eradication projects in FY 2024. In FY 2023, the Legislature appropriated \$5.0 million from the General Fund for nonnative species eradication projects along the Gila River and made the funds non-lapsing through June 30, 2025. In the FY 2025 budget, this lapsing date was extended through June 30, 2029.

In FY 2023, DFFM expended \$24,000 of the \$5.0 million appropriation on a project to remove invasive stinknet plants from 40 acres of land owned by the City of Buckeye.

In FY 2024, DFFM allocated \$2.7 million toward 9 projects to remove invasive plants, primarily tamarisk and stinknet, from 297.5 acres of land along the Gila River. Of this amount, \$2.2 million is from federal American Rescue Plan Act (ARPA) funding for 3 projects. The remaining 6 projects, totaling \$524,200, were funded from the FY 2023 General Fund appropriation. To date, DFFM has expended \$506,000 of monies allocated from ARPA and \$416,700 of monies allocated from the General Fund in FY 2024.

In FY 2025, DFFM projects allocating \$3.8 million for 15 projects to remove invasive plants from 461.5 acres of land. Of this amount, DFFM plans to use \$3.1 million from ARPA for 9 projects, with the remaining 6 projects funded by \$685,100 from the General Fund appropriation. To date, DFFM reports spending \$3,000 from the FY 2025 ARPA allocations.

In total, DFFM has allocated a total of \$1.2 million of the \$5.0 million appropriated from the General Fund in FY 2023, leaving \$3.8 million available through FY 2029. In addition to these monies, DFFM has allocated a total of \$5.3 million from ARPA. (Nate Belcher)

**Arizona Department of Forestry and Fire**

**Management – Report on Nonnative Vegetation Species Eradication Grant Expenditures** – Pursuant to A.R.S. § 37-1309C, the Arizona Department of Forestry and Fire Management (DFFM) reported on the total expenditures of grant-funded nonnative vegetation species eradication (NVSE) projects in FY 2024 (See *Table 7* below).

**Table 7**

**DFFM Nonnative Vegetation Species Eradication Grant FY 2024 Expenditures**  
**For 2023 Grant Cycle**  
**(\$ in thousands)**

| <u>Grantee</u>                     | <u>Project Title</u>                  | <u>Grant Amount</u> | <u>Spending as of 8/31/24</u> | <u>Expected Completion</u> |
|------------------------------------|---------------------------------------|---------------------|-------------------------------|----------------------------|
| Altar Valley Conservation Alliance | Weed Mgmt. for Quail Habitat          | \$90.0              | \$ 0                          | 12/26                      |
| City of Scottsdale                 | Protect Our Desert Phase II           | 193.5               | 0                             | 6/25                       |
| Pima County                        | Colossal Cave Mountain Invasive Grass | 193.5               | 0                             | 12/26                      |
| City of Apache Junction            | Silly Mountain Invasive Grass         | 193.5               | 0                             | 3/27                       |
| University of Arizona              | Mgmt. of Grassland Noxious Weeds      | 79.0                | 0                             | 3/26                       |
| Friends of Catalina State Park     | Buffelgrass Eradication               | 94.0                | 16.2                          | 12/26                      |
| Yuma Crossing Natl Heritage Area   | Yuma East Wetlands Invasive Plants    | 93.0                | 0                             | 6/25                       |
| National Audubon Society           | AWRR Lehmann Lovegrass Treatment      | 100.0               | 1.6                           | 3/27                       |
| Wild Arizona                       | Chiricahua Mountains Invasive Grass   | 13.5                | 0                             | 12/25                      |
| <b>Total</b>                       |                                       | <b>\$1,050.0</b>    | <b>\$17.8</b>                 |                            |





The FY 2020 General Appropriation Act annually appropriates \$1,000,000 from the General Fund from FY 2021 to FY 2029 for deposit in the Nonnative Vegetation Species Eradication Fund.

DFFM reports \$829,200 has been expended to date of its FY 2023 appropriation. Five of the eight projects from this grant cycle have been completed.

DFFM reports spending \$17,800 through August 31, 2024 from its FY 2024 appropriation for grant reimbursements. DFFM selected 9 projects to receive NVSE grant funding out of 33 applicants. All 9 of the selected projects have begun, and all projects are projected to be completed within 3 years of their respective start dates. Please see *Table 7* above for more information. (Nate Belcher)

**JLBC Staff – Report on FY 2024 Travel and Relocation Expenses** – A.R.S. § 35-196.01 requires agencies to annually report relocation expenses for their employees. These relocation costs include any expense incurred by the employer for the transportation of any person newly employed or retained by the agency. As of October 23, 2024, 7 agencies reported spending a total of \$42,417 on these purposes in FY 2024. See *Table 8*. In FY 2023, 5 agencies reported \$14,999 for such expenses. (Jordan Johnston)

| <b>Agency</b>                     | <b>FY 2024 Travel Expense</b> |
|-----------------------------------|-------------------------------|
| Attorney General                  | \$1,476                       |
| Corporation Commission            | 5,000                         |
| Corrections, State Department of  | 18,324                        |
| Environmental Quality, Dept. of   | 7,000                         |
| Game and Fish Department, Arizona | 2,032                         |
| Historical Society, Arizona       | 5,000                         |
| Public Safety, Department of      | 3,585                         |
| <b>Total</b>                      | <b>\$42,417</b>               |

**Department of Revenue – Report on Annual Enforcement Goals** – Pursuant to 2 General Appropriation Act footnotes, the Department of Revenue (DOR) is required to report on their FY 2025 revenue enforcement goals, provide an annual progress report to the JLBC on the effectiveness of the department’s overall enforcement and collections program for FY 2024, the amount of Transaction Privilege Tax (TPT) delinquent accounts, and the amount of fraud prevented by the private fraud prevention services.

In FY 2024, DOR’s total enforcement goal was \$1.078 billion but actual enforcement collections were \$1.077 billion. DOR’s FY 2025 goal for enforcement collections is \$1.096 billion, which represents an increase of \$19.0 million from actual FY 2024 enforcement collections. These amounts reflect total enforcement collections, which includes General Fund revenue and local government revenue (cities and counties).

DOR's enforcement goals include the following activities:

- Audit enforcement revenue includes revenue due to DOR’s auditing of taxpayer returns and finding and licensing unlicensed businesses.
- Accounts Receivable revenue includes taxpayer accounts paid before they would have been moved to collections, which allows DOR’s collectors to work on other accounts.
- For Collections revenue, after certain periods of time, unpaid taxpayer accounts are moved from Accounts Receivable to DOR’s Collections section.

At the end of FY 2024, there were 394,323 delinquent TPT accounts, totaling \$759.4 million, of which 37.6% of these cases had been delinquent for less than 1 year, 40.1% between 1 and 4 years, and 22.3% for over 4 years.

The department reports that \$37.3 million in delinquent accounts for all tax types were written off as uncollectible in FY 2024.

Funds are used to contract with a vendor to provide investigative services to identify potentially fraudulent tax returns and prevent fraudulent refunds from being sent by the department. The department reports that the fraud prevention efforts stopped \$101.1 million in Individual Income Tax refunds and \$86.8 million in other invalid refunds being issued in FY 2024. (Micaela Andrews)

**Department of Revenue/Department of Insurance and Financial Institutions – Report on Tax Credits**

DOR – Income Tax Credits

Pursuant to A.R.S. § 43-224, the Arizona Department of Revenue submitted its annual report on the amounts of Individual Income, Small Business Income, and Corporate Income Tax credits used during the prior fiscal year. The Small Business Income Tax, which is filed by individuals, is an alternative income tax on certain classes of income, including certain capital gains or losses, interest, dividends, and the profit or loss from an individual who is operating a business as a sole proprietor. This alternative tax was made available to individuals for the first time in TY 2021/FY 2022.



The agency reported that there were 2.5 million **Individual Income Tax** credit claims totaling \$1.01 billion in FY 2024. This is an increase of 15.0% over the prior year.

The credit with the highest dollar level of claims was for the Entity Level Income Tax Paid at \$283.9 million. This credit prevents double taxation of pass-through income at both the business and individual level. Therefore, the overall effective revenue impact of the credit is \$0. Of the remaining total, the Income Taxes Paid to Other States or Countries Credit accounted for \$231.9 million, the Dependent Tax Credit for \$144.0 million, Private School Tuition Organization credits accounted for \$137.5 million, the Charitable and Foster Care Contributions credits accounted for \$111.2 million, the Public-School Extracurricular Activity Fee Credit accounted for \$35.3 million, and the Credit for Increased Excise Taxes Paid accounted for \$19.5 million. Use of other credits, including the Solar Energy Device Tax Credit, totaled \$50.5 million. The number of claims and credit use are listed in *Table 9* below.

| Credits:                                                     | # of Claims      | Credit Use       |
|--------------------------------------------------------------|------------------|------------------|
| Entity Level Income Tax Paid <sup>1/</sup>                   | 17,000           | \$283.9          |
| Income Taxes Paid to Other States or Countries <sup>1/</sup> | 98,093           | 231.9            |
| Dependent Tax Credit                                         | 1,000,117        | 144.0            |
| School Tuition Organizations                                 | 135,090          | 137.5            |
| Contributions to Charitable and Foster Care Organizations    | 230,261          | 111.2            |
| Public School Contributions                                  | 129,730          | 35.3             |
| Increased Excise Taxes Paid                                  | 438,515          | 19.5             |
| Other Credits <sup>2/</sup>                                  | 494,464          | 50.5             |
| <b>Total Value of Credits</b>                                | <b>2,543,270</b> | <b>\$1,013.8</b> |

<sup>1/</sup> Credit prevents double-taxation of income.  
<sup>2/</sup> Due to taxpayer confidentiality, DOR did not report the number of claims or credit use for all "Other Credits"

The Department of Revenue reported that 96 individual filers claimed tax credits under the **Small Business Income (SBI) Tax** in FY 2024, for a total of \$3.2 million. This is a significantly lower amount than the \$51.0 million in SBI credits claimed in FY 2023. With the SBI tax rate of 2.5% being equal to the individual income tax rate, many filers choose not to classify qualifying income as SBI.

Details on the number of claimants and the amount of credits used under this alternative tax are shown in *Table 10*.

| Credits:                                       | # of Claims | Credit Use   |
|------------------------------------------------|-------------|--------------|
| Income Taxes Paid to Other States or Countries | 75          | \$2.8        |
| School Tuition Organizations                   | 11          | 0.3          |
| Other Credits <sup>1/</sup>                    | 10          | 0.1          |
| <b>Total Value of Credits</b>                  | <b>96</b>   | <b>\$3.2</b> |

<sup>1/</sup> Due to taxpayer confidentiality, DOR did not report the number of claims or credit use for all "Other Credits"

The Department of Revenue reported that taxpayers used a total of \$300.7 million in **Corporate Income Tax** credits in FY 2024, a 28.7% increase from the prior year. Of the total amount used, \$190.4 million was for Research and Development (R&D) credits, \$51.5 million for the Qualified Facilities Credit, and \$45.2 million was for Private School Tuition Organization credits. Use of other credits, including the Renewable Energy Production Credit, totaled \$4.7 million in FY 2024. The number of claims and the amount of credits used are listed in *Table 11* below.

| Credits:                      | # of Claims | Credit Use     |
|-------------------------------|-------------|----------------|
| Research and Development      | 709         | \$190.4        |
| Qualified Facilities          | 48          | 51.5           |
| School Tuition Organizations  | 118         | 45.2           |
| New Employment                | 35          | 8.9            |
| Other Credits <sup>1/</sup>   | 4           | 4.7            |
| <b>Total Value of Credits</b> | <b>914</b>  | <b>\$300.7</b> |

<sup>1/</sup> Due to taxpayer confidentiality, DOR did not report the number of claims or credit use for all "Other Credits".

DIFI – Insurance Premium Tax Credits

Pursuant to A.R.S. § 20-224(l), the Department of Insurance and Financial Institutions submitted its annual report on the amounts of insurance premium tax credits used in the previous fiscal year.

The agency reports that a total of \$61.6 million in insurance premium tax credits were used in FY 2024. This is a decrease of (8.7)% from the prior year. Of the \$61.5 million, \$51.7 million consists of private school tuition organization tax credits. The dollar impacts of the specific credits are listed in *Table 12* below. (Ben Newcomb)





**Table 12**  
**FY 2024 Insurance Premium Tax Credits**  
 (\$ in millions)

|                                             | <u>Credit Use</u> |
|---------------------------------------------|-------------------|
| <b>Credits:</b>                             |                   |
| Private School Tuition Organizations        | \$46.3            |
| - Low Income Students <sup>1/</sup>         |                   |
| Private School Tuition Organizations        | 5.4               |
| - Disabled/Displaced Students <sup>2/</sup> |                   |
| New Employment                              | 0.1               |
| Health Insurance Premium <sup>3/</sup>      | 3.2               |
| Insurance Guaranty Fund                     | <u>6.6</u>        |
| <b>Total Value of Credits</b>               | <b>\$61.6</b>     |

<sup>1/</sup> The credit was capped at \$158.5 million in FY 2024 between corporate, individual income and insurance premium taxpayers.

<sup>2/</sup> Credit was capped at \$6.0 million in FY 2024 between corporate, individual income and insurance premium taxpayers.

<sup>3/</sup> Credit is capped at \$5.0 million annually.

ADOT also reports that no vehicles were permanently removed from the state fleet in FY 2024. The department will continue to analyze utilization data to remove vehicles that are not being properly utilized. (Jordan Johnston)

**Universities – Report on University Research Infrastructure Income** – Pursuant to A.R.S. § 15-1670, Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) are required to submit an annual report on the amount of the previous year’s income from licensure and royalty payments and the sale or transfer of intellectual property developed by the university. The universities transfer 20% of cumulative net income exceeding \$1.0 million to the Arizona Financial Aid Trust (AFAT).

For FY 2024, ASU and NAU reported no gross royalties, and UA reported \$10.3 million in gross royalties. UA had \$4.6 million in cumulative net income exceeding \$1.0 million. Pursuant to A.R.S. § 15-1670, UA will deposit \$918,301 into the AFAT. (Grace Timpany)

**Arizona Department of Transportation – Report on State Motor Vehicle Fleet** – Pursuant to A.R.S. 28-472, the Arizona Department of Transportation (ADOT) is required to report by October 1 annually on the current status of the state fleet, including: 1) monies deposited into the State Fleet Operations Fund and State Vehicle Replacement Fund, 2) number of vehicles replaced in the prior fiscal year, 3) number of vehicles at each agency, 4) replacement lifecycle for each vehicle, and 5) number of vehicles the department identifies as not requiring replacement.

ADOT reports that as of August 2024 the State Fleet Operations Fund has a cash balance of \$4.8 million and the State Vehicle Replacement Fund has a cash balance of \$12.7 million, with fleet agencies having their own subaccounts. In FY 2024, 239 vehicles within the state fleet were replaced. The department further reports that the state fleet consists of 1,475 vehicles across 39 agencies. In addition, ADOT replaced 21 vehicles in FY 2024 belonging to agencies exempt from the state fleet but which still utilize ADOT fleet services via an interagency service agreement.

ADOT utilizes a 10 point methodology to evaluate the replacement lifecycle for each vehicle; the expected lifetime in miles and age depends on the type of vehicle but typically ranges between 135,000 miles and 108 months to 250,000 miles and 180 months for trucks and sedans. Under this methodology, the department has identified 180 vehicles in the state fleet currently in need of replacement.

