

Joint Legislative Budget Committee

Monthly Fiscal Highlights

October 2023

Summary

September 2023 General Fund revenues totaled \$1.55 billion, which represents a total decline of (3.0)% below September 2022. This level of collections in September resulted in a forecast loss of \$(72) million below the enacted budget revenue forecast. The state experienced a significant forecast loss in the Individual Income Tax category, which was partially offset by gains in Corporate Income Tax.

Sales Tax

Total September Sales Tax collections increased by 2.7% compared to the prior year, which generated a forecast loss of \$(14) million for the month.

The September Sales Tax loss was due to generally modest performance during the month – the retail and restaurant/bar classifications grew less than expected, with a slight overperformance seen in the contracting classification.

Individual Income Tax

Overall Individual Income Tax (IIT) collections were (35.3)% below September 2022 and \$(147) million below the enacted budget forecast. The September IIT forecast loss was spread across all components of IIT – withholding, payments and refunds.

In terms of withholding, revenues had been expected to decline due to the new lower withholding rates that went into effect in January 2023. Collections, however, declined significantly more than expected which caused a \$(67) million loss for this portion of IIT. The state did have one less withholding tax processing day in September, although it is unclear how much this timing issue contributed to the forecast loss.

The state also realized losses in the other portions of IIT – payments were \$(48) million below forecast and higher-than-expected refunds caused a \$(32) million forecast loss. In general, these are continuations of trends seen during the spring 2023 tax filing season, as certain taxpayers receive extensions until mid-October and a portion of that extension payment/refund activity occurs in September. Beyond this tax extension activity, there was also lower-than-expected estimated payment deposits in September, which suggests taxpayers may have lower expectations of future tax liability.

Corporate Income Tax revenue continued its multi-year trend of strong growth, increasing by 13.9% in September compared to the prior year, which generated a forecast gain of \$79 million for the month.

Year-to-Date Results/October FAC Forecast

Year-to-date through September, excluding Urban Revenue Sharing and fund transfers, FY 2024 General Fund revenues are (6.2)% below the prior year and \$(201) million below the enacted budget forecast.

Due to the underperformance of revenues during the first quarter of FY 2024, the 4-sector revenue forecast released at the [October meeting](#) of the Finance Advisory Committee (FAC) made downward revisions to the state's revenue forecast. At this time, our office estimates the updated revenue forecast would result in the state having a projected General Fund shortfall of \$(400) million in FY 2024 and \$(450) million in FY 2025.

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September Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2024	Difference From	Difference
	Collections	Enacted Forecast	From FY 2023
September	\$ 1,548.6	\$ (72.2)	\$ (47.7)
Year-to-Date	\$ 3,639.8	\$ (201.1)	\$ (381.5)

Sales Tax collections of \$652.1 million in September were 2.7% above the same month in the prior year and \$(14.1) million below the enacted budget forecast. Year to date (YTD) through September, sales tax revenue is up by 1.6% compared to the same period in the prior year and is \$(63.7) million below forecast. To provide some perspective, the last time sales tax revenue grew less than 1.6% for the comparable 3-month period was in FY 2010.

Table 2 shows the September growth rate for the 5 major sales tax categories, which combined make up about 90% of total sales tax collections.

Table 2		
September Sales Tax Growth Rates Compared to Prior Year		
	Sept.	YTD
Retail/Remote Seller ^{1/}	3.8%	5.9%
Contracting	6.0%	12.5%
Use Tax ^{2/}	(24.9)%	(58.3)%
Restaurant & Bar	2.1%	1.7%
Utilities	10.2%	8.9%

^{1/} Absent a technical correction described in the September MFH, Retail/Remote Seller growth would have been 2.9% YTD.
^{2/} Absent a technical correction described in the September MFH, Use Tax growth would have been (22.9)% YTD.

The combined Retail/Remote Seller category, which makes up close to 54% of total sales tax revenue, increased by 3.8% in September compared to the same month in the prior year. This category experienced a significant slowdown in the last quarter of FY 2023, which has continued through the first quarter of the current fiscal year.

Another category that has seen significantly slower growth during the first quarter of FY 2024 is the Restaurant and Bar classification, which is up by only 1.7% YTD.

Use Tax collections declined by (24.9)% in September and after adjusting for a correction of historical data discussed in September's *Monthly Fiscal Highlights*, this category is down by (22.9)% YTD.

Individual Income Tax (IIT) net revenue was \$437.8 million in September, a decline of (35.3)% from last year and \$(146.9) million under the enacted budget forecast. Lower withholding revenue, reduced payments, and higher refunds all contributed to the forecast loss in September. YTD, IIT revenue has decreased (27.4)% from the same period last year and is \$(242.1) below the forecast.

Withholding collections in September were \$364.3 million, a (24.7)% decrease from the previous September and \$(66.7) million below the enacted budget forecast. This decline in growth is mainly attributable to the lower default withholding rates implemented by the Department of Revenue in January 2023. The default withholding rate was lowered from 2.7% to 2.0% to reflect the single 2.5% IIT rate that took effect at the start of 2023. In addition, one less withholding tax processing day in September was also a contributor to the decline. Year-to-date (YTD), withholding has decreased (15.7)% compared to the same period last year and is \$(125.2) million below the forecast.

September payments were \$139.3 million, a decrease of (39.2)% from last year and \$(47.9) million less than the forecast. September is an important month for estimated payment revenue as quarterly payments are due the 15th of the month. The level of estimated payments was the lowest collected in the month of September since 2015, reflecting taxpayers' expectations of lower 2023 tax liability. YTD, payments are down (45.1)% relative to FY 2023, and \$(62.4) million below the forecast.



Refunds in September were \$65.8 million, 80.1% more than September 2022, resulting in a forecast loss of \$(32.2) million. This is the highest level of refunds ever issued in September, which typically makes up 1%-2% of the fiscal year's total. YTD, refunds are up 76.3% from the same period last year, with a forecast loss of \$(54.5) million.

Highway User Revenue Fund (HURF) collections of \$147.7 million in September were 2.4% above the amount collected in September 2022 but \$(1.2) million below forecast. Year to date, HURF collections are \$428.5 million, 3.9% above the prior year, and \$3.9 million more than forecast.

Table 3

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

	<u>September</u>	<u>YTD</u>
Withholding	(24.7)%	(15.7)%
Estimated/Final Payments	(39.2)%	(45.1)%
Refunds	80.1%	76.3%

Corporate Income Tax (CIT) net collections in September were \$332.6 million, 13.9% growth from last September and \$79.3 million greater than the enacted budget forecast. This is the highest level of CIT ever collected in September and the 3rd highest total of any month in Arizona history. September is an important month for CIT, as collections during the month typically make up about 18% of the fiscal year's total. YTD, net CIT collections are 11.4% greater than the same period last year and \$83.6 million above the forecast.

Insurance Premium Tax (IPT) revenue was \$88.1 million in September, an increase of 141.0% compared to the same month in the prior year and \$(7.4) million below the enacted budget forecast. The large percentage growth over the prior year was an expected timing issue given the pattern of IPT collections in FY 2023. Fiscal year to date, IPT revenue is up by 42.4% and is \$5.8 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in August was \$1.4 million, which is (20.4)% below September 2022 collections and approximately \$(0.4) million below the enacted budget forecast. Year to date, General Fund tobacco tax revenues total \$4.8 million, (0.2)% less than the amount collected for the comparable period in FY 2023, and \$(0.4) million under the forecast.

Liquor Tax revenue deposited into the General Fund in September was \$2.5 million, which is a decrease of (34.6)% from the amount deposited in September 2022 and \$(1.5) million less than the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$9.1 million, a (13.9)% decline from the comparable period in FY 2023, and \$(1.9) million below forecast.

The state collected \$13.7 million in dedicated **Marijuana Excise Taxes** in September, marking a 7.0% increase over September 2022 revenues. Monies from this excise tax are deposited into dedicated non-General Fund accounts. The total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) was \$5.3 million in September. Of this amount, the General Fund received \$3.9 million. (*Table 4* details September 2023 collections).

Table 4

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

	<u>September</u>	<u>YTD</u>
Marijuana Excise Tax	\$13.7	\$41.8
Medical Marijuana TPT*	\$1.4	\$4.4
<u>Distribution:</u>		
General Fund	\$1.1	\$3.3
Counties	\$0.2	\$0.7
Cities	\$0.1	\$0.4
Recreational Marijuana TPT*	\$3.8	\$12.2
<u>Distribution:</u>		
General Fund	\$2.8	\$9.0
Counties	\$0.6	\$2.0
Cities	\$0.4	\$1.2
Total State Marijuana Tax Collections	\$18.9	\$58.4

* Amounts may not add to total due to rounding

Due to delays in reporting final August revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For August, DOR has increased the amount of prior General Fund revenue collections by \$0.5 million and the adjustment has been included in the reported year-to-date results.



Table 5

General Fund Revenue: Change from Previous Year and Enacted Forecast September 2023

	Current Month					FY 2024 YTD (Three Months)				
	Actual September 2023	Change From September 2022		Enacted Forecast		Actual September 2023	Change from September 2022		Enacted Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$652,143,341	\$16,840,491	2.7 %	(\$14,065,650)	(2.1) %	\$1,916,487,894	\$31,033,394	1.6 %	(\$63,677,127)	(3.2) %
Income - Individual	437,847,907	(238,731,265)	(35.3)	(146,871,137)	(25.1)	1,268,527,916	(478,776,878)	(27.4)	(242,103,366)	(16.0)
- Corporate	332,635,908	40,534,905	13.9	79,290,081	31.3	432,015,114	44,279,817	11.4	83,629,807	24.0
Property	94,023	(28,419)	(23.2)	(241,742)	(72.0)	698,388	24,336	3.6	(266,331)	(27.6)
Luxury - Tobacco	1,384,103	(355,151)	(20.4)	(351,670)	(20.3)	4,765,239	(10,464)	(0.2)	(369,220)	(7.2)
- Liquor	2,508,047	(1,327,996)	(34.6)	(1,477,221)	(37.1)	9,136,484	(1,472,564)	(13.9)	(1,938,185)	(17.5)
Insurance Premium	88,064,232	51,528,515	141.0	(7,378,887)	(7.7)	213,826,993	63,667,736	42.4	5,770,119	2.8
Other Taxes	1,049,261	188,576	21.9	180,453	20.8	3,076,659	579,259	23.2	518,983	20.3
Sub-Total Taxes	\$1,515,726,822	(\$131,350,345)	(8.0) %	(\$90,915,774)	(5.7) %	\$3,848,534,688	(\$340,675,364)	(8.1) %	(\$218,435,319)	(5.4) %
<u>Other Revenue</u>										
Lottery	80,000,000	80,000,000	--	0	--	80,000,000	40,000,000	100.0	0	0.0
Gaming	2,411,451	306,125	14.5	(23,189)	(1.0)	4,042,915	(16,651,085)	(80.5)	(2,265,742)	(35.9)
License, Fees and Permits	5,334,916	482,163	9.9	717,577	15.5	14,051,337	1,350,334	10.6	941,390	7.2
Interest	68,668,436	51,573,231	301.7	22,069,536	47.4	68,681,184	38,652,146	128.7	22,074,711	47.4
Sales and Services	1,498,306	(3,271,046)	(68.6)	(2,223,188)	(59.7)	5,916,226	(2,276,327)	(27.8)	(2,327,186)	(28.2)
Other Miscellaneous	3,559,868	888,571	33.3	(167,404)	(4.5)	3,315,231	22,137,045	(117.6)	(2,653,378)	(44.5)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	1,786,935	(8,181,773)	(82.1)	(1,620,663)	(47.6)	6,477,914	(9,572,793)	(59.6)	1,601,419	32.8
Sub-Total Other Revenue	\$163,259,913	\$121,797,271	293.8 %	\$18,752,669	13.0 %	\$182,484,807	\$73,639,319	67.7 %	\$17,371,215	10.5 %
TOTAL BASE REVENUE	\$1,678,986,734	(\$9,553,074)	(0.6) %	(\$72,163,104)	(4.1) %	\$4,031,019,495	(\$267,036,045)	(6.2) %	(\$201,064,104)	(4.8) %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(130,401,650)	(38,155,093)	41.4	(0)	0.0	(391,204,948)	(114,465,280)	41.4	(0)	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Sub-Total Other Adjustments	(130,401,650)	(38,155,093)	41.4 %	(0)	0.0 %	(391,204,948)	(114,465,280)	41.4 %	(0)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,548,585,085	(\$47,708,167)	(3.0) %	(\$72,163,104)	(4.5) %	\$3,639,814,547	(\$381,501,324)	(9.5) %	(\$201,064,104)	(5.2) %
<u>Non-General Funds</u>										
Highway User Revenue Fund	147,649,354	3,519,949	2.4 %	(1,166,851)	(0.8) %	428,513,695	16,260,193	3.9 %	3,910,493	0.9 %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) third and final estimate of the U.S. **Real Gross Domestic Product (GDP)** in the 2nd quarter of 2023 is an annualized growth rate of 2.1%. This remains unchanged from their second estimate.

The **Consumer Confidence Index**, published by the Conference Board, fell to 103.0 in September. This was a decrease of (5.7) points from the revised August level. Despite greater optimism about the present situation, expectations for the future declined enough to bring overall consumer confidence to its lowest level since November 2022. Consumers cited persistent inflation, and in particular rising fuel prices, as the primary point of concern. Compared to September 2022, the index has decreased by (4.8) points, or (4.5)%.

The Conference Board's **U.S. Leading Economic Index (LEI)** decreased (0.4)% in August to 105.4 points. This decrease is attributable to fewer manufacturing orders, receding consumer confidence, higher interest rates, and worsening credit conditions. The Conference Board's August press release stated that the index "has now fallen for nearly a year and a half straight, indicating the economy is heading into a challenging growth period and possible recession over the next year." In the 6-month period from February to August, the LEI has declined by (3.8)%, which is similar to the (3.9)% decrease during the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased, month-over-month, at a seasonally adjusted rate of 0.4% in September. Shelter prices contributed to over half of this increase. Gasoline and food prices also rose during the month. The overall CPI has increased 3.7% since the previous September. During this period, food prices increased 3.7%; energy prices fell (0.5)% (including a 3.0% increase for gasoline and (5.1)% decrease for oil); and shelter costs increased 7.2%. Excluding food and energy, the year-over-year "core" CPI increased by 4.1% in September.

ARIZONA

Housing

In August, Arizona's 12-month total of **single-family building permits** was 29,570. This was an increase of 2.7% over last month's total and (31.5)% below August 2022's 12-month total.

In August, Arizona's 12-month total of 22,368 **multi-family building permits** is (1.8)% below last month's total and 2.5% greater than the same 12-month period ending in August 2022. August is the second month since August 2021 to see less than 10% year-over-year growth, following July's 7.1% figure.

The **median home price** in Maricopa County decreased to \$460,000 in September, representing a (1.1)% decrease from August's median sale price and a (2.1)% decrease compared to the same month in 2022. September was the 10th consecutive month with a year-over-year decline in the median sales price, and it was the 3rd consecutive month with a month-over-month decline. Previously, the median sales price had not declined on a year-over-year basis since November 2011.

Tourism

In August, **revenue per available room** rose sharply to \$109.67, representing a 49.3% jump over July's average revenue and an 8.3% increase over the August 2022 figure.

Hotel occupancy was 59.4% in August, which is (1.5)% below the prior month's occupancy rate and (0.4)% below that of August 2022.

Phoenix Sky Harbor Airport Ridership was about 3.6 million in August, which represents a (7.7)% decrease from July's figure and a 2.9% increase over August 2022 ridership.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state had 30,900 more **nonfarm jobs** in September compared to August. Prior to the pandemic, nonfarm employment recorded an average net increase of 28,700 jobs in September (2010-2019). Compared to the same month in 2022, the state had 67,300 more jobs in September, an increase of 2.2%.



The state's **seasonally adjusted unemployment rate** rose from 3.8% in August to 4.0% in September. This was the first time in the current calendar year that the state's jobless rate rose to 4.0%. Arizona's unemployment rate is 0.2% higher than the national unemployment rate, which was 3.8% in September.

OEO reported that a total of 3,168 **initial claims for unemployment insurance** were filed in Arizona in the week ending on September 30th. This marks a 16.9% year-over-year increase in initial claims, with the week ending October 1, 2022 seeing 2,711 initial claims.

According to OEO, for the week ending on September 23rd there were a total of 27,010 **continued claims for unemployment insurance** in Arizona. This is 28.9% greater than last year's total of 20,961 on the comparable date. The number of continued claims has fallen each week since July 29, counteracting a rising trend that began in November 2022. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

State Personal Income

The U.S. Bureau of Economic Analysis (BEA) recently released state personal income estimates for the 2nd quarter of 2023. Personal income in Arizona rose at an annual rate of 4.7% in the 2nd quarter of the year, with net earnings, dividends, interest, rental income, and government transfer payments all increasing. The largest increase was in net earnings, which grew at an annualized rate of 5.3% from the previous quarter. The BEA estimates that the total level of personal income was \$454.3 billion.

State Agency Data

As of October 1, 2023, the total **AHCCCS caseload** was 2.15 million members. Total monthly enrollment decreased (2.0)% from September and decreased (10.5)% compared to a year ago. Pursuant to a provision in the federal 2023 Consolidated Appropriations Act, AHCCCS began removing members who do not meet the financial eligibility requirements of the program on April 1. AHCCCS had previously been prohibited from disenrolling members who would have otherwise lost eligibility based on income, pursuant to federal legislation in March 2020. As a result, the (2.0)% decline is likely attributable to that policy change and we anticipate further caseload declines in the coming months.

Parent and child enrollment in the Traditional population decreased by (2.7)% in October, or (12.8)% lower than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 985,668 – a decrease of (1.4)% from September, or (8.7)% lower than last year. For October 2023, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population remained relatively unchanged. At 68,740, this population is 2.8% higher than a year ago.

There were 11,103 individuals receiving **TANF Cash Assistance** in September 2023, representing a (1.1)% decrease from August 2023. Year over year, the number of cash benefit recipients has decreased by (5.9)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In September 2023, 962,740 people received food stamp assistance. This was a (0.1)% decrease from August 2023 and a 3.3% increase from September 2022.

Based on information the Department of Child Safety provided for August 2023, **reports of child maltreatment** totaled 43,896 over the last 12 months, a decrease of (1.2)% from the prior year.

There were 10,782 **children in out-of-home care** as of August 2023, or (11.8)% less than in August 2022. Compared to the prior month, the number of out-of-home children has remained relatively unchanged.

The Arizona Department of Correction's **inmate population** was 34,285 as of September 30, 2023. This was a 0.1% increase from August 31, 2023 and a 2.1% increase since September 2022.



Table 6				
MONTHLY INDICATORS				
<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	September	4.0%	0.2%	0.0%
- Total Unemployment Rate (discouraged/underemployed)	2 nd Q 2023	6.8%	0.3%	(0.3)%
- Initial Unemployment Insurance Claims	Week Ending Sep. 30	3,168	(1.6)%	16.9%
- Continued Unemployment Insurance Claims	Week Ending Sep. 23	27,010	(2.0)%	28.9%
- Non-Farm Employment - Total	September	3,175,600	1.0%	2.2%
Manufacturing	September	194,800	0.5%	(0.1)%
Construction	September	201,800	(0.6)%	2.3%
- Average Hourly Earnings, Private Sector	September	\$31.80	(0.7)%	3.7%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	August	29,570	2.7%	(31.5)%
Multi-family	August	22,638	(1.8)%	2.5%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	September	4,476	(9.6)%	(13.6)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	September	\$460,000	(1.1)%	(2.1)%
- Maricopa Pending Foreclosures	September	931	(4.3)%	(8.2)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	August	3,581,884	(7.7)%	2.9%
- State Park Visitors	June	283,939	2.3%	7.5%
- Revenue Per Available Hotel Room	August	\$109.67	49.3%	8.3%
- Arizona Hotel Occupancy Rate	August	59.4%	(1.5)%	(0.4)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	2 nd Q 2023	\$454.3 billion	4.7%	6.6%
- Arizona Population	July 2022	7,359,197	N/A	1.3%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	October 1st	2,153,300	(2.0)%	(10.5)%
Traditional Acute Care		1,098,900	(2.7)%	(12.8)%
Other Acute Care		985,700	(1.4)%	(8.7)%
Long-Term Care – Elderly & DD		68,700	0.0%	2.8%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	August	43,896	0.5%	(1.2)%
DCS Out-of-Home Children	August	10,782	0.0%	(11.8)%
Filled Caseworkers (1,406 Budgeted)	August	1,356	68	272
- ADC Inmate Growth	September	34,285	0.1%	2.1%
- Department of Economic Security				
- TANF Cash Assistance Recipients	September	11,103	(1.1)%	(5.9)%
- SNAP (Food Stamps) Recipients	September	962,740	(0.1)%	3.3%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	2 nd Q, 2023 3 rd Estimate)	\$22.2 trillion	2.1%	2.4%
- Consumer Confidence Index (1985 = 100)	September	103.0	(5.2)%	(4.5)%
- Leading Economic Index (2016 = 100)	August	105.4	(0.4)%	(9.5)%
- Consumer Price Index, (1982-84 = 100)	September	307.0	0.4%	3.7%



JLBC Meeting Summary

At its October 10, 2023 meeting, the Joint Legislative Budget Committee considered the following issues:

Executive Session

Attorney General – Consideration of Proposed Settlements Under Rule 14 – The Committee approved settlements under Rule 14, which requires Committee approval of Risk Management settlements above \$250,000 pursuant to A.R.S. § 41-621(N).

Executive Session (Consent Agenda)

Arizona Department of Administration – Risk Management Annual Report – Pursuant to Rule 14, the Arizona Department of Administration submitted its annual Risk Management Report regarding the status of pending litigation, information on settlements and judgments, and projected fund balances. The Committee gave a favorable review to the report.

Regular Agenda

Attorney General – Review of Opioid Settlement Expenditure Plan – An FY 2024 General Appropriation Act footnote requires the Attorney General to submit an expenditure plan for review by the Joint Legislative Budget Committee before spending any monies appropriated for the Opioid Abatement line item. The FY 2024 budget appropriated \$12.0 million from the Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund for Opioid Abatement. The Committee gave a favorable review of the following expenditure plan: \$11.5 million for grants to counties with established coordinated reentry planning services programs and \$500,000 for distribution to child and family advocacy centers.

Arizona Department of Corrections – Review of FY 2024 Vacancy Savings Reallocation – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Corrections requested review of its plan to utilize \$4.3 million in FY 2024 General Fund vacancy savings appropriated for Personal Services and Employee Related Expenditures to cover operating costs related to the *Jensen v. Thornell* injunction and for increased correctional officer uniform allowances. The Committee gave a favorable review to the department's proposal.

Secretary of State – Review of Help America Vote Act (HAVA) Expenditure Plan – Pursuant to an FY 2024 General Appropriation Act footnote, the Secretary of State requested review of the expenditure plan for \$4.9 million of federal Help America Vote Act monies. The Committee gave a favorable review of a \$3.7 million expenditure plan and adopted provisions regarding the distribution and uses of those monies.

Consent Agenda

Arizona Department of Administration/Automation Projects Fund – Review of FY 2024 Judiciary Projects – A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund. The Arizona Department of Administration requested \$3.3 million for the Arizona Supreme Court to replace its case management system for adult probation and \$2.5 million for the Court to provide web-based services for community supervision electronic monitoring. The Committee gave a favorable review to both projects.

AHCCCS/Department of Economic Security – Review of Capitation Rate Changes for Plan Year 2024 – Pursuant to an FY 2024 General Appropriation Act footnote, the state's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. The proposed capitation rate adjustments include an average 1.3% increase across Arizona Health Care Cost Containment System programs and (0.8)% for the Department of Economic Security's Developmental Disabilities program. The Committee gave a favorable review to the Department's request.

Department of Education – Review of K-12 Broadband Connectivity Projects – A.R.S. § 15-249.07 requires Committee review of the Arizona Department of Education's annual report on K-12 broadband connectivity construction projects. ADE reported certifying projects totaling \$136.3 million (\$10.6 million of state funds) between FY 2018 and FY 2023. ADE has \$5.4 million of unobligated state funds, including a one-time FY 2024 appropriation of \$5.0 million from the General Fund into the Broadband Expansion Fund, and ADE intends to prioritize the use of the additional monies for rural districts that currently do not have access to fiber-based high-speed broadband. The Committee gave a favorable review to the department's report.



Department of Public Safety – Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount – A.R.S. § 41-1724G and A.R.S. § 41-1724H require the Arizona Department of Public Safety to submit for Committee review the entire FY 2024 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Committee gave a favorable review of the department's request to distribute \$1.3 million of the Subaccount's \$2.4 million FY 2024 appropriation to three existing programs: the Detention Liaison Officers Program, the Border County Officers Program, and the Pima County Border Crimes Unit. As part of its review, the Committee included a provision requiring DPS to report to the Committee prior to implementing any changes to the proposed allocation.

Universities – Arizona Board of Regents – Review of FY 2024 Tuition Revenues – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Board of Regents requested Committee review of its expenditure plan for all projected tuition and fee revenues in FY 2024. The plan allocates approximately \$2.9 billion of the estimated \$4.2 billion in gross FY 2024 tuition to operating expenditures and \$1.1 billion to financial aid, with the remainder going towards debt service and plant funds. The Committee gave a favorable review of the expenditure plan for FY 2024.

JCCR Meeting Summary

At its October 10, 2023 meeting, the Joint Committee on Capital Review considered the following issues:

Regular Agenda

Arizona Department of Corrections – Review of FY 2024 Building Renewal and Fire and Life Safety Projects - A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal and capital projects. The Department of Corrections (ADC) requested review of \$149.1 million in capital expenditures. The Committee gave a favorable review for building renewal expenditures totaling \$33.7 million and for the fire and life safety expenditure plan totaling \$48.7 million. The agenda item did not include the component of the Arizona Department of Correction's request to replace evaporative cooling systems with air conditioning.

Arizona Department of Transportation and Arizona Department of Administration - Review of Electric Vehicle Charging Station Location Planning – A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal and capital projects. The Arizona Department of Transportation and the Arizona Department of Administration submitted an expenditure plan concerning electric vehicle (EV) charging stations. The Committee gave a favorable review to the agencies' plan to spend \$1.3 million to conduct planning for public use and official state use EV charging stations and to purchase and install 6 EV chargers at the state motor pool facility.

As part of its review, the Committee included a provision requiring the Arizona Department of Transportation to provide JLBC Staff with a copy of the RFQ for consultant services for the planning study.

Consent

Arizona Exposition and State Fair Board - Review of Capital Projects - A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The Committee gave a favorable review of the Arizona Exposition and State Fair's expenditure plan totaling \$3.4 million to complete 15 capital projects.

Arizona Game and Fish Department - Review of Capital Projects - A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal and capital projects. The Committee gave a favorable review of the Arizona Game and Fish Department's request to spend \$2.7 million in state and federal grants on 5 capital projects.

Arizona Pioneers' Home - Review of Replacement Emergency Generator - A.R.S. § 14-1252 requires Committee review of expenditure plans for building renewal and capital projects. The Committee gave a favorable review of the Arizona Pioneer Home's request to spend \$310,000 on the emergency generator replacement capital improvement project.



Department of Public Safety - Review of Property and Evidence Storage Lot Project - A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. The Committee gave a favorable review of the Department of Safety's expenditure plan to spend \$1.2 million, which included \$183,600 in DPS operating funds, to provide security improvements on a newly acquired lot.

Arizona Department of Transportation - Review of FY 2024 Building Renewal Allocation Plan - A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. The Committee gave a favorable review of the agency's expenditure plan of \$22.0 million from the State Highway Fund and \$441,900 from the State Aviation Fund for general building renewal projects.

Arizona Department of Transportation - Review Transportation Project Transfer – Laws 2022, Chapter 309 authorizes the Arizona Department of Transportation (ADOT) to transfer monies between a number of appropriated transportation projects upon review by the Committee. The Committee gave a favorable review of the ADOT's request to transfer \$1.7 million in FY 2024 from statewide pavement rehabilitation to 2 other existing projects.

Arizona State University - Review of Tempe District Utility Plant Project – A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The Committee gave a favorable review of the University's plan to issue \$52.2 million of system revenue bond issuances to construct a Tempe District Utility Plant. As part of its review, the Committee included the standard university financing provisions.

Northern Arizona University - Review of Bury Hall Renovation Project - A.R.S. § 15-1671 requires Committee review of cash projects funded by the Capital Infrastructure Fund (CIF). The Committee gave a favorable review of the University's \$7.0 million capital renovation project of Bury Hall, of which \$4.9 million will be funded with CIF cash and \$2.1 million will be funded from Technology and Research Initiative Fund monies. As part of its review, the Committee included the standard university financing provisions.

Summary of Recent Agency Reports

Arizona Department of Administration – Report on FY 2024 Rent Exemptions – Pursuant to A.R.S. § 41-792.01, the Arizona Department of Administration (ADOA) is required to report to the JLBC Staff each proposed partial or whole Capital Outlay Stabilization Fund (COSF) rental exemption. ADOA is authorizing partial FY 2024 rent exemptions as follows:

1. \$(14,400) for the Governor's Office of Highway Safety. The State Mine Inspector will backfill the 1,075 square foot space at the Executive Tower and pay the corresponding rent amount.
2. \$(42,300) for the Department of Economic Security. ADOA's State Procurement office will backfill the 3,153 square foot space at 1400 W. Washington and pay the corresponding rent amount.

(Rebecca Perrera)

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, 2021 to September 30, 2022 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 decreased from 65.4% in October 2021 to 61.5% in September 2022. During that same time, monthly utilization remained relatively flat, with total encounters valuing \$9.1 million in both October 2021 and September 2022. The services accounting for the largest share of costs in September 2022 were Inpatient Services (\$2.8 million), Support Services (\$2.2 million), and Treatment Services (\$1.4 million). New monthly enrollment increased by 64 persons, from 530 to 594.

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 2022, the DCS CHP RBHA reported 96 notices of adverse benefit determination, the most reported reason being that the benefit was not medically necessary. In the same month, the RBHA received 1 member appeal. Of the 9 appeal outcomes in September 2022, 3 were upheld, 4 were overturned, 1 was partially overturned, and 1 received an extension. (Maggie Rocker)



Department of Economic Security – Report on Temporary Assistance for Needy Families (TANF) Grant Diversion Program – Pursuant to A.R.S. § 46-298, the Department of Economic Security (DES) provided the FY 2023 annual report on the TANF Grant Diversion Program. The program’s purpose is to divert applicants from long-term TANF cash assistance by offering immediate, one-time assistance to resolve a financial crisis. In FY 2023, 3,105 applicant households chose the grant diversion option and were diverted from long-term assistance, an increase of 484 from FY 2022. A total of 1,923 households obtained employment within 90 days of receiving assistance under the diversion program during the 12-month period of April 2022 through March 2023. Through January 2023, the most recent month for which complete data is available, 121 of 1,796 households, or 6.7%, reapplied for long-term assistance within 180 days of their participation in the diversion program. Complete data for FY 2022 indicates 191 of the total 2,621 households receiving diversion payments, or 7.3%, reapplied within 180 days, an increase from the FY 2021 rate of 6.3%. (Chandler Coiner)

Department of Economic Security - Notification of Use of Budget Stabilization Fund for Reimbursement Grants - Pursuant to an FY 2023 General Appropriation Act provision, the Department of Economic Security (DES) notified the Committee of its intent to use \$25 million from the Budget Stabilization Fund for reimbursement grants on June 21, 2023. DES reimbursed the \$25 million to the Budget Stabilization Fund in full on August 23, 2023, as part of the closing process for FY 2023. (Chandler Coiner)

Department of Education – Budget Status Report – Pursuant to a General Appropriation Act footnote and A.R.S. § 35-131D, the Arizona Department of Education (ADE) recently provided an update regarding its budget status for FY 2024. In that report, ADE estimates that it will experience a \$(76.6) million net funding surplus for formula programs for FY 2024. This consists of an estimated \$(56.9) million surplus for Basic State Aid and an estimated \$(19.6) million surplus for Additional State Aid (the Homeowner’s Rebate and 1% Cap programs combined). ADE’s current \$(76.6) million surplus estimate is tentative and subject to revision as additional data become available. (Patrick Moran)

Department of Environmental Quality – Report on Water Quality Assurance Revolving Fund for FY 2023 – Pursuant to an annual General Appropriation Act footnote, the Department of Environmental Quality (DEQ) submitted its September 1 report to the Joint Legislative Budget Committee (JLBC) on the progress of activities in the

Water Quality Assurance Revolving Fund (WQARF) Program. The WQARF Program is similar to the federal Superfund program and is designed to remediate contaminated groundwater at specified sites. The report lists total FY 2023 expenditures of \$17.7 million. Revenues totaled \$17.4 million, including \$15.0 million in appropriations, \$1.9 million in fees, \$105,000 in other revenues, and \$385,400 recovered from responsible parties.

In FY 2024, DEQ plans to spend \$19.2 million on the WQARF Program for 35 sites, including \$10.5 million for 42 registry sites and preliminary investigations, \$8.6 million for administration, and \$140,000 for the Department of Water Resources.

Pursuant to an annual General Appropriation Act footnote, DEQ also reported on the progress of each site listed on the WQARF registry. At the end of FY 2023, DEQ reported 38 WQARF registry sites, the same as FY 2022. DEQ reported completing 2 feasibility studies and 2 early action responses at the end of FY 2023. (Maggie Rocker)

JLBC Staff – Report on FY 2023 Travel and Relocation Expenses – A.R.S. § 35-196.01 requires agencies to annually report relocation expenses for their employees. As of October 11, 2023, 5 agencies reported spending a total of \$14,999 on these purposes in FY 2023. *See Table 7.* In FY 2022, 6 agencies reported \$45,422 for such expenses. (Gordon Robertson)

Table 7	
	FY 2023
	Travel
Agency	Expense
Corrections, State Department of	5,388
Environmental Quality, Dept. of	4,564
Public Safety Personnel Retirement System	998
Game and Fish Department, Arizona	3,919
Personnel Board, State	130
Total	\$14,999

Legislative Council – State Monument and Memorial Repair Fund Report – Pursuant to A.R.S. § 41-1365, Legislative Council submitted a report on monies deposited to the State Monument and

Memorial Repair Fund and how monies in the fund were used in the preceding fiscal year. The FY 2023 ending fund balance was \$216,100, which is designated for the benefit of specific monuments and memorials as displayed in *Table 8* on the following page. There were no expenditures from the fund in FY 2023, as there was no appropriation made from the fund. (Morgan Dorcheus)



Table 8

State Monument and Memorial Repair Fund Balance

<u>Memorial</u>	<u>Amount</u>
Father Albert Braun Memorial	\$1,000
Arizona Law Enforcement Canine Memorial	300
Bill of Rights Memorial	36,100
Ernest W. McFarland Memorial	42,800
Fallen Firefighter and Emergency Medical Technician Memorial	115,400
Gold Star Families Memorial	6,300
Arizona Silent Service Memorial	<u>14,200</u>
FY 2023 Ending Balance	\$216,100

Table 9

FY 2023 Individual Income Tax Credits
(\$ in millions)

<u>Credits:</u>	<u># of Claims</u>	<u>Annual Cost</u>
Income Taxes Paid to Other States or Countries	94,176	\$316.5
Dependent Tax Credit	989,954	143.9
School Tuition Organizations	145,613	134.0
Contributions to Charitable and Foster Care Organizations	232,727	110.3
Public School Contributions	130,636	35.7
Increased Excise Taxes Paid	470,647	21.0
Other Credits ^{1/}	<u>531,569</u>	<u>120.2</u>
Total Value of Credits	2,595,322	\$881.6

^{1/} Due to taxpayer confidentiality, DOR did not report the number of claims or credit use for all "Other Credits"

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 2.6 million **Individual Income Tax** credit claims totaling \$881.6 million in FY 2023. This is a dollar impact growth of 11.1% over the prior year. Of the total, the Income Taxes Paid to Other States or Countries Credit accounted for \$316.5 million, the Dependent Tax Credit for \$143.9 million, Private School Tuition Organization credits accounted for \$134.0 million, the Charitable and Foster Care Contributions credits accounted for \$110.3 million, and the Public-School Extracurricular Activity Fee Credit accounted for \$35.7 million. Use of other credits, including the Solar Energy Device Tax Credit, totaled \$120.2 million. The number of claims and dollar impact of credits are listed in *Table 9*.

The Department of Revenue reported that 2,330 individual filers claimed tax credits under the **Small Business Income (SBI) Tax** in FY 2023, for a total of \$51.0 million. This is a significantly higher amount than the \$3.6 million in SBI credits claimed in FY 2022. Details on the number of claimants and dollar impact of the credits used under this alternative tax are shown in *Table 10*.



Table 10

FY 2023 Small Business Income Tax Credits
(\$ in millions)

<u>Credits:</u>	<u># of Claims</u>	<u>Annual Cost</u>
Income Taxes Paid to Other States or Countries	1,742	\$21.0
School Tuition Organizations	320	20.9
R&D Credit for University Research	165	7.2
Other Credits ^{1/}	<u>103</u>	<u>1.8</u>
Total Value of Credits	2,330	\$51.0

^{1/} 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 \$233.7 million in **Corporate Income Tax** credits in FY 2023, a dollar impact increase of 54.1% from the prior year. Of the total amount used, \$127.0 million was for Research and Development (R&D) credits, \$37.3 million for the Qualified Facilities Credit, and \$47.4 million was for Private School Tuition Organization credits. Use of other credits, including the Renewable Energy Production Credit, totaled \$2.5 million in FY 2023. The number of claims and dollar impacts of credits are listed in *Table 11* below.

Table 11

FY 2023 Corporate Income Tax Credits
(\$ in millions)

<u>Credits:</u>	<u># of Claims</u>	<u>Annual Cost</u>
Research and Development	665	\$127.0
School Tuition Organizations	128	47.4
Qualified Facilities	47	37.3
New Employment	51	11.3
Other Credits ^{1/}	<u>18</u>	<u>10.7</u>
Total Value of Credits	909	\$233.7

^{1/} 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(I), 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 \$67.5 million in insurance premium tax credits were used in FY 2023. This is an increase of 0.7% over the prior year. Of this amount, \$54.7 million consists of credits earned for donations made by insurance companies to private school tuition organizations that provide scholarships to children of low-income families or to children with disabilities. The dollar impacts of the specific credits are listed in *Table 12* below.

<u>Credits:</u>	<u>Annual Cost</u>
Private School Tuition Organizations	\$49.1
- Low Income Students ^{1/}	
Private School Tuition Organizations	5.6
- Disabled/Displaced Students ^{2/}	
New Employment	1.7
Health Insurance Premium ^{3/}	3.5
Insurance Guaranty Fund	<u>7.6</u>
Total Value of Credits	\$67.5

^{1/} The credit was capped at \$158.5 million in FY 2023 between corporate, individual income and insurance premium taxpayers.

^{2/} Credit was capped at \$6.0 million in FY 2023 between corporate, individual income and insurance premium taxpayers.

^{3/} Credit is capped at \$5.0 million annually.

(Ben Newcomb)

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 2024 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 2023, the amount of Transaction Privilege Tax (TPT) delinquent accounts, and the amount of fraud prevented by the private fraud prevention services.

In FY 2023, DOR’s total enforcement goal was \$930.6 million but actual enforcement collections were \$1.047 billion. DOR’s FY 2024 goal for enforcement collections is \$1.043 billion, which represents a decrease of \$(4.5)

million from actual FY 2023 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 2023, there were 6,862 delinquent TPT accounts, totaling \$582.5 million, of which 38.2% of these cases had been delinquent for less than 1 year, 8.9% between 1 and 4 years, and 52.9% for over 4 years.

The department reports that \$29.3 million in delinquent accounts for all tax types were written off as uncollectible in FY 2023.

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 \$27.5 million in Individual Income Tax refunds and \$122.7 million in other invalid refunds being issued in FY 2023. (Benjamin Newcomb)

Office of Tourism – Report on Expenditures Related to Raceway Event Promotion – A.R.S. § 41-2308 annually appropriates \$1.5 million from the General Fund for distribution by the State Treasurer to the Arizona Office of Tourism (AOT) from FY 2022 through FY 2051 to promote sporting events at host facilities meeting the statutory requirements. The statute also requires AOT to report annually the amounts and purposes of all expenditures in the previous fiscal year. The Office of Tourism reported spending its FY 2023 appropriation of \$1.5 million on marketing for 3 events held at Phoenix Raceway. Of this amount, AOT reported spending \$555,800 for promoting the 2022 NASCAR Cup Series Championship Race, \$793,600 for promoting the 2023 NASCAR Cup Series United Rentals Work United 500 Race, and \$150,200 for promoting the 2023 NASCAR Cup Series Championship Race. AOT rolled over the remaining \$400 for use in FY 2024. (Nate Belcher)



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 2023 the State Fleet Operations Fund has a cash balance of \$3,293,500 and the State Vehicle Replacement Fund has a cash balance of \$11,641,700, with fleet agencies having their own subaccounts. In FY 2023, 166 vehicles within the state fleet were replaced. The department further reports that the state fleet consists of 1,654 vehicles across 37 agencies. In addition, ADOT replaced 11 vehicles in FY 2023 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 278 vehicles in the state fleet currently in need of replacement.

ADOT also reports that they reduced the overall fleet vehicle count by 49 vehicles, including 45 state fleet vehicles and 4 non-state fleet vehicles, as they were not being properly utilized and no longer required regular replacement. (Jordan Johnston)

Arizona Board of Regents – Report on College Credit by Exam Incentive Program – Pursuant to A.R.S. § 15-249.06, the Arizona Board of Regents (ABOR) submitted a list of qualifying examinations that a high school student may take to receive college credit in mathematics, English language arts, social studies, or science at the state's public universities. For the 2023-2024 academic year, ABOR added made no changes to the list of qualifying exams. The list of qualifying exams contains 73 total examinations, comprised of 23 Advanced Placement Exams, 20 Cambridge International Exams, and 30 International Baccalaureate Exams. (Cameron Mortensen)

Arizona State University – Report on Multipurpose Arena – Pursuant to a provision from the December 2020 JCCR meeting, Arizona State University (ASU) submitted a report on revenue sources used to make debt service payments for the Multipurpose Arena project and an update on the terms and conditions of the arena's venue management contract. ASU reports that the FY 2023 debt service payment was funded by gift revenue and there has been no change in the terms and conditions of the venue management contract. (Cameron Mortensen)

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). Net income is defined as total income from individual agreements, less expenses including costs such as revenue sharing to inventors and investors.

For FY 2023, ASU reported \$661,700 in total gross income, NAU reported \$82,800 in gross income, and UA reported \$10.5 million in total gross income. ASU and NAU had no cumulative net income exceeding \$1.0 million, and UA had \$3.5 million in cumulative net income exceeding \$1.0 million. Pursuant to A.R.S. § 15-1670, UA will deposit 20%, or \$709,800, into the AFAT. (Cameron Mortensen)

Universities – Report on One-Time Operating Funding – Pursuant to footnotes in the FY 2024 General Appropriation Act, the universities are required to report the intended use of \$51.0 million appropriated from the General Fund in FY 2024 for one-time operating funding:

Of the \$23.6 million appropriated to ASU, \$6.5 million will be used to expand faculty in the Ira A. Fulton Schools of Engineering, \$6.5 million will be used for the Electrified Processes for Industry without Carbon (EPIX) Institute, \$6.0 million will be used to grow ASU Core Facilities, \$2.6 million will be used for high-tech workforce development, and \$2.0 million will be used for faculty expansion and additional toolsets for Macro Technology Works.

Of the \$11.1 million appropriated to NAU, \$7.1 million will be used to expand Allied and Behavioral Health programs in locations across the state, \$1.8 million will be used for



statewide infrastructure projects, \$1.2 million will be used for student learning support initiatives, and \$1.0 million will be used for multi-building electronic access and security improvements.

Of the \$16.3 million appropriated to UA, \$7.3 million will be used to expand Arizona Cooperative Extension programs, \$3.7 million will expand the Cancer Engineering research and workforce training programs, \$3.7 million will support the university's One Health initiatives, and \$1.6 million will be used for coordinate and integrate student services in the College of Medicine-Tucson. (Cameron Mortensen)

Universities – Report on University Centers – An FY 2024 General Appropriation Act footnote requires Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) to operate University Centers and report on each Center's 1) total funding; 2) faculty and courses; 3) student enrollment; and 4) community events, initiatives, and publications. Legislative intent footnotes also state that General Fund monies allocated from university operating budgets in FY 2024 be consistent with the amount appropriated in FY 2023.

Arizona State University – ASU reports a total \$9.8 million available for the School of Civic and Economic Thought and Leadership (SCETL) in FY 2024, of which \$5.8 million is from the General Fund, \$2.8 million is carryforward from the prior year, and \$1.2 million is from other sources. ASU expects carry-forward balances to be spent by FY 2026. SCETL currently has 16 faculty members, offers 103 courses, and enrolled 1,059 undergraduate students and 33 graduate students in FY 2023. SCETL provides internships and special courses, a public affairs program, and a visiting scholars program. SCETL also coordinates the Civic Discourse Project, which presents forums, lectures, and panel discussions. The 2023 series theme was "Ideological Conformity on Campus and in American Society".

Northern Arizona University – NAU reports a total of \$1.2 million available for the Economic Policy Institute (EPI) in FY 2023, of which \$865,300 and \$382,700 is from other sources. EPI is staffed by 3 graduate student assistants, 2 teaching assistants, and 4 student undergraduate researchers. NAU reports no formal student enrollment. In FY 2023, EPI Focused on financial literacy education, entrepreneurship, providing technical assistance, and research projects, surveys, and reports.

In FY 2023, it conducted Seven Generation Money Management sessions, youth financial literacy bootcamp, business plan competition events, Fleischer scholars program on entrepreneurship, tribal financial literacy, Flagstaff hospitality industry economic contribution analysis, technical assistance community outreach, and many other reports, surveys, and projects.

University of Arizona – UA reports a total of \$4.6 million available for the Center for the Philosophy of Freedom in FY 2023, of which \$4.3 million is from the General Fund and \$303,000 is from other sources. The Center has 11 faculty members and 3 post-doctoral fellows, offers 57 courses, and enrolls 1,264 undergraduate students and 175 graduate students. In addition to academic courses, the Center reports hosts large public discussion forums, speeches, partnerships, and workshops. (Cameron Mortensen)

