

Summary

September 2024 General Fund collections totaled \$1.48 billion, which is a decrease of (4.5)% below September 2023. Revenues in September were \$(12) million below the enacted budget's revenue forecast. The moderate (4.5)% decline in total September collections is the result of 2 different factors.

First, while certain tax categories (such as Sales Tax and Income Taxes) had mixed results, overall tax revenue across all categories grew by 2.0%.

However, this growth was offset by declines in non-tax revenue, which was (77.0)% below the prior year across all categories. While the state experienced notable declines in the non-tax revenue categories of Lottery and Interest, those declines were expected in the enacted budget forecast and therefore did not generate forecast losses.

Sales Tax

September Sales Tax collections (which represents August sales activity) only grew by 0.5% compared to September 2023, which resulted in a \$(20) million forecast loss. The September Sales Tax performance was dampened by a (3.2)% decline in retail sales.

Individual Income Tax

Overall Individual Income Tax (IIT) collections were 16.0% above September 2023 and this level of collections resulted in a \$25 million forecast gain.

This growth was generated mostly from a significant increase in withholding collections due a timing issue of having one additional Monday during the month (which is the main withholding tax processing day).

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Corporate Income Tax

September Corporate Income Tax (CIT) revenues declined by (14.5)% compared to the prior year, which generated a \$(25) million forecast loss for the month. While the reasons for this decline are unclear, it does follow a record CIT performance last year – September 2023 had the highest level of CIT collections ever recorded in the month of September.

Non-Tax Revenues

As described above, the state did have 2 notable declines in non-tax revenue collections:

- The state did not receive any General Fund Lottery profit distributions this September, compared to \$80 million received in September 2023. This is a technical timing issue and is not expected to impact overall Lottery revenues during FY 2025.
- General Fund interest earnings declined by (64)% compared to the prior year. This decline was expected as: 1) September 2023 had unusually high interest earnings; and 2) Interest earnings are generally trending downward due to recent policy actions from the Federal Reserve.

Year-to-Date Results/October FAC Update

Year-to-date through September, excluding Urban Revenue Sharing, FY 2025 General Fund revenues are 4.0% above the prior year and are \$108 million above the enacted budget forecast. This year-to-date gain is consistent with the numbers reported in our October Finance Advisory Committee [Revenue and Budget Update](#).

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September Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2025	Difference From	Difference
	Collections	Enacted Forecast	From FY 2024
September	\$ 1,478.6	\$ (11.6)	\$ (70.1)
Year-to-Date	\$ 3,875.4	\$ 107.5	\$ 235.6

Sales Tax collections of \$655.1 million in September were 0.5% above the same month in the prior year and \$(20.4) million below the enacted budget forecast. September collections reflect sales that occurred in August. Year to date through September, sales tax revenue is up by 3.7% compared to the same period in the prior year and is \$(1.6) million below forecast.

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

Table 2		
Sales Tax Growth Rates Compared to Prior Year		
	Sept.	YTD
Retail/Remote Seller ^{1/}	(3.2)%	(2.6)%
Contracting	1.6%	0.5%
Use Tax ^{2/}	2.8%	106.4%
Restaurant & Bar	2.6%	0.8%
Utilities	5.6%	10.1%

^{1/} Absent a technical correction described in the September 2024 MFH, Retail/Remote Seller growth would have been 0.3% YTD.

^{2/} Absent a technical correction described in the September 2024 MFH, Use Tax growth would have been 11.8% YTD.

The combined Retail/Remote Seller category, which makes up close to 54% of total sales tax revenue, decreased by (3.2)% in September.

After 7 consecutive fiscal years with double-digit growth for the Contracting Classification, sales tax growth from contracting activity has slowed significantly during the current fiscal year.

In September, tax revenue from contracting activity increased (year-over-year) by 1.6% and is only up by 0.5% through the first quarter of FY 2025.

Individual Income Tax (IIT) net revenue in September was \$508.1 million, which is 16.0% greater than September 2023 and \$24.9 million above the enacted budget forecast. Year-to-date (YTD) through September, IIT has increased 9.6% compared to the same time period in FY 2024 and is \$29.9 million above forecast.

September withholding collections were \$416.7 million, a year-over-year increase of 14.4% and \$18.7 million greater than the enacted budget forecast. One of the main contributing factors to this growth is the additional Monday in September 2024 compared to 2023. Monday is typically the most important day of the week for processing withholding revenue. Continued wage growth is another driver of the increase in withholding collections. According to the most recent reports from the U.S. Bureau of Economic Analysis, wage and salary disbursements have grown more than 6% over the past year both nationally and in Arizona. YTD, withholding has grown 6.5% compared this point in FY 2024 and surpassed the forecast by \$15.2 million.

Tax payments (estimated and final) in September totaled \$136.6 million, which was (1.9)% lower than last September and \$(2.0) million below forecast. September is an important month for payment collections as the 15th of the month is the due date for estimated payments. September collections typically make up about 20%-21% of the fiscal year total for this revenue category. Estimated payments outperformed the previous year by 3.3% while final payments fell (16.0)% short of last year's level. YTD through September, total payments are (3.6)% below FY 2024 and \$(5.3) million below the forecast.

Refunds were \$45.1 million in September, (31.4)% lower than last year. On average, September refund levels represent about 2% of the fiscal year total. Since the enacted budget forecast assumed a higher refund level of \$53.4 million, the forecast gain for this category was \$8.2 million in September. YTD, refunds have decreased (30.2)% relative to the same time period in FY 2024, resulting in a YTD forecast gain of \$19.9 million.



Table 3
Individual Income Tax Growth Rates
Compared to Prior Year

	<u>September</u>	<u>YTD</u>
Withholding	14.4%	6.5%
Estimated/Final Payments	(1.9)%	(3.6)%
Refunds	(31.4)%	(30.2)%

Corporate Income Tax (CIT) net collections in September were \$284.3 million, which is a decrease of (14.5)% from last year and \$(25.0) million under the enacted budget forecast. September is an important month for CIT collections, in which typically about 18% of the total for the fiscal year is received by the state. YTD, net CIT has grown 3.3% and has outperformed the forecast by \$25.9 million.

Insurance Premium Tax (IPT) revenue was \$91.3 million in September, an increase of 3.7% compared to the same month in the prior year. IPT revenue in September was \$9.4 million above the enacted budget forecast. Fiscal year to date, IPT revenue is up by 16.0% and is \$36.6 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in September was \$1.6 million, which is 15.7% above collections a year prior and just \$6,000 above the enacted budget forecast. Year to date, General Fund tobacco tax revenues total \$4.4 million, which is (7.6)% below collections through the first quarter of FY 2024 and \$(0.4) million under forecast.

Liquor Tax revenue deposited into the General Fund in September was \$2.1 million. This is (14.8)% below the amount deposited in September 2023 and \$(1.9) million below the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$10.9 million, a 19.2% increase over the comparable period in FY 2024, and \$(0.2) million below forecast.

The **Lottery Commission** reported that total ticket sales in September were \$107.3 million. This amount is \$(11.0) million, or (9.3)% lower than in September 2023.

Highway User Revenue Fund (HURF) collections of \$146.7 million in September were (0.6)% below the amount collected in September 2023 and \$(4.3) million below forecast. Year to date, HURF collections are \$433.1 million, 1.1% above the prior year and \$(4.5) million less than forecast.

The state collected \$12.3 million in dedicated **Marijuana Excise Taxes** in September, which represents a (9.8)% decrease from September 2023 collections. 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 \$4.6 million in September. Of this amount, the General Fund received \$3.4 million. (*Table 4* details collections for September 2024).

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

	<u>September</u>	<u>YTD</u>
Marijuana Excise Tax	\$12.3	\$38.2
Medical Marijuana TPT	\$0.9	\$3.3
<u>Distribution:</u>		
General Fund	\$0.7	\$2.4
Counties	\$0.1	\$0.5
Cities	\$0.1	\$0.3
Recreational Marijuana TPT	\$3.7	\$12.7
<u>Distribution:</u>		
General Fund	\$2.8	\$9.4
Counties	\$0.6	\$2.1
Cities	\$0.4	\$1.3
Total State Marijuana Tax Collections	\$16.9	\$54.2

* Amounts may not add to total due to rounding



Table 5

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

	Current Month					FY 2025 YTD (Three Months)				
	Actual September 2024	Change From September 2023		Enacted Forecast		Actual September 2024	Change from September 2023		Enacted Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
Taxes										
Sales and Use	\$655,084,768	\$2,941,427	0.5 %	(\$20,413,876)	(3.0) %	\$1,987,668,238	\$71,180,344	3.7 %	(\$1,618,932)	(0.1) %
Income - Individual	508,133,638	70,263,594	16.0	24,885,569	5.1	1,390,961,979	122,411,927	9.6	29,881,323	2.2
- Corporate	284,349,699	(48,286,209)	(14.5)	(24,976,622)	(8.1)	446,442,209	14,427,095	3.3	25,853,153	6.1
Property	3,326,510	3,232,487	--	2,986,007	876.9	4,210,832	3,512,444	502.9	3,085,970	274.3
Luxury - Tobacco	1,600,855	216,752	15.7	6,055	0.4	4,401,714	(363,525)	(7.6)	(437,019)	(9.0)
- Liquor	2,136,605	(371,441)	(14.8)	(1,894,851)	(47.0)	10,892,757	1,756,273	19.2	(156,575)	(1.4)
Insurance Premium	91,302,983	3,238,751	3.7	9,378,244	11.4	247,972,549	34,145,556	16.0	36,576,739	17.3
Other Taxes	762,160	(287,102)	(27.4)	(224,633)	(22.8)	4,757,796	1,681,136	54.6	1,883,999	65.6
Sub-Total Taxes	\$1,546,697,218	\$30,948,260	2.0 %	(\$10,254,106)	(0.7) %	\$4,097,308,073	\$248,751,249	6.5 %	\$95,068,658	2.4 %
Other Revenue										
Lottery	0	(80,000,000)	(100.0)	0	--	0	(80,000,000)	--	0	--
Gaming	2,782,212	370,761	15.4	310,661	12.6	5,683,542	1,640,627	40.6	(592,027)	(9.4)
License, Fees and Permits	4,638,991	(695,925)	(13.0)	22,435	0.5	13,799,207	(252,130)	(1.8)	(177,995)	(1.3)
Interest	24,417,047	(44,251,389)	(64.4)	1,275,784	5.5	52,064,692	(16,616,492)	(24.2)	5,773,574	12.5
Sales and Services	2,478,124	979,818	65.4	(516,873)	(17.3)	6,073,027	156,801	2.7	(1,014,589)	(14.3)
Other Miscellaneous	2,465,019	(1,094,849)	(30.8)	(596,965)	(19.5)	14,840,536	11,525,305	347.6	11,235,716	311.7
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	761,253	(1,025,682)	(57.4)	(1,822,613)	(70.5)	2,710,319	(3,767,594)	(58.2)	(2,764,022)	(50.5)
Sub-Total Other Revenue	\$37,542,645	(\$125,717,268)	(77.0) %	(\$1,327,570)	(3.4) %	\$95,171,323	(\$87,313,484)	(47.8) %	\$12,460,658	15.1 %
TOTAL BASE REVENUE	\$1,584,239,863	(\$94,769,008)	(5.6) %	(\$11,581,677)	(0.7) %	\$4,192,479,397	\$161,437,765	4.0 %	\$107,529,316	2.6 %
Other Adjustments										
Urban Revenue Sharing	(105,688,149)	24,713,501	(19.0)	(0)	0.0	(317,064,446)	74,140,502	(19.0)	(0)	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Income Tax Rebate	0	0	--	0	--	(7,500)	(7,500)	--	(7,500)	--
Sub-Total Other Adjustments	(105,688,149)	24,713,501	(19.0) %	(0)	0.0 %	(317,071,946)	74,133,002	(18.9) %	(7,500)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,478,551,714	(\$70,055,507)	(4.5) %	(\$11,581,677)	(0.8) %	\$3,875,407,450	\$235,570,767	6.5 %	\$107,521,816	2.9 %
Non-General Funds										
Highway User Revenue Fund	146,735,358	(913,997)	(0.6) %	(4,252,998)	(2.8) %	433,116,719	4,603,024	1.1 %	(4,530,427)	(1.0) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) third estimate of U.S. **Real Gross Domestic Product (GDP)** in the 2nd quarter of 2024 is a seasonally adjusted annualized growth rate of 3.0%. This estimate is unchanged from their second estimate.

The **Consumer Confidence Index**, published by the Conference Board, decreased by (6.9) points to 98.7 in September. Views on both the present and future business conditions worsened during the month. Inflation remains the primary concern for consumers as they expect the rate of increase in prices to creep back up over the next year. Over the last 12 months, the index has declined (5.4)%.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in September increased by 0.2% from the previous month on a seasonally adjusted basis. The primary drivers of this increase were higher shelter and food prices, while energy prices declined. Compared to the same month last year, consumer prices are up by 2.4% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 3.3% from a year ago.

ARIZONA

Housing

In August, Arizona had a 12-month total of 41,291 **single-family building permits** issued. This marks a decrease of (0.8)% below July's rolling total and an increase of 39.6% over the previous August's 12-month total.

Arizona's 12-month total of 20,975 **multi-family building permits** in August is 1.3% above the prior month and (7.3)% below the 12-month period ending in August 2023.

The **median home price** in Maricopa County lowered to \$470,000 in September, a (1.1)% decrease from the median sale price in August and a 2.2% increase over the median home price a year prior.

Tourism

Phoenix Sky Harbor Airport Ridership lowered to 3.9 million in August, marking an (8.1)% decrease from the prior month and a 9.0% increase over August 2023 ridership.

In August, **revenue per available room** rose slightly to \$69.66, representing a 0.5% increase over July's average revenue and an (0.3)% decrease from August 2023's figure.

Hotel occupancy was 58.9% in August, which is 0.1% above July's rate but (0.5)% below the rate 12 months prior.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state added 29,300 **nonfarm jobs** in September compared to August. Almost 70% of the state's net job gain in September came from the government sector, primarily from state and local education. Employment gains in the government sector typically occur in September as schools start up again after the summer break. In the 10-year period prior to the pandemic (2010-2019), the state saw an average net gain of 28,800 jobs in September. Compared to a year prior, the state added 65,900 jobs in September, an increase of 2.1%.

The state's seasonally adjusted **unemployment rate** increased from 3.4% in August to 3.5% in September. The Arizona jobless rate was 4.2% in September 2023. The U.S. seasonally adjusted unemployment rate decreased from 4.2% in August to 4.1% in September. The Arizona unemployment rate has been below the US jobless rate in each of the last 6 months.

OEO reported that a total of 3,675 **initial claims for unemployment insurance** were filed in Arizona in the week ending on September 28th. This represents a 16.0% year-over-year increase in initial claims, with the week ending September 30, 2023 seeing 3,168 initial claims.

According to OEO, there were a total of 29,073 **continued claims for unemployment insurance** in Arizona for the week ending September 21st. This is 7.6% greater than last year's total of 27,010 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

State Personal Income

The U.S. Bureau of Economic Analysis (BEA) recently released state personal income estimates for the 2nd calendar quarter of 2024. Personal income in Arizona rose at a seasonally adjusted annual rate of 5.2% in the 2nd quarter of the year, with net earnings, dividends, interest, rental income, and government transfer payments each improving. The largest increase was in net earnings, which



grew at an annualized rate of 6.4%. The BEA estimates that the total level of personal income in Arizona was \$489.4 billion.

State Agency Data

As of October 1, 2024, the total **AHCCCS caseload** was 2.1 million members. Total monthly enrollment decreased (0.8)% from September and decreased (3.3)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.3)% in October compared to September, 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 930,089 – a decrease of (1.4)% from September and (5.6)% lower than last year.

For October 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.4%. At 71,442, this population is 3.9% higher than a year ago.

Based on information the **Department of Child Safety** provided for August 2024, reports of child maltreatment totaled 42,394 over the last 12 months, a decrease of (3.4)% from the prior year.

There were 9,070 children in out-of-home care as of August 2024, or (15.1)% less than in August 2023. Compared to the prior month, the out-of-home children population declined by (0.3)%.

There were 9,819 individuals receiving **TANF Cash Assistance** in September 2024, representing a (3.9)% decline from August 2024. After spiking during the COVID-19 pandemic, TANF caseloads have steadily declined, and September 2024 now represents the first time in at least a decade that the number of cash benefit recipients has fallen below 10,000. Year over year, the number of cash benefit recipients has decreased by (11.6)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 954,481 individuals receiving SNAP benefits in September 2024, representing a (0.2)% decline from August 2024. Year over year, the number of SNAP recipients has decreased by (0.9)%.

The Arizona Department of Correction's **Inmate Population** was 35,300 as of September 30, 2024. This was a 0.1% increase since August 31, 2024 and a 3.0% increase since September 2023.



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	3.5%	0.1%	(0.7)%
- Total Unemployment Rate (discouraged/underemployed)	2 nd Q 2024	7.0%	(0.2)%	0.2%
- Initial Unemployment Insurance Claims	Week Ending Sep 28	3,675	1.3%	16.0%
- Continued Unemployment Insurance Claims	Week Ending Sep 21	29,073	(3.1)%	7.6%
- Non-Farm Employment - Total	September	3,274,200	0.9%	2.1%
Manufacturing	September	192,100	0.0%	(1.4)%
Construction	September	218,200	(0.8)%	2.0%
- Average Hourly Earnings, Private Sector	August	\$33.51	1.1%	5.1%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	August	41,291	(0.8)%	39.6%
Multi-family		20,975	1.3%	(7.3)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	September	4,539	(3.0)%	1.4%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	September	\$470,000	(1.1)%	2.2%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	August	3,904,663	(8.1)%	9.0%
- State Park Visitors	June	281,145	(3.8)%	(1.0)%
- Revenue Per Available Hotel Room	August	\$69.66	0.5%	(0.3)%
- Arizona Hotel Occupancy Rate	August	58.9%	0.1%	(0.5)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	2 nd 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	October 1st	2,082,556	(0.8)%	(3.3)%
Traditional Acute Care		1,081,025	(0.3)%	(1.6)%
Other Acute Care		930,089	(1.4)%	(5.6)%
Long-Term Care – Elderly & DD		71,442	0.4%	3.9%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	August	42,394	(0.6)%	(3.4)%
DCS Out-of-Home Children	August	9,070	(0.3)%	(15.1)%
Filled Caseworkers (1406 Budgeted)	August	1,290	(9)	(57)
- ADC Inmate Growth	September	35,300	0.1%	3.0%
- Department of Economic Security				
- TANF Cash Assistance Recipients	September	9,819	(3.9)%	(11.6)%
- SNAP (Food Stamps) Recipients	September	954,481	(0.2)%	(0.9)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	2 nd Q, 2024 (3 rd Estimate)	\$22.9 trillion	3.0%	3.1%
- Consumer Confidence Index (1985 = 100)	September	98.7	(6.5)%	(5.4)%
- Leading Economic Index (2016 = 100)	August	100.2	(0.2)%	(4.9)%
- Consumer Price Index, (1982-84 = 100)	September	315.3	0.2%	2.4%



JCCR Meeting Follow-Up

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 2024 debt service payment was funded by gift and event revenue. There has been no change in the terms and conditions of the venue management contract. (Grace Timpany)

JLBC Meeting Summary

At its **September 26, 2024** meeting, the Joint Legislative Budget Committee considered the following issues:

Executive Session

Attorney General – Consideration of Proposed Settlements Under Rule 14 – The Committee approved 7 Risk Management settlements pursuant to A.R.S. § 41-621(O) and Committee Rule 14.

Executive Session (Consent Agenda)

Arizona Department of Administration - Review for the Committee the Planned Contribution Strategy for State Employee and Retiree Medical and Dental Plans as Required Under A.R.S. § 38-658A – A.R.S. § 38-658(A) requires the director of the Arizona Department of Administration (ADOA) to meet with and review for the Joint Legislative Budget Committee, in Executive Session, the planned contribution strategy for each health plan at least 10 days before ADOA enters into, or renews, contracts for medical and dental insurance coverage. The Committee gave a favorable review of the contribution strategy for state employee and retiree medical and dental plans.

Regular Agenda

Arizona Department of Corrections - Review of FY 2025 Vacancy Savings Reallocation – An FY 2025 General Appropriations Act footnote requires the Arizona Department of Corrections (ADC) to seek Committee review of any expenditure plan to spend funding dedicated to Personal Services and Employee Related Expenditures (ERE) on other costs. The Committee gave a favorable review of ADC's plan to utilize \$11.0 million of its

FY 2025 General Fund appropriation for Personal Services and ERE to cover various operating costs. As part of the review, the Committee included a provision proposed by the Chairman that requires that in its semi-annual staffing report due December 15, 2024, ADC include the current status of correctional officer recruitment and retention and the Department's plans and initiatives to improve staffing and reduce correctional officer vacancy levels.

Arizona 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 projects certifying 92 projects through FY 2025 totaling \$137.0 million (\$10.6 million of State matching funds). The Committee gave a favorable review of the Department's report.

Consent Agenda

Arizona Department of Administration - Consider Approval of Requested Transfer of Appropriations – A.R.S. § 35-173 requires Committee approval of any transfer of spending authority within the Arizona Department of Administration (ADOA). ADOA requested authorization to transfer \$1.8 million of Risk Management Revolving Fund monies from its Workers' Compensation Losses and Premiums line item to the Risk Management Administrative Expenses line item in FY 2024 to pay for the higher-than-budgeted expenses of Attorney General contracted legal staff. The Committee approved the Department's proposed transfer.



Arizona Department of Administration/Automation Projects Fund - Review of Automation Projects for ADOA One-Stop Portal, DWR Application Modernization and DES Client Authentication Portal - A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). The Arizona Department of Administration (ADOA) requested Committee review of \$2.1 million for FY 2025 maintenance and operations of ADOA's Business One-Stop Portal, \$2.5 million for the Department of Water Resources IT Application Modernization, and \$6.0 million for the Department of Economic Security Client Authentication Portal. The Committee gave a favorable review of these projects.

Attorney General - Review of Uncollectible Debts - Pursuant to A.R.S. § 35-150(E), the Attorney General requested Committee review of its listing of uncollectible debts to be removed from the State's accounting system. The listing totals \$30.2 million for debts listed as uncollectible in FY 2024 and prior years. The Committee gave a favorable review of the Attorney General's proposal.

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. § 41-1724(G) and A.R.S. § 41-1724(H) require the Arizona Department of Public Safety (DPS) to submit for Committee review the entire FY

2025 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 2025 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 2025 Tuition Revenues – Pursuant to an FY 2025 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 2025. The plan allocates approximately \$3.1 billion of the estimated \$4.5 billion in gross FY 2024 tuition to operating expenditures and \$1.2 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 2025.

Summary of Recent Agency Reports

Arizona Department of Administration – Report on Employee Compensation Study – Pursuant to an FY 2024 General Appropriations Act footnote, the Arizona Department of Administration (ADOA) reported the results of an employee compensation study. The FY 2024 General Appropriations Act included one-time funding for ADOA to contract with a vendor for a comprehensive state employee compensation and benefits analysis.

The study's findings show that for compensation, state employees earn 89% of the market median value. When considering compensation, benefits and retirement combined, state employees earn 92% of the market median value. Survey results from this study also showed that, among other things, state employees value benefits and compensation highly, appreciate the flexible work culture at the state and are uncertain about career advancement opportunities within their organizations.

ADOA reports that it continues to analyze the findings of the study and is working towards implementing initiatives to maximize the state's talent. (Ethan Scheider)

Arizona Department of Administration – Report on Travel Reduction Pilots – Pursuant to an FY 2024 General Appropriations Act footnote, the Arizona Department of Administration (ADOA) reported on travel reduction pilot programs for providing subsidies to state employees. In FY 2024, ADOA continued a 100% subsidy rate for Valley Metro riders in the Phoenix metro area. The renamed "Platinum Pass Pilot Program" realized an 8% increase in the total number of rides taken in FY 2024. The average number of monthly rides per user remained at 17.

ADOA reports that Pima County's Sun Tran is planning to reinstate fare collection beginning in July 2025, as transit has been free to riders since March 2020 due to COVID-19 precautions. When fare collection is reinstated, the



universal passes issued to state employees as part of the Sun Tran Universal Pass Pilot will be honored and eligible riders may continue to utilize this subsidy.

Additionally, participation in the Arizona Department of Corrections Vanpool Pilot has declined slightly, with total rides decreasing by about 2% in FY 2024. (Ethan Scheider)

AHCCCS – Annual Report on Behavioral Health Services – Pursuant to A.R.S. § 36-3415, the Arizona Health Care Cost Containment System (AHCCCS) reported SFY 2023 Medicaid and non-Medicaid behavioral health expenditures. AHCCCS expended \$5.04 billion Total Funds on behavioral health services for 676,876 Medicaid-eligible clients, including:

- \$921.6 million for seriously mentally ill services.
- \$2.11 billion for alcohol and drug abuse.
- \$327.6 million for children with serious emotional disturbances.
- \$1.68 billion for other mental health issues.

The agency expended \$312.0 million Total Funds for 52,939 non-Medicaid clients in SFY 2023, including:

- \$125.6 million for non-Medicaid seriously mentally ill services.
- \$48.2 million for alcohol and drug abuse.
- \$21.8 million for children with serious emotional disturbances.
- \$116.4 million for other mental health issues.

In response to a fraudulent billing scheme in the fee-for-service program involving behavioral health residential and outpatient treatment providers in Arizona, in SFY 2023, the agency's Office of the Inspector General (OIG) engaged in program integrity activities focused on behavioral health services. AHCCCS reports that it suspended payments for 412 providers based on credible allegations of fraud and completed 309 investigations of behavioral health providers in FY 2023. (Maggie Rocker)

AHCCCS – Report on Systematic Alien Verification for Entitlements Program – Pursuant to A.R.S. § 36-2903.03, the Arizona Health Care Cost Containment System (AHCCCS) provided its latest report on the collection and verification of documentation associated with the Systematic Alien Verification for Entitlements (SAVE) program.

AHCCCS, in conjunction with the Department of Economic Security (DES), performed 20,363 verifications of immigration status in FY 2024. During this period, AHCCCS and DES referred 3 individuals (3 citizens, 0 non-citizens) for prosecution for fraudulent schemes, theft, or forgery. (Maggie Rocker)

AHCCCS – Report on Uncompensated Hospital Costs and Hospital Profitability – Pursuant to A.R.S. § 36-2903.08, AHCCCS reported on uncompensated hospital costs and hospital profitability for Arizona hospitals for Hospital Fiscal Year (HFY) 2023. AHCCCS defines uncompensated care as the total amount of "bad debt" and "charity care" costs incurred by each hospital. Bad debt consists of care provided for which the hospital expected to be paid but was not while charity care represents hospital services provided for free or a reduced charge. To estimate the amount of uncompensated care, AHCCCS determines the charges for bad debt and charity care for each hospital and adjusts the expense based on a "cost-to-charge" ratio, or each hospital's ratio of actual expenses compared to gross charges and other revenues. The average hospital cost-to-charge ratio was 20.8% in HFY 2023.

The report included the following findings:

- Total uncompensated care costs increased by \$33.7 million, from \$505.8 million to \$539.5 million. As a share of overall hospital expenses, uncompensated care decreased from 2.46% to 2.21%.
- Total net operating profitability increased by \$454.0 million in 2023 for a total of \$1.6 billion. In addition, the average hospital operating margin increased by 16.2%, from 5.3% to 6.1%, with the share of hospitals with a positive operating margin increasing from 68.6% to 73.0%.
- Uncompensated care continues to vary between different hospital types. Rural hospitals, non-profit hospitals, and high Medicaid-volume hospitals had higher uncompensated care as a share of overall hospital expenses compared to their counterparts. (Maggie Rocker)

Department of Child Safety – Report on Extended Foster Care Comprehensive Service Model – Pursuant to Laws 2023, Chapter 141, the Department of Child Safety (DCS) submitted its quarterly report on implementation of the Extended Foster Care Comprehensive Service Model. The program, which started in November 2023, provides support services and case management by contracted community providers to youth ages 17-20 in out-of-home care.



As of June 2024, the program has served 709 young adults, with 86% of participants attending regular reviews with extended foster care staff and 88% maintaining work/school eligibility requirements. Of this population, 88% have identified a connection to one or more family members and supportive adults, such as foster parents, teachers, pastors, etc. In addition, 97% of participants have obtained an individualized skill to assist with success outside of the foster care program, such as post-secondary education, financial literacy training, and independent housing. (Maggie Rocker)

Department of Child Safety - Semi-Annual Benchmark Progress Report – Pursuant to an FY 2024 General Appropriation Act footnote, the Department of Child Safety (DCS) reported on progress made to meet the caseload standard and reduce the number of backlog cases and out-of-home children for the period of January 2024-June 2024.

As of June 30, 2024, DCS had 725 inactive cases and 6,250 open reports. Both the number of inactive cases and open reports are below their respective legislative benchmarks of 1,000 inactive cases and 8,000 open reports. The report also provides information on staff hiring during the prior year. The agency reports that it filled 150 additional DCS Specialist positions between July 2022 and June 2024, bringing the total number of DCS Specialists to 1,287. The 1,287 represents 92% of the 1,406 funded caseworker positions within the department.

In June of 2024, DCS was responsible for 9,242 children in out-of-home care, a decrease of (15.3)% over the past 12 months. This figure includes 912 youth ages 18-20 who are in extended foster care.

Long-term cases are those in which a child has been in an out-of-home placement for at least 18 months. As of June 30, 2024, DCS had 2,919 long-term cases, or (404) below the December 2022 benchmark of 3,323 long-term cases. (Maggie Rocker)

Community Colleges – Tohono O'odham Community College – Remedial Education Report – Pursuant to an FY 2024 General Appropriations Act footnote, the Tohono O'odham Community College (TOCC) Board of Trustees submitted a report that includes the course completion rate for students who received remedial education during the 2023-2024 academic year. The FY 2024 budget appropriated \$2.0 million from the General Fund to TOCC for remedial education, which was delivered through dual enrollment courses at Baboquivari High School (BHS) and

Indian Oasis High School (IOHS). TOCC reports that it offered 6 Dual Enrollment Courses total between the two schools during the 2023-2024 school year, including math and writing courses at BHS and history and language courses at IOHS. TOCC reports that the credit success rate of high school students in the 2023-2024 school year was 60%. (Ethan Scheider)

Arizona Criminal Justice Commission – Report on Anti-Racketeering Revolving Fund – Pursuant to A.R.S. § 13-2314.01 and § 13-2314.03, the Arizona Criminal Justice Commission (ACJC) provided its quarterly report on the activities of the Arizona Anti-Racketeering Revolving Fund (ARRF). ACJC is required to compile quarterly expenditures of the Attorney General, department, agency, county attorney, and political subdivision reports into a single comprehensive report of sources and expenditures as well as report on forfeiture orders.

In the fourth quarter of FY 2024, the ARRF received revenues totaling \$1.7 million, and had expenditures totaling \$10.6 million. Revenues for investigating and prosecuting agencies were highest in the pass-thru account of the Maricopa County at \$2.4 million. Agencies participating in Maricopa County cases accounted for the highest expenditure total in the quarter with \$4.6 million in ARRF monies spent.

In the fourth quarter of FY 2024, participating agencies received \$63.9 million in net collections from seized assets originally valued at \$66.4 million. Net collections increased by \$61.7 million, or 2,716% from the previous quarter. Net collections were highest in the Attorney General's Office at \$62.4 million, which derived from forfeitures valued at \$64.3 million. Some assets and properties were released back to the owner, but most were retained or sold by law enforcement.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and prosecutorial agencies. Additionally, assets seized as part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes. (James Martinez-Burney)



Office of Economic Opportunity – Arizona Industrial Development Authority – FY 2024 Report on Revenues, Expenditures, and Program Activity – Pursuant to A.R.S. § 41-5356B, the Arizona Industrial Development Authority (AZIDA) submitted its annual report to the Joint Legislative Budget Committee regarding AZIDA revenues, expenditures, and program activities for the previous fiscal year.

Gross revenues for AZIDA in FY 2024 were \$6.8 million, the majority of which (\$5.6 million) came from revenue bond financing fees. The organization also received \$4.5 million from the Housing Trust Fund for the "Arizona Is Home" mortgage program. Total cash operating expenses for the year were \$3.7 million, and after setting aside \$2.6 million for FY 2025 operations, AZIDA transferred \$1.7 million to the state General Fund.

AZIDA issues single-family mortgage loans with down payment assistance to low- and moderate- income families. The agency originated 168 such loans totaling \$1.2 million in FY 2024.

AZIDA also issues revenue bonds for commercial enterprises, non-profit corporations, and government entities to improve access to capital markets. These "conduit" bonds are tax-exempt municipal securities that finance large-scale projects meant to help the general public. In FY 2024, AZIDA issued 21 such bonds for a total of \$1.19 billion. These bonds financed 18 multifamily affordable housing projects, a healthcare project, an education project and a manufacturing enterprise.

The "Arizona Is Home" program was launched in April 2024 to provide favorable interest rates and down payment assistance to low-income, first-time homebuyers in rural Arizona. In its first 90 days, 81 new homebuyers accessed the program. (Benjamin Newcomb)

Department of Economic Security – Report on Annual Child Care Expenditures – A.R.S. § 46-810 requires the Department of Economic Security (DES) to provide an annual child care report to the Committee. According to the FY 2024 report, the average number of children served increased to 30,650, or 16% above FY 2023 and the average number of families served increased by 17%. Across categories, the number of children served in the Low Income Working category (including those in special circumstances) increased by 13%, child welfare-related placements increased by 2%, the number of Temporary Assistance for Needy Families-related children remained the same, and the number of children receiving transitional child care decreased by (2)%.

In April 2023, the Department started the Arizona Education Workforce Scholarship Program for parents working in child care, publicly funded Pre-K through 12th grade, and publicly funded charter schools. The program served a monthly average of 3,080 children in FY 2024. Total spending for the program reached \$42.5 million in FY 2024, or an increase of \$38.9 million above FY 2023. The scholarship program ended on June 30, 2024.

The child care wait list was suspended beginning in June 2019 and remained at zero through the end of FY 2024. The wait list was reinstated as of August 2024.

The amount spent by DES on child care subsidies was \$395.6 million, an increase of \$114.7 million, or 41% from FY 2023. DES reports the average monthly subsidy paid per child was \$1,075.50, an increase of 21% from FY 2023 due to the annualization of April 2023 provider rate adjustments implemented by the department. The total amount of co-payments collected decreased by (13)% from FY 2023 to \$6.8 million. (Grace Timpany)

Department of Economic Security – Report on Reimbursement Rates for Developmental Disabilities Programs – Pursuant to A.R.S. § 36-2959, the Department of Economic Security (DES) reported on its annual study performed by an independent consulting firm of the adequacy and appropriateness of Medicaid reimbursement rates for service providers that contract with the Division of Developmental Disabilities (DDD). The main findings of the FY 2024 report were as follows:

- Most of the 7 service categories (residential, in-home supports, day treatment, employment, transportation, professional nursing, and professional therapy) were either stable or showed improvement across 5 metrics of access to care between FY 2023 and FY 2024, with some exceptions.
- Compared to 2019 market rate data, 29 of the 30 rates reviewed exceeded the 85% threshold used by the consultant. However, compared to updated 2024 market rate data, only 14 of the 30 rates still exceeded the 85% threshold.
- The consultant believes that the current rates are "adequate" overall. As a result, the consultant is not recommending an across-the-board rate increase. However, the consultant does recommend that the state consider raising service rates to a level at or above 85% of the 2024 market rates. (Chandler Coiner)



Department of Environmental Quality – Report on PFAS Mitigation – Pursuant to an FY 2024 General

Appropriations Act footnote, the Arizona Department of Environmental Quality (ADEQ) submitted a report on the department's utilization of a one-time \$5 million appropriation for mitigation of per- and polyfluoroalkyl substances (PFAS).

PFAS are synthetic chemicals resistant to environmental breakdown that often permeate soil, water, and air and can result in adverse health effects. ADEQ was to report on the funded projects, anticipated projects, and outcomes, including details about the scope and location of projects. In FY 2024, ADEQ reported using the state monies in conjunction with federal funds. The state funding was allocated to provide preparatory work or for mitigation measures that do not require water treatment. ADEQ allocated the funding as follows and reported current expenditures:

- \$2.5 million for mitigation projects. ADEQ plans to use monies to interconnect small impacted systems (often mobile home communities) to city drinking water in Globe and Star Valley. ADEQ reported expenditures of \$31,900 in FY 2024.
- \$1.1 million for PFAS sampling to identify and monitor sites. ADEQ reported no expenditures in FY 2024.
- \$1.0 million for hydrogeologic studies to provide recommendations to drinking water providers in the Chino Valley [Yavapai County], Payson-Star Valley [Gila County], and Santa Cruz River areas [Pima County/Santa Cruz County]. ADEQ reported expenditures of \$141,200 in FY 2024.
- \$250,000 for the preparation of guidance documents for water systems and statewide public education for water professionals and water organizations. ADEQ reported expenditures of \$135,400 in FY 2024.
- \$150,000 for PFAS confirmation and water quality parameter sampling to 21 public water systems. The additional sampling is required for water systems that have significant PFAS contamination in order to inform mitigation strategies. ADEQ reported expenditures of \$145,800 in FY 2024.

In FY 2024, ADEQ expended \$454,300 of the appropriation. This funding is non-lapsing. (Maggie Rucker)

Department of Environmental Quality – Report on Water Quality Assurance Revolving Fund for FY 2024 – Pursuant

to an annual General Appropriations Act footnote, the Department of Environmental Quality (DEQ) submitted its annual 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 2024 expenditures of \$15.5 million. Revenues totaled \$18.2 million, including \$15.0 million in appropriations, \$2.1 million in fees, \$737,900 in other revenues, and \$352,900 recovered from responsible parties.

In FY 2025, DEQ plans to spend \$25.0 million on the WQARF Program, including \$7.6 million for 34 registry sites and preliminary investigations, \$7.0 million for PFAS at unspecified WQARF sites, \$10.2 million for administration, and \$140,000 for the Department of Water Resources.

Pursuant to an annual General Appropriations Act footnote, DEQ also reported on the progress of each site listed on the WQARF registry. At the end of FY 2024, DEQ reported 38 WQARF registry sites, the same as FY 2023. DEQ reported completing 1 proposed remedial action plan, 2 early action responses, and 1 record of decision at the end of FY 2024. (Maggie Rucker)

Department of Health Services – Report on Suicide Prevention Progress – Pursuant to an FY 2024 General Appropriations Act footnote, the Arizona Department of Health Services (DHS) submitted a report on the department's suicide prevention accomplishments in FY 2024.

Per the goals set forth in the Arizona Health Improvement Plan (the 5-year plan that establishes strategic priorities for the state), DHS and its suicide prevention coordinator achieved the following in FY 2024:

- Launched the Arizona 988 webpage.
- Collaborated with the National Veterans Administration, the Substance Abuse and Mental Health Services Administration, and other state organizations to launch the nation's first veteran-specific suicide mortality review.
- Facilitated monthly suicide prevention workgroups for high-risk populations.
- Attended various meetings, including 4-corners suicide prevention workgroups, quarterly Arizona Health Improvement Plan implementation workgroups, suicide mortality reviews, and monthly ADE/AHCCCS collaboration workgroup meetings.



- Gave 16 presentations on a variety of topics, including suicidal presentation in youth and adolescents, suicide data, Arizona resources for suicide prevention, and the state's prevention plan.
- Authored or contributed to 7 documents, including the 2024-2026 Suicide Prevention Action Plan. (Maggie Rocker)

Judiciary – Supreme Court – Report on Current and Future Automation Projects – Pursuant to an FY 2025 General Appropriation Act footnote, the Administrative Office of the Courts (AOC) provided its FY 2025 report on current and future automation projects coordinated by the AOC. The AOC estimates total state automation expenditures in FY 2025 will be approximately \$40.1 million. Of this amount, approximately \$9.9 million, or 24.7%, will be spent on 8 new or continuing projects as listed below; \$21.3 million, or 53.0%, will be spent on shared infrastructure; and \$8.9 million, or 22.2%, will be spent on ongoing automation support.

New Projects:

- Replace legacy Juvenile Detention Automation System with a vendor-hosted software-as-a-service product (\$562,800 in FY 2025, \$570,900 in FY 2026, and \$286,500 in FY 2027).
- Replace the Juvenile Online Tracking System (JOLTSaz) with a new probation digital Case Management System (CMS) (\$2.6 million in FY 2025, \$2.1 million in FY 2026, and \$1.7 million in FY 2027).
- Technical upgrades to the Apache County Superior Court system to incorporate digital evidence (\$90,000 in FY 2025).

Continuing Projects:

- Replace the Adult Probation Enterprise Tracking System (APETS) with a new probation digital Case Management System (CMS) (\$4.9 million in FY 2025, \$4.1 million in FY 2026, and \$4.2 million in FY 2027).
- Replace legacy appellate-court Case Management System (\$796,200 in FY 2025 and \$411,600 in FY 2026).
- Provide cloud repository for digital evidence (\$400,000 in FY 2025 and FY 2026).
- Expand new e-filing capabilities for the limited jurisdiction courts in rural counties and expand functionality to new case and filing types (\$482,400 in FY 2025, \$308,400 in 2026 and \$314,900 in FY 2027).
- Staff position to coordinate courtroom AV technology and assist the courtroom staff (\$83,800 in FY 2025).

The top 3 funding sources for automation projects included in this plan are the Judicial Collection Enhancement Fund (\$12.3 million), the Grants & Other Special Revenues Fund (\$8.9 million), and the General Fund (\$7.7 million). Together these 3 funds comprise 72% of the proposed funding in FY 2025. (James Martinez-Burney)

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 2024 appropriation of \$1.5 million on marketing for 3 events held at Phoenix Raceway. Of this amount, AOT reported spending \$563,500 for promoting the 2023 NASCAR Championship Race Weekend, \$786,600 for promoting the 2024 NASCAR Spring Race Weekend, and \$149,600 for promoting the 2024 NASCAR Championship Race Weekend. AOT rolled over the remaining \$300 for use in FY 2025. (Nate Belcher)

Office of Tourism – Tourism Development Fund Report – Pursuant to A.R.S. § 41-2307, the Office of Tourism (AOT) submitted its annual report on the Tourism Development Fund, including the balance of the fund and purposes of all expenditures in the previous fiscal year. The Tourism Development Fund consists of revenues AOT generates from owning licensable intellectual properties or selling products related to the Office's statutory functions such as pamphlets promoting Arizona tourist destinations, artwork, and serial print publications. AOT reported that the fund's balance is zero and that the Office did not expend any monies from the fund in FY 2024. (Nate Belcher)

Arizona Board of Regents – Report on University Retention and Graduation Rates – Pursuant to A.R.S. § 15-1626, the Arizona Board of Regents (ABOR) is required to submit an annual report on retention and graduation rates at each university campus.

ABOR reports retention and graduation rates based on the federal government's definitions, which track the outcomes of first-time, full-time, degree-seeking students after 1 year for retention rates and after 6 years for graduation rates. The standard federal definitions of retention and graduation rates exclude community college and transfer students.



- Fall 2024 retention rates reflect the percentage of first-time, full-time, degree-seeking students who initially enrolled in fall 2023 and who re-enrolled in the same university in fall 2024.
 - Arizona State University (ASU) 85.3%; Northern Arizona University (NAU) 72.7%; and the University of Arizona (UA) 87.8%.
- Six-year graduation rates reflect the percentage of first-time, full-time, degree-seeking students who received their degree within 6 years of their initial fall enrollment at the same university. The report shows the percentage of students who enrolled in fall 2016 who graduated from the same university within 6 years (by spring 2023).
 - ASU 69.3%; NAU 56.9%; UA 65.9%.

(Grace Timpany)

Arizona Board of Regents – Report on Spouses of Military Veterans Tuition Scholarships – Pursuant to an FY 2025 General Appropriation Act footnote, the Arizona Board of Regents (ABOR) reported the distribution of Spouses of Military Veterans Tuition Scholarship awards and the average award amount by each eligible postsecondary institution. Resident spouses of honorably discharged veterans are eligible to receive free tuition at any Arizona public university or participating community college based on available funding.

For FY 2024, ABOR reports the following information:

- ASU distributed \$687,195 to 94 students, for an average award of \$7,311.
- NAU distributed \$11,457 to 9 students, for an average award of \$1,273.
- UA distributed \$37,725 to 30 students, for an average award of \$877.
- Cochise, Maricopa, Mohave, and Pima Community Colleges distributed a total of \$196,821 to 51 students, for average awards ranging from \$1,454 to \$6,121 at community colleges. (Grace Timpany)

Universities – Report on University Centers – An FY 2025 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 received; 2) faculty and courses; 3) student enrollment; and 4) significant community events, initiatives, and publications. Legislative intent footnotes also state that General Fund monies allocated from university operating budgets in FY 2025 be consistent with the amount appropriated in FY 2023, except that the universities may institute a lump sum reduction of no more than 3.45% as prescribed by the FY 2025 General Appropriation Act.

Arizona State University – For FY 2025, ASU reports a total of \$8.4 million available for the School of Civic Economic Thought and Leadership (SCETL), of which \$5.8 million is General Fund, \$1.3 million is carry-forward from the prior year, and \$1.3 million is from other sources. ASU expects to spend the remaining carryforward balance of \$1.4 million by FY 2027. SCETL is staffed by 19 long-term faculty and several fixed-term faculty, including clinical or visiting professors, post-doctoral professors, and emeritus faculty from other universities. As of Fall 2024, 838 undergraduate students and 57 graduate students are enrolled in SCETL's 76 offered courses. SCETL provides internships, Global Intensive Experiences, special courses, and coordinates the Civic Discourse Project, which presents forums, lectures, and panels throughout the year. The 2024-2025 series theme for the Civic Discourse Project is "Sustaining American Political Order in History and Practice."

Northern Arizona University – NAU reports a total of \$1.2 million available for the Economic Policy Institute (EPI), of which \$865,300 is from the General Fund and \$325,500 is from other sources. EPI employs 4 graduate, 6 undergrad and 3 high school students and reports no formal student enrollment in FY 2024. Additionally, EPI began offering 2 courses taught by faculty in FY 2024: Principles of Microeconomics and Special Topics in Economics. In FY 2024, EPI focused on financial literacy education, entrepreneurship, providing technical assistance, and research projects, surveys, and reports. EPI conducted money management sessions, financial literacy events for community members, business plan competition events, Fleischer scholars program events, and rural and tribal technical assistance.

University of Arizona – UA reports a total of \$4.6 million available for the Center for the Philosophy of Freedom in FY 2024, of which \$4.3 million is from the General Fund and \$365,200 is from private sources. The Center has 11 faculty members and 3 post-doctoral fellows, and enrolls 2,286 undergraduate students, 88 graduate students, and 187 high school students. In addition to academic courses, the Center hosts a debate series, lectures, and partners with other institutions around the country. In partnership with the Center, UA became the first U.S. institution to join the European Master in Law and Economics (EMLE) interdisciplinary program and EMLE students will begin taking classes at the University in Spring 2025. (Grace Timpany/Ethan Scheider)



Arizona State University – Report on the Center for American Institutions – Pursuant to an FY 2024 General Appropriations Act footnote, ASU reported on the Center for American Institutions (CAI) funding received, activities, and accomplishments. ASU established CAI in 2022 to engage students with fundamental American institutions including civic, religious, legal, financial, political, military and family.

In FY 2024, the center reports \$4.8 million in funding received of which \$4.0 million is from the General Fund, \$759,800 is from private donations, and \$30,000 is from registration fees. Additionally, CAI spent a total of \$1.2 million of which \$810,200 was on salaries and \$382,000 was on programming and operations. CAI enrolled 400 students in 10 history and political science courses and administered ASU's Political History and Leadership undergraduate certificate.

Along with academic courses, CAI also organized retreats to Reagan Ranch and Washington D.C., hosted monthly engagement luncheons, and held two High School Leadership Academies. The center expects to have enough reserve funding for at least two more years and reports commitments from several donors to continue financial support for the next four years. (Grace Timpany)

University of Arizona – College of Veterinary Medicine Report – Pursuant to an FY 2025 General Appropriations Act (Laws 2024, Chapter 209) footnote, the University of Arizona (UA) submitted a report detailing how \$8.0 million appropriated from the General Fund in FY 2025 will impact the number of resident and non-residents students enrolled in the College of Veterinary Medicine (CVM). CVM currently enrolls 329 students, of which 227 are residents (69%) and 102 are non-residents (31%). (Grace Timpany)

Department of Veterans' Services – Veterans' Support Services Expenditure Report – Pursuant to an FY 2025 General Appropriations Act footnote, the Arizona Department of Veterans' Services (ADVS) is required to submit an expenditure report before spending monies appropriated for veterans' support services. The report must include the status of non-state matching grant monies.

The department reported that it plans to use \$76,500 to employ a program specialist, \$1,000 for in-state travel costs, and the remaining \$1.1 million of the appropriation will go toward providing services. ADVS reports that there is no non-state matching grant funding available at this time. The ADVS report did not provide detail on awarded contracts for FY 2025 or for which organizations the department plans to make awards. (Chandler Coiner)

Department of Water Resources – Report on Interstate Water Banking – Pursuant to A.R.S. § 45-2473, the Department of Water Resources and the Arizona Water Banking Authority (AWBA) submitted a FY 2024 report accounting for all monies received through the Interstate Water Banking Agreement with the Southern Nevada Water Authority (SNWA).

The AWBA budget operates on a calendar year basis. As AWBA's Annual Plan of Operation in 2023 and 2024 did not include an interstate water banking component, interstate water banking monies were not distributed or received during FY 2024. (Micaela Andrews)

