

Summary

September 2026 General Fund revenues totaled \$1.70 billion, which is 9.1% above September 2025. This growth during the month generated an overall gain of \$56 million compared to the enacted budget forecast.

As we noted in the prior *Monthly Fiscal Highlights*, recent revenue results have been difficult to interpret given technical processing issues with last year's collections.

During August 2025, one or more taxpayers had incorrectly reported the payment of Corporate Income Tax (CIT) as Individual Income Tax (IIT) withholding revenue. Given this error, in September 2025 the Department of Revenue made a subsequent adjustment – this correction reduced IIT collections in September 2025 by approximately \$100 million and adjusted September 2025 CIT revenue upward by the same \$100 million amount.

This adjustment creates a misleading picture when comparing September 2026 IIT and CIT collections to September 2025. To provide more clarity on the September 2026 revenue results, this *Monthly Fiscal Highlights* narrative will describe the data after adjusting for this revenue correction.

Sales Tax

Overall September Sales Tax collections (which represent August sales activity) posted a robust growth rate of 7.6% compared to the prior year and were \$19 million above the enacted budget forecast. In terms of subcategories, the state saw a surge in contracting tax revenue which grew by 16.1%, while retail collections realized moderate growth of 5.6% year-over-year.

Individual Income Tax

On an adjusted basis, total Individual Income Tax collections grew by 6.5% above September 2025. The enacted budget forecast assumed that September IIT

collections would decelerate due to the month having one less major withholding processing day. Since IIT revenues continued at a normal growth pattern, that generated a monthly forecast gain of \$61 million for the category.

Corporate Income Tax

On an adjusted basis, September Corporate Income Tax grew by 33% above September 2025.

After accounting for the miscoding adjustment, the September 2025 CIT revenue base appeared to be artificially low due to significant CIT payment activity occurring a month earlier in August 2025. Given this September 2025 timing issue, the enacted budget forecast assumed that September 2026 CIT revenues would increase significantly to a more normal level of revenues.

Since CIT revenues on an adjusted basis grew less than expected, the tax category generated a forecast loss of \$(24) million during the month.

Year-to-Date Results

Year-to-date, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2027 General Fund revenues are 5.4% above the prior year.

With the September results, after 3 months of tracking against the enacted budget forecast, the state has generated a cumulative forecast gain of \$93 million.

October FAC Update

As part of the October 8th meeting of the Finance Advisory Committee, our office evaluated the year-to-date revenue performance and provided an updated revenue forecast and revised set of [overall budget projections](#).

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September Revenues

Table 1

General Fund Revenues (\$ in Millions)			
	FY 2027 Collections	Difference From Enacted Forecast	Difference From FY 2026
September	\$ 1,698.0	\$ 56.2	\$ 141.8
Year-to-Date	\$ 4,268.4	\$ 93.2	\$ 193.9

Sales Tax collections were \$724.5 million in September, which was 7.6% greater than the same month in the prior year and \$19.1 million above the enacted budget forecast. Sales Tax revenue collected in September reflects sales activity that occurred in August. Through the first 3 months of FY 2027, sales tax revenue is up by 6.8% and is \$52.0 million above forecast. The last time that sales tax collections for the comparable 3-month period grew at a faster rate was in FY 2023 when the year-to-date growth rate was 11.4%.

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

Table 2

Sales Tax Growth Rates Compared to Prior Year		
	Sept.	YTD
Retail/Remote Seller	5.6%	6.3%
Contracting	16.1%	9.0%
Use Tax	26.5%	9.9%
Restaurant & Bar	3.3%	4.1%
Utilities	1.4%	5.4%

Sales tax revenue from contracting activities increased, year over year, by 16.1% in September and is up by 9.0% compared to the first quarter of FY 2026. This is in sharp contrast to the weak contracting Transaction Privilege Tax (TPT) growth of 1.0% in all of FY 2025 and the outright decline of (1.7)% in all of FY 2026. Industry-specific data on taxable sales provided by the Department of Revenue (DOR) indicates that the strong growth of contracting TPT so far in FY 2027 is primarily due to nonresidential (commercial/industrial) construction and heavy (highway, freeway related) construction. Year to date through August (the latest data available), TPT revenue from the nonresidential and heavy construction sectors were up by 34% and 39%, respectively.

The combined Retail/Remote Seller tax revenue category grew, year over year, by 5.6% in September and is up by 6.3% through the first 3 months of FY 2027. Detailed retail sector data on taxable sales provided by DOR suggests that the relatively strong year-to-date growth of the retail tax is at least in part attributable to vehicle sales and the sales of clothing and accessories. Year to date through August (the latest data available), sales tax collections from motor vehicle dealerships were up by almost 20% while tax revenue from retail stores selling clothing and accessories were up by slightly more than 7%.

The Utilities and Restaurant & Bar classifications of TPT experienced slower growth in September with year-over-year growth rates of 1.4% and 3.3%, respectively.

Individual Income Tax (IIT) net revenue was \$596.9 million in September, a 6.5% increase over the amount collected in September 2025 and \$60.9 million above the enacted budget forecast. Year to date through September, IIT net revenue is up by 6.3% compared to the same period in FY 2026 and is \$54.8 million above the forecast. The 6.5% overall IIT growth rate in September reflects the year-over-year increase after adjusting for the revenue misclassification issue. (The year-to-date growth rate through September is not affected by the misclassification issue.)

Withholding revenue in September was \$458.5 million, a 4.2% increase over the amount collected in September 2025 and \$45.3 million above the enacted budget forecast. The reason for this large forecast gain is that the enacted budget forecast assumed a decline in withholding revenue due to the month of September this year having one less Monday than in September 2025. Monday is typically the day of the week when the largest withholding deposits are made, often making up 40% to 50% of the weekly total for this revenue category. Year to date through September, withholding revenue is up by 6.2% and is \$45.5 million higher than forecast. The September withholding growth rate of 4.2% reflects growth after adjusting for the misclassification of tax revenue.



Total tax payments (estimated plus final) in September were \$175.3 million, an increase of 10.6% over the amount collected in September last year and \$11.4 million above forecast. September is an important month for income tax payments because the 15th of the month is the due date for the first quarterly estimated payment in the new fiscal year. Historically, estimated payments in September make up on average about 20% of the fiscal year total. On a year-over-year basis, estimated payments grew by 13.4% in September whereas final payments experienced a more modest increase of 1.1%. Through the first 3 months of FY 2027, total tax payments are up by 4.9% compared to the same period in FY 2026 and are \$2.3 million above forecast.

September refunds were \$37.0 million, (3.2)% less than in September last year. Historically, September refunds make up about 2% of the yearly total. Since the enacted budget forecast assumed a higher refund level of \$41.1 million, the forecast gain for this category was \$4.2 million in September. Year to date, refunds are up by 1.4% compared to the same period in the prior year for a cumulative forecast gain of \$7.1 million.

Table 3

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

	<u>September</u>	<u>YTD</u>
Withholding	4.2%	6.2%
Estimated/Final Payments	10.6%	4.9%
Refunds	(3.2)%	1.4%

Net Corporate Income Tax (CIT) revenue in September was \$343.9 million, 33.3% above the level collected in September last year and \$(23.8) million below the enacted budget forecast. Year to date through September, corporate income tax revenue is down by (0.5)% and is \$(16.0) million below forecast. The September CIT growth rate of 33.3% reflects growth after adjusting for the misclassification of tax revenue discussed earlier.

As noted in the Summary Section, in August 2025, one or more corporations incorrectly filed their corporate tax payments under the individual income tax withholding category. This had the effect of overstating individual income tax by approximately \$100 million that month while at the same time understating corporate income tax by \$(100) million. With corporate estimated payments generally not due until September 15th, we think that it is plausible that the taxpayers that incorrectly filed their corporate tax payments under the withholding category in

August 2025 would have remitted those payments the following month (September 2025) instead if not for the tax misclassification. This suggests that this misclassification issue also affected the timing of the payments, which had the effect of artificially lowering the September 2025 CIT revenue base. Given this September 2025 timing issue, the enacted budget forecast assumed that September 2026 CIT revenues would increase significantly (by about 42%) to more normal levels of collections for this month.

Insurance Premium Tax (IPT) revenue was \$103.2 million in September, a decrease of (3.6)% compared to the same month in the prior year. IPT revenue in September ended \$0.8 million above the enacted budget forecast. Year to date through September, IPT revenue is up by 1.9% over the same period in FY 2026 and is \$9.7 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in September was \$1.2 million, which is (0.9)% below the level of collections a year prior and \$(0.1) million below the enacted forecast. Year to date, General Fund tobacco tax revenue totals \$3.6 million, which is (21.7)% below the comparable period in FY 2026 and \$(0.7) million less than forecast.

Liquor Tax revenue deposited into the General Fund in September was \$3.4 million, which is a 15.3% increase from September 2025 and \$(0.1) million below the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$10.9 million, a 7.1% increase over the same period in FY 2026, and \$(0.7) million below forecast.

The **Lottery Commission** reported that total ticket sales in September were \$105.7 million. This amounts to a (27.1)% decline below September 2025.

Highway User Revenue Fund (HURF) collections of \$149.2 million in September were 0.2% above the amount collected in September 2025 and were \$(2.7) million below forecast. Year to date through September, HURF collections are \$450.9 million, 1.4% above the same period in the prior year and \$(2.9) million less than forecast.

The state collected \$14.4 million in dedicated **Marijuana Excise Taxes** in September 2026, which is 4.9% above September 2025 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. General Fund TPT collections from marijuana (both medical and recreational) totaled \$3.7 million in September, which is 4.6% above September 2025 collections.



Table 4

General Fund Revenue: Change from Previous Year and Enacted Forecast September 2026

	Current Month					FY 2027 YTD (Three Months)				
	Actual September 2026	Change From		Enacted Forecast		Actual September 2026	Change from		Enacted Forecast	
		September 2025		September 2025			September 2025		September 2025	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$724,467,255	\$51,043,267	7.6 %	\$19,088,365	2.7 %	\$2,201,997,773	\$139,872,357	6.8 %	\$52,036,557	2.4 %
Income - Individual*	596,919,484	136,586,966	29.7	60,850,737	11.4	1,590,241,270	93,749,587	6.3	54,796,616	3.6
- Corporate*	343,878,444	(14,144,841)	(4.0)	(23,817,414)	(6.5)	425,388,084	(1,946,394)	(0.5)	(15,964,114)	(3.6)
Property	106,836	32,906	44.5	(284,364)	(72.7)	3,032,641	2,157,137	246.4	1,147,381	60.9
Luxury - Tobacco	1,225,031	(11,653)	(0.9)	(67,111)	(5.2)	3,648,504	(1,012,948)	(21.7)	(717,284)	(16.4)
- Liquor	3,356,366	444,528	15.3	(56,435)	(1.7)	10,882,903	717,664	7.1	(737,740)	(6.3)
Insurance Premium	103,199,944	(3,805,819)	(3.6)	807,541	0.8	285,699,248	5,371,884	1.9	9,688,678	3.5
Other Taxes	3,248,355	1,897,928	140.5	1,929,272	146.3	11,201,754	7,555,760	207.2	6,959,219	164.0
Sub-Total Taxes	\$1,776,401,715	\$172,043,283	10.7 %	\$58,450,591	3.4 %	\$4,532,092,177	\$246,465,047	5.8 %	\$107,209,313	2.4 %
<u>Other Revenue</u>										
Lottery	0	0	--	0	--	0	0	--	0	--
Gaming	4,370,661	854,931	24.3	914,102	26.4	8,363,157	(1,072,140)	(11.4)	(3,069,740)	(26.9)
License, Fees and Permits	6,205,873	1,050,026	20.4	837,619	15.6	14,133,096	1,736,291	14.0	778,932	5.8
Interest	13,389,575	(6,412,907)	(32.4)	(2,262,907)	(14.5)	28,952,282	(12,552,802)	(30.2)	(3,803,172)	(11.6)
Sales and Services	2,811,480	980,339	53.5	489,715	21.1	4,938,887	338,395	7.4	(1,238,893)	(20.1)
Other Miscellaneous	3,288,946	1,111,137	51.0	376,902	12.9	4,262,346	2,296,247	116.8	(2,631,444)	(38.2)
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	53,507	(3,657,833)	(98.6)	(2,559,254)	(98.0)	1,169,114	177,338	17.9	(4,074,288)	(77.7)
Sub-Total Other Revenue	\$30,120,041	(\$6,074,308)	(16.8) %	(\$2,203,823)	(6.8) %	\$61,818,881	(\$9,076,671)	(12.8) %	(\$14,038,605)	(18.5) %
TOTAL BASE REVENUE	\$1,806,521,757	\$165,968,976	10.1 %	\$56,246,768	3.2 %	\$4,593,911,058	\$237,388,376	5.4 %	\$93,170,708	2.1 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(108,502,222)	(9,643,409)	9.8	0	(0.0)	(325,506,666)	(28,930,226)	9.8	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Income Tax Rebate	0	250	--	0	--	(500)	0	0.0	(500)	--
Other One-Time Revenue Adjustments	0	(14,574,359)	--	0	--	0	(14,574,359)	--	0	--
Sub-Total Other Adjustments	(108,502,222)	(24,217,518)	28.7 %	0	(0.0) %	(325,507,166)	(43,504,585)	15.4 %	(500)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,698,019,534	\$141,751,458	9.1 %	\$56,246,768	3.4 %	\$4,268,403,892	\$193,883,791	4.8 %	\$93,170,208	2.2 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	149,248,213	321,401	0.2 %	(2,657,135)	(1.7) %	450,859,064	6,175,042	1.4 %	(2,864,821)	(0.6) %

* Due to the prior misclassification of Individual Income Tax and Corporate Income Tax revenues in August 2025, DOR made a subsequent correction to these categories in September 2025. Given this correction, the Current Month "Change From September 2025" data displayed in this table does not match the amounts described in the document narrative. The amounts described in the narrative reflect information after adjusting for the DOR data correction.

Monthly Indicators

NATIONAL

The real U.S. **Gross Domestic Product** (GDP) increased at annual rate of 2.2% in the 2nd quarter of 2026, according to the third estimate by the Bureau of Economic Analysis (BEA). Real GDP growth was revised up by 0.7 percentage points (or from 1.5% to 2.2%) from the second estimate, primarily reflecting upward revisions to investment, consumer spending, and government spending.

In the 1st quarter of 2026, real GDP grew by 2.5%. The slower growth rate of 2.2% in the 2nd quarter was primarily attributable to a slowdown in government spending, investments, and exports.

According to the University of Michigan's **Consumer Sentiment Index**, U.S. households' assessment of the economy weakened during the month of September. The index fell from 51.7 to 48.1, representing a (7.0)% decrease from August, the lowest reading in four months, and the second lowest reading ever. Buying conditions for durable goods improved slightly, partially due to the perception that purchasing items now would help the consumer avoid higher prices in the future. Additionally, the short-run outlook for business conditions fell due to concerns over elevated fuel prices and trade disputes.

The **Leading Economic Index**, published by the Conference Board, was 99.5 in August, a decrease of (0.1)% from the revised July level. While all of the financial components were positive in August, the non-financial components were either near zero or negative. The largest negative contribution to the composite index in August was consumer expectations for business conditions. The LEI declined by (0.1)% between February and August 2026, a much smaller rate of decline compared to the (0.6)% decrease over the previous 6 months.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in September increased at a seasonally adjusted rate of 0.6% from the prior month. The index for gasoline rose by 9.1% in September, accounting for over half of the monthly increase. Before seasonal adjustment, the CPI rose by 3.7% for the 12 months ending in September, a larger gain than the 3.4% increase reported for the 12 months ending in August. The core CPI, which excludes food and energy prices, increased by 2.6% over the prior year, following the 2.4% year-over-year increase in August.

ARIZONA

Housing
In August, Arizona had a 12-month total of 31,087 **single-family building permits** issued. This represents a decrease of (0.2)% from the prior month's rolling total and a decrease of (14.7)% from the 12-month total a year prior.

Arizona's 12-month total of 16,170 **multi-family building permits** in August rose 12.6% from July's rolling total and is 10.9% greater than the 12-month period ending in August 2025.

Tourism
Phoenix Sky Harbor Airport Ridership was 3.7 million passengers in August, which represents a (11.9)% decline from July and is (2.5)% below the August 2025 level.

Hotel occupancy was 56.0% in August, which is unchanged from the occupancy rate in August last year.

Revenue per available room was \$64.94 in August, which represents a (0.6)% decline from the average revenue in August 2025.

Employment
The latest employment figures from the Arizona Office of Economic Opportunity (OEO) show that the state added 23,700 **nonfarm jobs** in September. This expansion fell short of Arizona's pre-pandemic (2010 - 2019) historical average of 28,800 net new jobs for the month.

The government sector accounted for 22,200 of the 28,800 jobs added in September. Employment gains in the local and state education government sector typically occur in September as schools and universities start up again after the summer break. Year-over-year nonfarm employment grew by 22,700 positions compared to September 2025, marking a 0.7% annual increase.

For the fourth consecutive month, the state's seasonally adjusted **unemployment rate** remained unchanged at 4.9% in September. During the same month last year, Arizona's jobless rate was 4.4%. The U.S. unemployment rate rose from 4.1% in August to 4.2% in September. The US jobless rate was 4.4% in September 2025.

OEO reported that a total of 2,475 **initial claims for unemployment insurance** were filed in Arizona in the week ending on October 10th. This represents a (13.6)% decrease in initial claims compared to a year ago.



According to OEO, there were a total of 20,094 **continued claims for unemployment insurance** in Arizona for the week ending on October 3rd, which is (19.2)% lower than for the comparable week in 2025.

State Agency Data

As of October 1, 2026, the total **AHCCCS caseload** was 1.71 million members. Total monthly enrollment decreased (0.4)% from September to October and decreased (7.5)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased (0.8)% in October compared to September and decreased (8.6)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 726,762, virtually unchanged from September and (7.3)% lower than last year.

For October 2026, the Elderly and Physically Disabled Long-Term Care population increased by 0.5% over the prior month. At 27,678, this population is 0.6% higher than a year ago. The Developmental Disabilities (DD) Long-Term Care population increased by 0.6% over the prior month. At 49,694, this population is 5.9% higher than a year ago.

Based on information the **Department of Child Safety** provided for August 2026, reports of child maltreatment totaled 45,447 over the last 12 months, an increase of 2.6% from the comparable period in the prior year.

There were 7,867 children in out-of-home care as of August 2026, or (4.5)% fewer than in August 2025. Compared to the prior month, the out-of-home children population decreased by (0.2)%.

The Arizona Department of Correction's **Inmate Population** was 34,531 as of August 31, 2026. This was a (0.1)% decrease since July 31, 2026 and a (2.6)% decrease since August 2025.

There were 4,399 individuals receiving **Temporary Assistance for Needy Families (TANF) Cash Assistance** in August 2026, representing a 1.2% increase from July 2026. Year over year, the number of cash benefit recipients has decreased by (39.5)%.

The **Supplemental Nutrition Assistance Program (SNAP)** provides assistance to low-income households to purchase food. There were 492,065 individuals receiving SNAP benefits in August 2026, representing a (2.1)% decrease from July 2026. Year over year, the number of SNAP recipients has decreased by (45.2)%.



Table 5

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	4.9%	0.0%	0.5%
- Total Unemployment Rate (discouraged/underemployed)	2 nd Q 2026	8.9%	0.5%	1.0%
- Initial Unemployment Insurance Claims	Week Ending Oct. 10	2,475	6.8%	(13.6)%
- Continued Unemployment Insurance Claims	Week Ending Oct. 3	20,094	(3.8)%	(19.2)%
- Non-Farm Employment - Total	September	3,274,600	0.7%	0.7%
Manufacturing	September	191,500	(0.4)%	(0.6)%
Construction	September	228,200	(0.8)%	2.6%
- Average Hourly Earnings, Private Sector	September	\$36.29	(0.6)%	3.2%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	August	31,087	(0.2)%	(14.7)%
Multi-family		16,170	12.6%	10.9%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	August	3,696,185	(11.9)%	(2.5)%
- State Park Visitors	August	109,343	(33.0)%	(42.1)%
- Revenue Per Available Hotel Room	August	\$64.94	(1.2)%	(0.6)%
- Arizona Hotel Occupancy Rate	August	56.0%	(0.4)%	0.0%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	2 nd Q 2026	\$543.7 billion	3.2%	4.6%
- Arizona Population (U.S. Census)	July 2025	7,623,818	N/A	0.9%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	July 2024/Nov 2019	Positive/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	October 1 st	1,706,107	(0.4)%	(7.5)%
Traditional Acute Care		901,976	(0.8)%	(8.6)%
Other Acute Care		726,762	(0.0)%	(7.3)%
Long-Term Care – Elderly & Physically Disabled		27,678	0.5%	0.6%
Long-Term Care – Developmentally Disabled (DD)		49,691	0.6%	5.9%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	August	45,447	(0.5)%	2.6%
DCS Out-of-Home Children	August	7,867	(0.2)%	(4.5)%
Filled Caseworkers (1,406 Budgeted)	August	1,249	(9)	(38)
- ADC Inmate Growth	August	34,531	(0.1)%	(2.6)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	August	4,399	1.2%	(39.5)%
- SNAP Recipients	August	492,065	(2.1)%	(45.2)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	2 nd Q, 2026 (3 rd Estimate)	\$24.4 trillion	2.2%	2.2%
- Consumer Sentiment Index (1966 = 100)	September	48.1	(7.0)%	(12.7)%
- Leading Economic Index (2016 = 100)	August	99.5	(0.1)%	0.9%
- Consumer Price Index, (1982-84 = 100)	September	336.3	0.6%	3.7%

JLBC Meeting Summary

At its **September 30, 2026** meeting, the Joint Legislative Budget Committee (JLBC) considered the following issues:

Executive Session

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

Department of Education – Review of Proposed New Multi-State Alternate Assessment Contract – A.R.S. § 15-741.03 requires the Arizona Department of Education (ADE) to submit for review by the JLBC a new or renewed contract for any portion of the statewide assessment. The Committee gave a favorable review to ADE's new Multi-State Alternate Assessment contract.

Regular Agenda

Department of Administration – Consider Approval of State Employee Travel Rate Adjustments – A.R.S. § 38-624(B) and (C) requires the JLBC to approve any changes to Arizona Department of Administration's (ADOA) maximum reimbursement rates for lodging, meal, and mileage expenses. The Committee approved ADOA's proposal to increase the travel reimbursement rates to align with the current federal standard, with the provision that Committee approval does not constitute an endorsement of additional appropriations to cover higher reimbursement costs.

Department of Administration – Review of Automation Projects Fund Proposed Expenditures – A.R.S. § 41-714 requires JLBC review prior to any monies being expended from the Automation Projects Fund (APF). The Committee gave a favorable review of ADOA's request to spend a total of \$12.7 million from the APF on 3 projects as follows:

- \$375,000 for ADOA State Web Portal Software and Security Upgrades.
- \$150,000 for Arizona Medical Board Website Modernization.
- \$12.1 million for Arizona Health Care Cost Containment System (AHCCCS)-Medicaid Enterprise System IT Upgrades, consisting of:
 - o \$8.5 million to continue a multi-year mainframe replacement project; and

- o \$3.6 million to continue eligibility system upgrades.

The Committee did not review the AHCCCS AI call center proposal.

Attorney General – Review of Coordinated Reentry Expenditure Plan – A.R.S. § 44-1531.02(C) requires the Attorney General (AG) to submit an expenditure plan for review by the JLBC before spending any monies from the Consumer Remediation Subaccount of the Consumer Restitution and Remediation Revolving Fund. The Committee gave a favorable review of the AG's FY 2027 Coordinated Reentry expenditure plan, which is based on a specific distribution formula set forth in the law. The review included a provision that the AG report to the Committee the grant recipient and any sub-grantees selected to create the statewide coordinated reentry planning services database.

Criminal Justice Commission – Review of Edward Byrne Memorial Justice Assistance Grant Federal Application – Pursuant to A.R.S. § 41-2403, the Arizona Criminal Justice Commission (ACJC) requested Committee review of the proposed federal application for the FFY 2026 Edward Byrne Memorial Justice Assistance Grant (JAG). The Committee gave a favorable review of the proposed application for the grant, including a provision requiring ACJC to submit a preliminary proposal by May 15, 2027, if the federal guidelines have not yet been received for 2027.

Department of Education – Review of Basic State Aid Recalculation – A.R.S. § 15-915(B) allows a school district to have its K-12 Basic State Aid funding recalculated if court rulings change property values in their district, subject to review by the JLBC. The Committee gave a favorable review to ADE's Basic State Aid recalculation of \$127,700 in total for Antelope Union High School District, Mohawk Valley Elementary School District, and Hyder Elementary School District.

Department of Education - Review of Broadband Connectivity Projects – A.R.S. § 15-249.07 requires ADE to submit for review by the JLBC its annual report on K-12 broadband connectivity construction projects. The Committee gave a favorable review to ADE's FY 2027 Broadband for Education Initiative 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 - Pursuant to A.R.S. § 41-1724(G) and A.R.S. § 41-1724(H), the Department of Public Safety is required to submit to JLBC for review the FY 2027 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expenditure. The Committee gave a favorable review to an expenditure plan of \$1,796,400 of the \$2,430,700 FY 2027 appropriation to fund 3 existing programs: Detention Liaison Officer Program (\$420,000), Border County Officers Program (\$576,400), and Border Security and Law Enforcement Grants (\$800,000).

Department of Administration – Update on State Employee Health Insurance Trust Fund – The Committee received an update from JLBC Staff on the State Employee Health Insurance Trust Fund. The Committee did not take any action.

JCCR Meeting Follow-Up

Arizona Department of Agriculture – Seventh Quarterly Report on Nogales Building Sale - Pursuant to a provision from the December 2024 JCCR meeting, the Arizona Department of Agriculture (AZDA) submitted their 7th quarterly report on the status of selling the old inspection building in Nogales. The Committee favorably reviewed the purchase of a new inspection building in Rio Rico with the provision that AZDA provide quarterly reports until final sale of the Nogales building. In December 2025, AZDA moved into the new inspection building. The old Nogales building is listed for sale and the state's broker is promoting the property. AZDA recently received two updated appraisals of the site; one values the property identically to the initial appraisal (\$385,000) and the other values it at \$300,000. AZDA reports no offer or formal interest as of September 22, 2026. (Nate Belcher)

Arizona Western College – Report on Capital Projects – Pursuant to a provision from the April 2021 meeting of the Joint Committee on Capital Review, Arizona Western College (AWC) submitted its final project status report of revenue bonds projects. AWC's allocation has changed since the Joint Committee on Capital Review originally reviewed this \$35.9 million bond issuance in April 2021. The completed projects include:

- Residence Hall: Yuma/La Paz Community College District has completed construction of the new DeAnza Hall, expending a total of \$22.2 million on the project. Construction was completed on August 8, 2024.
- Students Experience Center Building: Yuma/La Paz Community College District completed construction of the Matador Activity Center, expending a total of \$19.4 million.
- Other Campus Improvement Projects: The district has expended \$2.2 million on other campus improvement projects, including the installation of new cooling towers and roof repairs. These projects were completed as of May 2022.

Total project expenditures were \$43.8 million, of which \$33.0 million was from the approved revenue bond issuances. The remaining \$10.9 million was funded by the District's General Fund. (Ethan Scheider)

Summary of Recent Agency Reports

Arizona Department of Administration – Report on Travel Reduction Programs – Pursuant to an FY 2026 General Appropriations Act footnote, the Arizona Department of Administration (ADOA) reported on travel reduction programs for providing subsidies to state employees. In FY 2026, ADOA continued a 100% subsidy rate for Valley Metro riders in the

Phoenix metro area. In FY 2026, the program realized a 6% decline in the average number of monthly riders, while the average monthly number of rides per user remained steady at 19.



ADOA also reports that Pima County's Sun Tran will continue to be free for all residents through FY 2027. Transit has been free to riders since March 2020. Additionally, participation in the Arizona Department of Corrections Vanpool Pilot increased in FY 2026 by 10%. In FY 2026 participation increased in the first three quarters of the year but dropped slightly in the fourth quarter due to fewer riders at Eyman. (Ethan Scheider)

Arizona Department of Administration – Automated Projects Fund FY 2026 Fund-of-Origin Transfers – A.R.S. 41-714A requires that all monies remaining in an Automated Projects Fund (APF) subaccount upon completion of an automation/information technology project be reverted to their fund of origin. On or before September 1 of each year, ADOA is required to submit a report to the JLBC on the reversions made in the prior year. ADOA reports 3 reversions in FY 2026:

ADE School Finance Payment System

The Arizona Department of Education (ADE) School Finance Payment System project had a remaining balance of \$865,100 in the ADE subaccount upon completion. Of this amount, ADOA transferred 62%, or \$536,300, to the Department of Education Empowerment Scholarship Fund and 38%, or \$328,700, to the Treasurer's Empowerment Scholarship Fund.

ADOA Business One-Stop

The ADOA Business One-Stop project had a remaining balance of \$2,948,900 in the ADOA subaccount upon completion. ADOA transferred this amount to the General Fund.

ADOA K-12 Financial Transparency Portal

The ADOA K-12 Financial Transparency Portal project had a remaining balance of \$2,486,400 in the ADOA subaccount upon completion. ADOA transferred this amount to the General Fund. (Ethan Scheider)

Department of Child Safety - Semi-Annual Benchmark Progress Report

– Pursuant to an FY 2026 General Appropriations 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 2026-June 2026.

As of June 30, 2026, DCS had 661 inactive cases and 7,502 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.

In June of 2026, DCS was responsible for 7,989 children in out-of-home care, a decrease of (4.8)% over the past 12 months. This figure includes 1,113 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, 2026, DCS had 2,724 long-term cases, or (599) below the December 2022 benchmark of 3,323 long-term cases. (Maggie Rocker)

Arizona State Schools for the Deaf and the Blind – Report on Budgetary and Operational Changes – Pursuant to an FY 2027 General Appropriations Act footnote, the Arizona State Schools for the Deaf and the Blind (ASDB) submitted its report on budgetary and operational changes since FY 2026, including the closure of the Tucson Campus, termination of the residential program, relocation of Arizona State Schools for the Deaf programs, changes to campus-based Arizona State School for the Blind programs, staff reductions, and plans for the disposition of Tucson campus property.

As of the 2026-2027 school year, the Tucson campus has been decommissioned. The agency continues to maintain the property while pursuing options for its disposition. ASDB reports spending \$2.6 million for maintenance and security, compared to \$3.1 million last year. ASDB has terminated its residential program, eliminating all related operating expenditures.

Until any decisions are made regarding the disposition of the Tucson property, some School for the Deaf (ASD) students previously receiving campus-based instruction in Tucson have been relocated to a temporary day program facility in Oro Valley, while others are now being educated through regional cooperative services provided by ASDB and their district of residence.

ASDB no longer provides campus-based programming for School for the Blind (ASB) students. ASB students previously educated at the Tucson campus may be transitioned to regional cooperative services.

ASDB has initiated a workforce restructuring effort in response to declining enrollment, leading to the elimination and consolidation of many positions no longer needed to sustain its campus-based programming. ASDB is working with an architectural firm to develop multiple land-disposition scenarios by December 2026, which may include partial sale of the Tucson property, sale of the entire 59-acre property, or retention of the entire property.



If the ASDB Governing Board decides to proceed with selling any part of the property, ASDB will submit a proposed sale to the Joint Committee on Capital Review (JCCR) for review.

ASDB has estimated a **\$2.7 million budget decrease** from FY 2026 to FY 2027 due to the operational changes discussed in this report:

- **Increase of \$1.3 million** for the Oro Valley facility lease (the cost of the lease will increase to \$1.4 million by the end of the 4-year lease term).
- **Decrease of \$(764,000)** due to the elimination of residential programs.
- **Decrease of \$(1.9 million)** due to the elimination of Arizona School for the Blind (ASB) campus-based programs.
- **Decrease of \$(838,000)** due to staff reduction and organizational restructuring.
- **Decrease of \$(500,000)** for maintaining the decommissioned Tucson campus. (Emmalyn Meyer)

Office of Economic Opportunity – Arizona Industrial Development Authority – FY 2026 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 2026 were \$17.4 million, the majority of which (\$9.1 million) came from mortgage-backed security portfolio interest and fees from the "Arizona is Home" mortgage program. The organization also received \$4.7 million from revenue bond financing fees and \$4.4 from lending fees and premiums from the Home Plus single-family mortgage lending program. Total cash operating expenses for the year were \$16.9 million, and after setting aside \$4.0 million for FY 2027 operations, AZIDA transferred \$3.4 million back to the State of Arizona. AZIDA issues single-family mortgage loans with down payment assistance to low- and moderate-income families. In FY 2026, the agency originated 461 such loans at an average of \$10,000 per loan.

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 2026, AZIDA issued 23 such bonds for a total of \$1.28 billion. These bonds financed 13 multifamily affordable housing projects, 7 education projects, 2 commercial projects, and a natural resources project.

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. Since the program's launch, 642 new homebuyers have accessed the program. (Emmalyn Meyer)

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 2026 ending fund balance was \$209,600, which is designated for the benefit of specific monuments and memorials as displayed in *Table 6*. (Micaela Andrews)

Table 6

State Monument and Memorial Repair Fund Balance

Memorial	Amount
Father Albert Braun Memorial	\$1,000
Arizona Law Enforcement Canine Memorial	300
Bill of Rights Memorial	3,500
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	14,200
Frances Willard Munds Suffrage Memorial	22,600
Migration Monument	2,100
Revolutionary War Patriots Monument	1,400
FY 2026 Ending Balance	\$209,600

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 2027 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 2026, the amount of Transaction Privilege Tax (TPT) delinquent accounts, and the amount of fraud prevented by the private fraud prevention services.

In FY 2026, DOR's total enforcement goal was \$1.071 billion but actual enforcement collections were \$1.153 billion. DOR's FY 2027 goal for enforcement collections is \$1.159 billion, which represents an increase of \$5.7 million from actual FY 2026 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 2026, there were 943,269 delinquent TPT accounts, totaling \$632.7 million, of which 62.8% of these cases had been delinquent for less than 1 year, 22.9% between 1 and 4 years, and 14.3% for over 4 years.

The department reports that \$64.4 million in delinquent accounts for all tax types were written off as uncollectible in FY 2026, which represents a decrease of (41.1)% from the \$109.3 million written-off in FY 2025.

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 \$8.2 million in Individual Income Tax refunds and \$91.0 million in other invalid refunds being issued in FY 2026. (Jacob Cross Mayhew)

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 2.54 million **Individual Income Tax** credit claims totaling \$1.02 billion in FY 2026, This is a (0.1)% decrease compared to the prior year.

The credit with the highest dollar level of claims was the Credit for Entity Level Income Taxes Paid at \$330.5 million. This credit prevents double taxation of pass-through income at both the business and individual level. Therefore, the overall effective revenue impact of the credit is \$0. Of the remaining total, the Income Taxes Paid to Other States or Countries Credit accounted for \$201.3 million, the Dependent Tax Credit for \$141.7 million, Private School Tuition Organization credits accounted for \$132.9 million, the Charitable and Foster Care Contributions credits accounted for \$126.1 million, the Public-School Extracurricular Activity Fee Credit accounted for \$33.5 million, and the Education Sales Tax Paid (which is a credit intended to mitigate the impact of the 0.6% Education Sales Tax) accounted for \$18.5 million. Use of other credits, including Research and Development (R&D) credits, totaled \$40.1 million. The number of claims and credit use are listed in *Table 7*.

Table 7

FY 2026 Individual Income Tax Credits (\$ in millions)

	# of Claims	Credit Use
Credits:		
Entity Level Income Tax Paid ^{1/}	23,381	\$330.5
Income Taxes Paid to Other States or Countries ^{1/}	99,230	201.3
Dependent Tax Credit	1,001,394	141.7
School Tuition Organizations	126,184	132.9
Contributions to Charitable and Foster Care Organizations	229,900	126.1
Public School Contributions	123,254	33.5
Education Sales Tax Paid	418,166	18.5
Other Credits ^{2/}	<u>517,951</u>	<u>40.1</u>
Total Value of Credits	2,539,460	\$1,024.6

^{1/} Credit prevents double-taxation of income.

^{2/} 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 a total of 119 credit claims were filed by individuals under the **Small Business Income (SBI) Tax** in FY 2026, for a total of \$1.43 million. This is a 7% increase from the \$1.34 million in SBI credits claimed in FY 2025. With the SBI tax rate of 2.5% being equal to the individual income tax rate, many filers choose not to classify qualifying income as SBI.



Details on the number of claimants and the amount of credits used under this alternative tax are shown in *Table 8* below.

Table 8		
FY 2026 Small Business Income Tax Credits (\$ in millions)		
Credits:	# of Claims	Credit Use
Income Taxes Paid to Other States or Countries ^{1/}	53	\$0.9
Entity Level Income Tax Paid ^{1/}	64	0.5
Other Credits ^{2/}	<u>2</u>	<u>0.0</u>
Total Value of Credits	119	\$1.4
^{1/} Credit prevents double-taxation of income.		
^{2/} 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 \$355.8 million in **Corporate Income Tax** credits in FY 2026, a (10.4)% decrease from the prior year. Of the total amount used, \$203.0 million was for Research and Development (R&D) credits, \$57.8 million was for Private School Tuition Organization credits, \$55.6 million for the Qualified Facilities Credit, and \$31.9 million was for Renewable Energy Production Credit. Use of other credits, including the Pollution Control Device Credit, totaled \$7.5 million in FY 2026. The number of claims and amount of credits used are listed in *Table 9* below.

Table 9		
FY 2026 Corporate Income Tax Credits (\$ in millions)		
Credits:	# of Claims	Credit Use
Research and Development	711	\$203.0
School Tuition Organizations	116	57.8
Qualified Facilities	47	55.6
Renewable Energy Production	5	31.9
Other Credits ^{1/}	<u>29</u>	<u>7.5</u>
Total Value of Credits	908	\$355.8
^{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 \$66.1 million in insurance premium tax credits were used in FY 2026. This is an increase of 16.6% from the prior year. Of the \$66.1 million in total credit use, \$56.8 million was for Private School Tuition Organization Credits. The dollar impacts of the specific credits are listed in *Table 10* below.

Table 10	
FY 2026 Insurance Premium Tax Credits (\$ in millions)	
	Credit Use
Credits:	
Private School Tuition Organizations	\$55.8
- Low Income Students ^{1/}	
Private School Tuition Organizations	1.0
- Disabled/Displaced Students ^{2/}	
Insurance Guaranty Fund	7.5
Health Insurance Premium ^{3/}	1.8
New Employment	<u>0.0</u>
Total Value of Credits	\$66.1
^{1/} The credit was capped at \$135 million in FY 2026 between corporate, individual income and insurance premium taxpayers.	
^{2/} Credit was capped at \$6 million in FY 2026 between corporate, individual income and insurance premium taxpayers.	
^{3/} Credit is capped at \$5 million annually.	

(Hans Olofsson)

Judiciary – Supreme Court – Report on State Expenditures on Counties – Pursuant to A.R.S. § 12-262(C), the Administrative Offices of the Courts (AOC) provided a report on the amounts provided to counties in FY 2026 for probation services.

The total amount distributed to the counties was \$49.6 million. The largest recipients were Pima County (\$12.0 million) and Yavapai County (\$6.3 million). Maricopa County is not eligible for state payment of these services. (Ethan Scheider)

Judiciary – Supreme Court – Report on Current and Future Automation Projects – Pursuant to an FY 2027 General Appropriation Act footnote, the Administrative Office of the Courts (AOC) provided its FY 2027 report on current and future automation projects coordinated by the AOC. The AOC estimates total state automation expenditures in FY 2027 will be approximately \$46.2 million. Of this amount, approximately \$12.8 million, or 27.8%, will be spent on 6 new or continuing projects as listed below; \$22.2 million, or 48.1%, will be spent on shared infrastructure; and \$11.1 million, or 24.1%, will be spent on ongoing automation support.



New Projects:

- Replace aging Digital Jury Management System used by 17 courts in 14 counties (\$421,000 in FY 2027, \$200,000 in FY 2028, and \$200,000 in FY 2029).
- Create an automated appellate data model to enable collaboration among the Supreme Court and the Court of Appeals Divisions 1 and 2 (\$400,000 in FY 2027, \$400,000 in FY 2028, and \$400,000 in FY 2029).

Continuing Projects:

- Replace legacy Juvenile Detention Automation System with a vendor-hosted software-as-a-service product (\$2.0 million in FY 2027, \$1.1 million in FY 2028, and \$308,300 in FY 2029).
- Replace the Adult Probation Enterprise Tracking System (APETS) with a new probation digital case management system (CMS) (\$4.6 million in FY 2027, \$4.1 million in FY 2028, and \$4.2 million in FY 2029).
- Replace the Juvenile Online Tracking System (JOLTSaz) with a new probation digital CMS (\$5.1 million in FY 2027, \$3.0 million in FY 2028, and \$1.9 million in FY 2029).
- Expand new e-filing capabilities for the limited jurisdiction courts in rural counties and expand functionality to new case and filing types (\$328,000 in FY 2027, \$304,700 in 2028 and \$313,300 in FY 2029).

The top 3 funding sources for automation projects included in this plan are the Judicial Collection Enhancement Fund (\$12.6 million), Grants and Special Revenues Fund (\$11.3 million), and the General Fund (\$7.7 million). Together these 3 funds comprise 68% of the proposed funding in FY 2027. (Ethan Scheider)

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 2026 the State Fleet Operations Fund has a cash balance of \$5.1 million and the State Vehicle Replacement Fund has a cash balance of \$20.9 million, with fleet agencies having their own subaccounts. In FY 2026, 327 vehicles within the state fleet were replaced.

The department further reports that the state fleet consists of 2,484 vehicles across 36 agencies. In addition, ADOT replaced 19 vehicles in FY 2026 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 326 vehicles in the state fleet currently in need of replacement.

ADOT also reports that 15 vehicles were permanently removed from the state fleet in FY 2026. The department will continue to analyze utilization data to remove vehicles that are not being properly utilized. (Trevor Malzewski)

Arizona Board of Regents – Report on Spouses of Military Veterans Tuition Scholarships – Pursuant to an FY 2026 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.

In FY 2026, ABOR reports the following disbursements totaling \$1,449,782:

- ASU distributed \$1,109,047 to 129 students, for an average award of \$8,597.
- NAU distributed \$162,011 to 24 students, for an average award of \$6,750.
- UA distributed \$93,763 to 17 students, for an average award of \$5,515.
- Arizona Western, Cochise, Coconino, Maricopa, and Pima Community Colleges distributed a total of \$84,961 to 68 students, for average awards ranging from \$889 to \$1,513 at community colleges. (Grace Timpany)

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. Retention and graduation rates 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 FY 2027 ABOR report also includes the graduation rate for community college and transfer students.



- Fall 2026 retention rates reflect the percentage of first-time, full-time, degree-seeking students who initially enrolled in fall 2025 and who re-enrolled in the same university in fall 2026.
 - o Arizona State University (ASU) 87.3%; Northern Arizona University (NAU) 77.0%; the University of Arizona (UA) 83.5%.
- 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 2018 and graduated from the same university spring 2025.
 - o ASU 69.3%; NAU 58.5%; UA 70.9%.
- The four-year transfer rate reflects the number of Arizona community college students who transfer to a university and then graduate within four years. The report shows the percentage of students who enrolled in fall 2020 and graduated by spring 2025.
 - o ASU 74.0%; NAU 71.6%; UA 64.2%

(Grace Timpany)

Universities – Report on University Research

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

For FY 2026, ASU and NAU reported no gross royalties, and UA reported \$8.3 million in gross royalties. UA had \$3.8 million in cumulative net income exceeding \$1.0 million. Pursuant to A.R.S. § 15-1670, UA will deposit \$769,334 into the AFAT. (Grace Timpany)

