

Summary

August 2022 General Fund revenues totaled \$1.26 billion, which is an increase of 17.1% above the prior year. Collections during the month were \$182 million above the enacted budget forecast.

The state saw forecast gains in each of the largest revenue categories:

- Sales Tax collections were \$32 million above forecast for the month, helped by strong growth in Contracting Tax collections.
- Individual Income Tax posted a forecast gain of \$101 million, mostly due to higher-than-expected withholding tax collections. Withholding collections have trended upward due to wage growth, but August collections were also boosted by an extra processing day.
- The Corporate Income Tax (CIT) category had a forecast gain of \$21 million, which is a surprising magnitude given that August is typically a smaller collection month for CIT.
- Insurance Premium Tax was \$19 million above forecast during the month.

Year-to-Date Results/Operating Balance

Year-to-date through August, excluding Urban Revenue Sharing and fund transfers, FY 2023 General Fund revenues are 9.4% above the prior year and \$223 million above the enacted budget forecast.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-September 2022 is \$10.64 billion.

Preliminary FY 2022 Ending Balance Report

The Executive Branch was required to provide a preliminary estimate of the FY 2022 ending balance by September 15, 2022. The state's General Accounting Office (GAO) is currently reporting the FY 2022 ending balance to be \$4.71 billion. GAO reports there may be additional adjustments as the state continues its book closing process over the next several months. This preliminary figure is \$201 million above the enacted budget FY 2022 balance projection of \$4.51 billion. This gain above the enacted budget is generally consistent with data previously reported in the *Monthly Fiscal Highlights*.

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August Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2023 Collections	Difference From Enacted Forecast	Difference From FY 2022
August	\$ 1,257.0	\$ 181.9	\$ 183.6
Year-to-Date	\$ 2,425.0	\$ 223.5	\$ 166.6

Sales Tax collections of \$601.0 million in August were 8.4% above the same month in the prior year and \$32.1 million above the June enacted budget forecast. August marks the first time in 18 months that sales tax collections have not increased by double-digit growth rates compared to the same month in the prior year.

Year to date through August, sales tax revenue is up by 10.1% compared to the same period in the prior year and is \$85.9 million above the enacted budget forecast.

Table 2 shows the August year-over-year growth rate for the 5 major sales tax categories as well as for the smaller Amusement and Lodging categories.

Table 2		
Sales Tax Growth Rates Compared to Prior Year		
	Aug	YTD
Retail/Remote Seller	6.9%	7.0%
Contracting	29.3%	26.9%
Use	15.1%	21.1%
Restaurant & Bar	8.4%	16.1%
Utilities	(4.2)%	(2.7)%
Hotel/Motel Lodging	1.3%	2.8%
Amusements	(8.8)%	(9.5)%

After 14 months of significant growth in the Amusement and Lodging categories, both have now started to slow down. This is the second consecutive month that the Amusement category has posted negative growth rates.

During August the Remote Seller category grew by 28.7% compared to the same month in the prior year, while the Retail category grew by only 4.9%. While the Remote Seller category has grown at a higher rate than Retail over recent months, the August results represent a significantly larger gap between the two categories.

Contracting collections continue to post significant growth rates following a relatively "slow" period from February 2021 to February 2022.

August **Individual Income Tax (IIT)** net collections were \$577.0 million, 20.8% more than August 2021 and \$100.5 million above the enacted budget forecast. This growth is a result of withholding and payments collections being significantly greater than last August. Year to date (YTD), IIT collections are 8.5% higher than the same period last year.

At \$546.0 million, August withholding revenue increased by 15.0% from last year and outperformed the forecast by \$72.4 million. This growth could be due to multiple factors, including 1) an additional processing day in 2022 compared to 2021, and 2) continued wage growth in Arizona. According to national data, total wages paid in June and July increased at a combined rate of 10.2% over the same period in 2021. State level data is not as current as the national data, but in the first quarter of 2022 total Arizona wage and salary disbursements grew at a rate of 9.4%. YTD, withholding has grown 6.5%.

August payments were \$62.0 million, 80.0% higher than the previous August and \$30.1 million over the enacted budget forecast. This makes it the highest amount of payments ever collected in the month of August, being 44.2% higher than the previous high from August 2020. Both estimated and final payments were higher than last August, with estimated payments growing 18.3% to \$19.8 million and final payments increasing to \$42.3 million, 138.0% above last year. YTD, payments are up 8.4% compared to same period last year.

Refunds in August were \$31.0 million, (1.5)% below last August but \$2.0 million greater than the enacted budget forecast. The higher-than-projected level of refunds in August resulted in a forecast loss of \$(2.0) million. YTD, refunds are (17.2)% below this point last year.



Table 3

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

	<u>August</u>	<u>YTD</u>
Withholding	15.0%	6.5%
Estimated/Final Payments	80.0%	8.4%
Refunds	(1.5)%	(17.2)%

Corporate Income Tax (CIT) net collections in August were \$39.2 million, 118.7% greater than the previous August and \$21.1 million above the enacted budget forecast. This is the highest amount ever collected in August and is 22.5% higher than the next highest August total from FY 2012. August collections are typically small, on average comprising 1% to 2% of the fiscal-year total amount. YTD, net CIT is 26.8% higher than the same period last year.

Insurance Premium Tax (IPT) revenue was \$67.8 million in August, an increase of 21.3% compared to the same month in the prior year. IPT revenue in August was \$18.9 million above the enacted budget forecast. Year to date, IPT revenue is up by 9.9% and is \$23.7 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in August was \$1.4 million, which is (24.7)% below August 2021 and \$(0.4) million below the enacted budget forecast. Year to date, General Fund tobacco tax revenues total \$3.0 million, (11.7)% below the amount collected at this point in FY 2022, and \$(0.8) million below forecast.

Liquor Tax revenue deposited into the General Fund in August was \$3.1 million. This is (2.8)% below the amount deposited in August 2021 and \$0.2 million above the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$6.8 million, which is (5.1)% below the comparable period in FY 2022 and \$0.2 million above forecast.

The **Lottery Commission** reported that total ticket sales in August were \$106.5 million. This amount is \$(0.3) million, or (0.3)%, below August 2021. Year to date, ticket sales are \$252.2 million, which is 16.3% above the prior year.

Other Miscellaneous revenue has been reported as a net loss of \$(20.1) million during August. According to the Department of Revenue, the state received an erroneous Sales Tax payment during the month and the displayed negative amount reflects the reversal of that transaction. The department is continuing the reconciliation process related to this transaction, which will result in an offsetting revenue credit to the Other Miscellaneous category in a future month.

Highway User Revenue Fund (HURF) collections of \$131.3 million in August were (9.7)% below the amount collected in August 2021 and \$(11.3) million below forecast. Year to date, HURF collections are \$268.1 million, (6.6)% below the prior year and \$(23.0) million less than forecast.

The state collected \$13.2 million in dedicated **Marijuana Excise Taxes** in August and \$24.8 million through the first two months of FY 2023. August saw the second highest level of state revenue collected from this tax so far, representing a 38.6% increase over August 2021.

The total combined amount of **Medical and Recreational Marijuana state Transaction Privilege Tax (TPT)** collected was \$6.0 million in August and \$11.1 million year to date. Of this amount, the General Fund received \$4.5 million in August. Year to date, the General Fund has received a total of \$8.2 million in state TPT from medical and recreational marijuana retail sales.

Table 4

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

	<u>August</u>	<u>FY 2023</u>
Marijuana Excise Tax	\$13.2	\$24.8
Medical Marijuana TPT*	\$2.1	\$4.0
<u>Distribution:</u>		
General Fund	\$1.6	\$3.0
Counties	\$0.3	\$0.7
Cities	\$0.2	\$0.4
Recreational Marijuana TPT*	\$3.9	\$7.1
<u>Distribution:</u>		
General Fund	\$2.9	\$5.2
Counties	\$0.6	\$1.1
Cities	\$0.4	\$0.7
Total State Marijuana Tax Collections	\$19.2	\$35.9

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Enacted Forecast August 2022

	Current Month					FY 2023 YTD (Two Months)				
	Actual August 2022	Change From				Actual August 2022	Change from			
		August 2021		Enacted Forecast			August 2021		Enacted Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$600,997,253	\$46,524,357	8.4 %	\$32,112,939	5.6 %	\$1,250,151,650	\$114,805,347	10.1 %	\$85,905,854	7.4 %
Income - Individual	576,994,605	99,391,672	20.8	100,500,109	21.1	1,070,725,621	84,275,073	8.5	94,665,545	9.7
- Corporate	39,245,630	21,302,878	118.7	21,052,082	115.7	95,634,293	20,199,505	26.8	13,332,194	16.2
Property	183,763	(86,600)	(32.0)	(80,879)	(30.6)	551,611	(249,807)	(31.2)	(399,460)	(42.0)
Luxury - Tobacco	1,401,165	(459,433)	(24.7)	(440,694)	(23.9)	3,036,450	(402,748)	(11.7)	(779,513)	(20.4)
- Liquor	3,144,664	(89,316)	(2.8)	220,426	7.5	6,773,005	(362,589)	(5.1)	156,145	2.4
Insurance Premium	67,843,681	11,935,746	21.3	18,902,532	38.6	113,623,540	10,272,839	9.9	23,725,347	26.4
Other Taxes	791,098	84,191	11.9	(241,099)	(23.4)	1,636,715	39,366	2.5	(346,135)	(17.5)
Sub-Total Taxes	\$1,290,601,860	\$178,603,494	16.1 %	\$172,025,416	15.4 %	\$2,542,132,885	\$228,576,985	9.9 %	\$216,259,978	9.3 %
<u>Other Revenue</u>										
Lottery	40,000,000	40,000,000	--	1,837,701	4.8	40,000,000	0	0.0	1,837,701	4.8
Gaming	18,588,674	18,588,674	--	17,649,758	--	18,588,674	18,588,674	--	13,937,145	299.6
License, Fees and Permits	4,522,835	466,055	11.5	740,673	19.6	7,848,250	1,038,372	15.2	456,328	6.2
Interest	12,931,697	(3,982,240)	(23.5)	11,942,475	--	12,933,833	(3,980,675)	(23.5)	11,905,034	--
Sales and Services	2,214,514	(428,942)	(16.2)	445,122	25.2	3,423,201	(604,272)	(15.0)	(152,678)	(4.3)
Other Miscellaneous	(20,128,886)	(20,709,173)	--	(21,148,484)	--	(21,493,110)	(24,040,693)	(943.7)	(22,817,089)	--
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	537,872	284,258	112.1	(1,626,343)	(75.1)	6,081,999	5,481,598	913.0	2,059,687	51.2
Sub-Total Other Revenue	\$58,666,706	\$34,218,631	140.0 %	\$9,840,902	20.2 %	\$67,382,846	(\$3,516,995)	(5.0) %	\$7,226,129	12.0 %
TOTAL BASE REVENUE	\$1,349,268,566	\$212,822,125	18.7 %	\$181,866,318	15.6 %	\$2,609,515,731	\$225,059,990	9.4 %	\$223,486,107	9.4 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(92,246,556)	(29,214,199)	46.3	0	(0.0)	(184,493,113)	(58,428,398)	46.3	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Sub-Total Other Adjustments	(92,246,556)	(29,214,199)	46.3 %	0	(0.0) %	(184,493,113)	(58,428,398)	46.3 %	0	(0.0) %
TOTAL GENERAL FUND REVENUE	\$1,257,022,010	\$183,607,926	17.1 %	\$181,866,318	16.9 %	\$2,425,022,619	\$166,631,593	7.4 %	\$223,486,107	10.2 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	131,267,103	(14,114,549)	(9.7) %	(11,281,632)	(7.9) %	268,124,097	(18,806,608)	(6.6) %	(22,997,491)	(7.9) %

Monthly Indicators

NATIONAL

The second estimate for the **U.S. Real Gross Domestic Product (GDP)** in the second quarter of 2022 is a decline of (0.6)%, as reported by the U.S. Bureau of Economic Analysis (BEA). This estimate was revised from their preliminary estimate of (0.9)%. This is the second consecutive quarter with negative GDP growth, which has not occurred since the first half of 2020.

The Conference Board's **Consumer Confidence Index**, rose to 103.2 points in August, an increase of 8.3% from the revised July level but a (10.4)% drop from August 2021. Despite increased pessimism regarding the labor market, views of both the present situation and future expectations improved as inflation worries lessened and the perception of business conditions became more optimistic. August was the first month since April with positive growth in consumer confidence.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, fell by (0.5) points in July from the revised June total to 116.6 points, a decrease of (0.4)%. This is the fifth consecutive month of decline for the index, "suggesting recession risks are rising in the near term" according to the Conference Board's press release. Components of the index that decreased in July include consumer confidence, construction, and manufacturing orders. Over the last six months, the index has declined by (1.6)% but remains 0.5% above its July 2021 level.

The U.S. Bureau of Labor Statistics **Consumer Price Index (CPI)** increased month-over-month (after seasonal adjustment) by 0.1% in August, as rising food and commodity prices outweighed declining energy prices. From August 2021, the CPI increased 8.3%; food prices increased 11.4%, energy prices rose 23.8% (including 25.6% for gasoline and 68.8% for oil), and shelter increased 6.2% year-over-year. Excluding food and energy, the year-over-year "core" CPI increased by 6.3% in August.

ARIZONA

In July, Arizona's 12-month total of **single-family building permits** was 44,018. This is (2.6)% below June's figure and (9.7)% below July 2021's 12-month total. The annual rate of change for this total has decreased for each of the past 14 months beginning in June 2021.

In July, Arizona's 12-month total of 21,537 **multi-family building permits** was 34.7% above the level for the comparable period ending in July 2021. This is the 12th consecutive month in which this total has seen greater than 10% annual growth.

The **median home price** in Maricopa County decreased to \$476,605 in August, which is (1.7)% below the prior month's median and 12.1% over August 2021's median.

Tourism and Restaurants

In July, **revenue per available room** was \$71.05, which is (12.9)% below June's figure and (1.4)% below the amount reported for July 2021.

Hotel occupancy was 56.4% in July, which is (4.5)% below June's occupancy rate and (2.8)% below that of July 2021.

Phoenix Sky Harbor Airport Ridership was 3.7 million in July, which is 1.5% more than June's level and (4.2)% less than July 2019's figure.

According to data reported by OpenTable, on September 10, **daily restaurant reservations** were 35.9% above 2019 reservations on the comparable date.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state gained 46,300 **nonfarm jobs** in August compared to the prior month. Prior to the pandemic, nonfarm employment recorded an average gain of 54,000 jobs in August (2010-2019). The private sector recorded a gain of 8,100 jobs over the month. Prior to the pandemic, the private sector averaged a gain of 18,300 jobs in August.

Compared to the same month in the prior year, the state gained 111,000 jobs in August, an increase of 3.7%. Year-over-year gains were reported in all categories, except for Financial Activities, which recorded a loss of (1,400) jobs.

The state's seasonally adjusted unemployment rate increased from 3.3% in July to 3.5% in August. The U.S. unemployment rate increased from 3.5% in July to 3.7% in August.

The Office of Economic Opportunity (OEO) reported that a total of 2,905 **initial claims for unemployment insurance** were filed in Arizona in the week ending September 3rd. For the same week in the prior year, 2,759 initial claims were filed.



According to OEO, for the week ending on August 27th, there were a total of 23,314 **continued claims for unemployment insurance** in Arizona. At this time one year ago, the number of continued claims was 32,903.

State Agency Data

As of September 1, 2022, the total **AHCCCS caseload** was 2.39 million members. Total monthly enrollment increased 0.8% in September over August, and increased 7.6% compared to a year ago. Parent and child enrollment in the Traditional population increased by 0.7% in September and was 7.2% higher than a year ago.

Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 1,070,242 in September – an increase of 0.9% over August and 8.4% above last year. For September 2022, Elderly, Physically Disabled and Developmental Disabilities Long-Term Care enrollment increased by 0.3%. At 66,679, this population is 2.1% higher than a year ago.

There were 11,553 **TANF** Cash Assistances cases in August 2022, representing a 3.4% increase from July. The year-over-year number of cash benefit recipients has decreased by (14.5)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In August 2022, 913,449 people received food stamp assistance. This was a 2.5% increase from July and a 4.7% increase since August 2021.

Based on information the Department of Child Safety provided for June 2022, **reports of child maltreatment** totaled 48,753 over the last 12 months, an increase of 2.9% over the prior year. There were 12,483 **children in out-of-home care** as of July 2022, or (11.9)% less than in July 2021. Compared to the prior month, the number of out-of-home children remained unchanged.

The Arizona Department of Corrections' **inmate population** was 33,387 as of August 31, 2022. This was an increase of 0.2% since July 31, 2022 and a (5.9)% decrease since August 2021.



Table 6

MONTHLY INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	Aug	3.5%	0.2%	(1.0)%
- Total Unemployment Rate (discouraged/underemployed)	2 nd Q 2022	7.1%	(1.0)%	(4.7)%
- Initial Unemployment Insurance Claims	Week Ending Sept 3	2,905	2.5%	5.3%
- Continued Unemployment Insurance Claims	Week Ending Aug 27	24,314	0.0%	(29.1)%
- Non-Farm Employment - Total	Aug	3,073,000	1.5%	3.7%
Manufacturing	Aug	195,800	0.4%	7.8%
Construction	Aug	187,700	2.0%	5.0%
- Average Hourly Earnings, Private Sector	Aug	\$30.36	0.4%	7.4%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	July	44,018	(2.6)%	(9.7)%
Multi-family	July	21,537	3.6%	34.7%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	August	4,920	20.0%	(30.5)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	August	\$476,605	(1.7)%	12.1%
- Maricopa Pending Foreclosures	August	964	(1.9)%	15.2%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	July	3,671,794	1.5%	(3.9)%
- State Park Visitors	May	283,710	(15.3)%	(14.9)%
- Revenue Per Available Hotel Room	July	\$71.05	(12.9)%	(1.4)%
- Arizona Hotel Occupancy Rate	July	59.4%	(4.5)%	(2.8)%
- Az OpenTable Reservations – % Change from 2019	September 10	N/A	N/A	35.9%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	1 st Q 2022	\$399.8 billion	2.4%	(3.0)%
- Arizona Population	July 2021	7,276,316	N/A	1.4%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	September 1st	2,393,000	0.8%	7.6%
Traditional Acute Care		1,256,100	0.7%	7.2%
Other Acute Care		1,070,200	0.9%	8.4%
Long-Term Care – Elderly & DD		66,700	0.3%	2.1%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	June	48,753	4.9%	2.9%
DCS Out-of-Home Children	July	12,483	0.0%	(11.9)%
Filled Caseworkers (1406 Budgeted)	July	1,138	1	(90)
- ADC Inmate Growth	August	33,387	0.2%	(5.9)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	August	11,553	3.4%	(14.5)%
- SNAP (Food Stamps) Recipients	August	913,449	2.5%	4.7%
United States				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	2 nd Q, 2022 (1 st Estimate)	\$19.7 trillion	(0.9)%	1.6%
- Consumer Confidence Index (1985 = 100)	July	95.7	(2.7)%	(23.5)%
- Leading Economic Index (2016 = 100)	June	117.1	(0.8)%	1.7%
- Consumer Price Index, SA (1982-84 = 100)	July	296.3	0.0%	8.5%

Summary of Recent Agency Reports

Arizona Department of Administration – Report on the Telecommunications Program Office - Pursuant to A.R.S. § 41-712, the Arizona Department of Administration (ADOA) submitted its annual report on the Telecommunications Program Office (TPO), including the current rate structure of telecommunications charges, and payments made by all AZNet participants for FY 2022 and FY 2023. AZNet is the state's single telecommunication network for state agencies. In FY 2021, ADOA signed a new contract with its telecommunications vendor for AZNET 3. AZNet 3 participants pay a variety of fees for different purposes, including a third-party vendor to operate and maintain the system, a separate third-party vendor who aggregates an agency's bills and manages expenses, as well as an amount paid to TPO for their administration of the system as a whole. In FY 2022, total charges paid by all entities were \$44.8 million. In FY 2023, the estimated total charges paid by all entities is \$45.8 million. ADOA reports that costs are increasing by 2.1% in order to implement new 911 capabilities on the network.

Pursuant to A.R.S. § 41-713, ADOA additionally submitted their annual report on the Telecommunications Fund, which includes the sources and uses of received monies, for FY 2022, as well as estimates for FY 2023. The Telecommunications Fund primarily consists of monies paid by agencies, as well as other AZNet participants, to TPO to administer the system as a whole. In FY 2022, the Telecommunication Fund received \$1.8 million from AZNet participants to administer the system. However, actual FY 2022 administrative costs were \$1.6 million. In FY 2023, the Telecommunications Fund is also estimated to receive \$1.8 million from AZNet participants to administer the system. (Rebecca Perrera)

Arizona Department of Administration – Report on Travel Reduction Pilots - Pursuant to an FY 2022 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) reported on travel reduction pilot programs for providing subsidies to state employees. In FY 2022, ADOA continued to pause some prior pilots such as increased bus subsidies for Pima County employees and van pool expansions due to the continuing COVID-19 pandemic, agency relocations to the Capitol Mall, and increased employee telecommuting. In June 2022, ADOA implemented a fully subsidized fare program for Maricopa County employees riding the bus resulting in increased ridership. However, ridership is still only 35% of pre-pandemic levels. ADOA reports that it will monitor ridership and the availability of funding in the program. (Rebecca Perrera)

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 8,367 verifications of immigration status in FY 2022. During this period, AHCCCS and DES referred 13 individuals (12 citizens, 1 non-citizen) for prosecution for fraudulent schemes, prohibited acts, theft, or forgery. (Maggie Rocker)

Arizona Health Care Cost Containment System – Annual Report on Behavioral Health Services – Pursuant to A.R.S. § 36-3415, the Arizona Health Care Cost Containment System (AHCCCS) reported SFY 2021 Medicaid and non-Medicaid behavioral health expenditures. AHCCCS expended \$2.46 billion Total Funds on behavioral health services for 544,790 Medicaid-eligible clients, including:

- \$671.6 million for seriously mentally ill services.
- \$519.9 million for alcohol and drug abuse.
- \$421.0 million for children with serious emotional disturbances.
- \$847.3 million for other mental health issues.

The agency expended \$271.7 million Total Funds for 46,128 non-Medicaid clients in SFY 2021, including:

- \$133.7 million for non-Medicaid seriously mentally ill services.
- \$51.8 million for alcohol and drug abuse.
- \$13.0 million for children with serious emotional disturbances.
- \$73.2 million for other mental health issues. (Maggie Rocker)

Department of Child Safety - Semi-Annual Benchmark Progress Report – Pursuant to an FY 2022 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 2022 to June 2022.



As of June 30, 2022, DCS had 1,854 inactive cases and 10,568 open reports. Both the number of inactive cases and open reports have decreased since December 2021 but are currently above their respective legislative benchmarks of 1,000 inactive cases and 8,000 open reports. The report also provides information on staff hiring and retention efforts made during the prior year. DCS states that it made efforts during the reporting period to increase applicant submissions for staff positions and seek out potential candidates. The agency reports that it received 3,013 resumes out of which 607 were hired from these efforts in 2021.

In June of 2022, DCS was responsible for 12,595 children in out-of-home care. This number is below the legislative benchmark of 13,964 and reflects a decrease of about (13.6)% compared to the past 12 months. This figure includes 925 youth ages 18-20 who are in extended foster care; DCS has worked intentionally to increase the amount of youth in extended foster care and help them transition successfully into adulthood. (Ryan Fleischman)

County Treasurers' Report – Report on the Government Property Lease Excise Tax – Laws 2015, Chapter 10, Section 8 requires each county treasurer to report to the Joint Legislative Budget Committee (JLBC) by February 15 of each year the amount of Government Property Lease Excise Tax (GPLET) collected in the preceding calendar year.

GPLET was enacted in 1996 (Laws 1996, Chapter 349) to allow cities, towns, counties, and county stadium districts ("government lessors") to lease property that they own to private parties ("prime lessees") for commercial, residential rental, or industrial purposes for at least 30 days.

Because the Arizona Constitution exempts federal, state, county, and municipal property from taxation, government lessors do not have to pay any property taxes. Instead, the prime lessees are required to pay a GPLET on the building ("government property improvement") that they lease from the government lessor. Unlike the property tax, GPLET is based on factors other than a property's assessed value, such as a building's square footage and usage.

Table 7 shows the reported GPLET collections by county in Calendar Year (CY) 2021.

Table 7	
County	Total GPLET Collections
Apache	\$0
Cochise	0
Coconino	954,273
Gila	0
Graham	0
Greenlee	0
La Paz	0
Maricopa	12,264,631
Mohave	190,143
Navajo	2,274
Pima	434,622
Pinal	31,493
Santa Cruz	0
Yavapai	24,888
Yuma	133,964
Statewide Total	\$14,036,288

As shown in the table, the statewide total amount of GPLET collections in CY 2021 was \$14.0 million, which is (2.3)%, or \$(332,560) less than the total amount collected in CY 2020. Slightly more than 87% of statewide GPLET revenue was collected in Maricopa County. Several counties, including Apache, Cochise, Gila, Graham, Greenlee, La Paz, and Santa Cruz, reported that no GPLET revenue was collected in CY 2021. (Hans Olofsson)

Department of Economic Security – Report on Arizona Training Program at Coolidge (ATP-C) Campus Total Costs – An FY 2022 General Appropriation Act footnote requires the Department of Economic Security (DES) to report on total costs associated

with the ATP-C for FY 2022. DES reported \$22.2 million in total costs. This is an (11.9)% decrease from the \$25.2 million spent in FY 2021 and is a return to the FY 2020 amount. DES attributed the decrease to a reduced need for staffing added during the COVID-19 pandemic. The total number of ATP-C Intermediate Care Facility (ICF) clients decreased from 50 in FY 2021 to 49 in FY 2022 while the number of clients in State Operated Group Homes (SOGHs) decreased from 12 to 9. DES is working toward closing SOGHs by conducting person-centered planning for the remaining clients. If medically necessary, these clients will be offered a transfer placement in an ICF at ATP-C. (Chandler Coiner)

Department of Economic Security – Report on Provider Rate Stakeholder Engagement – Pursuant to an FY 2023 General Appropriation Act provision, the Department of Economic Security (DES) reported its efforts to engage community stakeholders regarding its plans to increase



provider rates before final rates are effective on October 1, 2022. DES hosted 5 forums for its Developmental Disabilities (DD) program, 3 forums for its Arizona Early Intervention Program (AZEIP), and 4 forums for the Area Agencies on Aging (AAA) from August 10, 2022 through August 30, 2022. Members, clients, families, advocates, and providers were invited to participate and provide feedback to the department. The department's proposed increases are as follows:

- \$186.9 million Total Funds for DD rate increases, including a 12-16% increase for services typically delivered by direct care workers, as well as an 8% increase for therapy services, nursing services, nursing supported group homes, and developmental homes.
- \$3.4 million from the General Fund for AZEIP rate increases, including various bases increases for therapy services, service coordination, and other services. These increases range from 21-113%.
- \$1 million from the General Fund for AAA provider rate increases. Each AAA would determine the distribution of the funding increase. (Chandler Coiner)

Department of Economic Security - Notification of Use of Budget Stabilization Fund for Reimbursement Grants - Pursuant to an FY 2022 General Appropriation Act provision, the Department of Economic Security (DES) notified the Committee of its intent to use \$25 million from the Budget Stabilization Fund for reimbursement grants on June 29, 2022. DES reimbursed the \$25 million to the Budget Stabilization Fund in full on August 19, 2022, as part of the closing process for FY 2022. (Chandler Coiner)

Department of Environmental Quality – Report on Water Quality Assurance Revolving Fund for FY 2022 – Pursuant to an annual General Appropriation Act footnote, the Department of Environmental Quality (DEQ) submitted its September 1 report to the Joint Legislative Budget Committee (JLBC) on the progress of activities in the Water Quality Assurance Revolving Fund (WQARF) Program. The WQARF Program is similar to the federal Superfund program and is designed to remediate contaminated groundwater at specified sites. The report lists total FY 2022 expenditures of \$17.6 million. Revenues totaled \$21.8 million, including \$15.0 million in appropriations, \$2.0 million in fees, \$90,300 in other revenues, and \$4.7 million recovered from responsible parties.

In FY 2023, DEQ plans to spend \$18.6 million on the WQARF Program for 35 sites, including \$9.0 million for 34 registry sites and preliminary investigations, \$1.5 million for the Central Tucson PFAs priority site project as outlined in their budget, \$8.0 million for administration, and \$140,000 for the Department of Water Resources.

Pursuant to an annual General Appropriation Act footnote, DEQ also reported on the progress of each site listed on the WQARF registry. At the end of FY 2022, DEQ reported 38 WQARF registry sites, 2 more than in FY 2021, reflecting new sites at 51st Avenue and Camelback Road (Phoenix) and Bahama Avenue and Bimini Lane (Lake Havasu City). DEQ reported completing 1 feasibility study and 1 record of decision at the end of FY 2022. (Maggie Rocker)

Department of Health Services – Report on Suicide Prevention Progress – Pursuant to an FY 2022 General Appropriation Act footnote, the Arizona Department of Health Services (DHS) submitted a report on the department's suicide prevention accomplishments in SFY 2022.

Per the goals set forth in the Arizona Health Improvement Plan (the 5-year plan that establishes strategic priorities for the state), DHS achieved the following in SFY 2022:

- Transitioned the suicide prevention program, including related funding, from AHCCCS to DHS, and hired a suicide prevention program manager in January 2022
- Finalized an SFY 2023 Suicide Prevention Action Plan in June 2022, which supplements prevention efforts established in the Arizona Health Improvement Plan
- Established workgroups to support disproportionately affected populations, as identified in the Suicide Prevention Action Plan
- Launched a suicide prevention website to increase awareness and provide access to local, county, and national resources
- Developed an adult Mental Health First Aid training program, which has trained 100+ employees to date
- Partnered with AHCCCS and ADE to collaborate on suicide prevention programming for school-aged youth
- Served as the suicide prevention subject matter expert for a variety of groups/committees
- Currently partnering with AHCCCS to fund an advertising campaign for the new 3-digit dialing code (988) for the national Suicide and Crisis Lifeline (Maggie Rocker)



Arizona Department of Homeland Security – Report on Homeland Security Funding – Pursuant to A.R.S. § 41-4255, the Arizona Department of Homeland Security submitted its annual report detailing grant allocations and expenditures for Homeland Security grants from Federal Fiscal Year (FFY) 2019 through FFY 2021. The report indicates that 10.2% of the FFY 2021 allocation has been expended. Information for FFY 2019 - FFY 2021 is included in *Table 8* below.

The state was allocated and the Arizona Department of Homeland Security was awarded \$31.1 million in Homeland Security grants for FFY 2021. The department reported total expenditures of \$3.2 million, leaving \$27.9 million unexpended. State agencies were awarded \$4.5 million, of which \$976,600 has been expended. Local governments were awarded \$26.6 million, of which \$2.2 million has been expended. The largest local grantee was the Yuma County Sheriff's Office (\$1.6 million). State grantees were the Department of Public Safety (\$3.9 million), and the Arizona Department of Administration (\$566,500).

Total combined state and local awards for FFY 2021 represented an increase from the amount received in FFY 2020. Arizona received \$24.6 million in total combined state and local awards in FFY 2019 and \$26.2 million in FFY 2020. Of the funds received, 96.5% have been expended for FFY 2019 and 75.4% have been expended for FFY 2020. (Rebecca Perrera)

JLBC Staff – Public Programs Eligibility Report – As enacted in the 2006 election, Proposition 300 limits participation in certain state programs to citizens, legal residents, or other persons lawfully present in the United States, and requires semi-annual reports to the Joint Legislative Budget Committee. Below is a summary of the reports:

Universities - At the 3 universities, 205,413 students registered for the spring 2022 semester. Of the total students registered, the universities were able to verify the legal immigration status of 185,842 students. Additionally, the universities reported that 21,178 of these students did not require verification because they have either not requested or received in-state tuition or state supported financial aid. This number may include students who verified their legal immigration status but did not request in-state tuition or state aid.

Department of Economic Security - The department reported that 8,076 applications were received for childcare assistance during the reporting period of December 1, 2021, to May 30, 2022. Of those, no applications were denied because criteria for citizenship or legal residency were not met.

Community Colleges - Statewide, the Community Colleges reported a total of 241,479 students classified as in-state for the spring 2022 semester. They reported 191 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 8,363 students applied for financial aid. Of those who applied, the community colleges reported that 1 individual that was not entitled to any aid because they were not lawfully present in the United States.

Table 8

Awards and Expenditures by Homeland Security Grant Recipients

	<u>FFY 2019</u>	<u>FFY 2020</u>	<u>FFY 2021</u>
State Awards	\$3,912,700	\$3,078,300	\$4,472,800
Local Government Awards	<u>20,679,200</u>	<u>23,071,000</u>	<u>26,629,300</u>
Total Awards	\$24,591,900	\$26,149,300	\$31,102,100
State Expenditures	\$3,912,700	\$3,062,000	\$976,500
Local Government Expenditures	<u>19,810,500</u>	<u>16,650,200</u>	<u>2,200,000</u>
Total Expenditures	\$23,723,200	\$19,712,200	\$3,176,500
Percentage of Total Awards			
Currently Expended	96.5%	75.4%	10.2%



Department of Education – The department reported that 6,886 people applied for instruction in Arizona Adult Education during the reporting period of January to June 2022. Of this amount, 131 were denied instruction because they failed to provide evidence of citizenship or legal residence in the United States. (Cameron Mortensen)

Arizona Board of Regents – Report on College Credit by Exam Incentive Program – Pursuant to A.R.S. § 15-249.06, the Arizona Board of Regents (ABOR) submitted a list of qualifying examinations that a high school student may take to receive collect credit in mathematics, English language arts, social studies, or science at the state's public universities. For the 2022-2023 academic year, ABOR added 1 new International Baccalaureate exam in Asia and Oceania History to the list of qualifying examinations. (Cameron Mortensen)

Arizona Board of Regents – Report on Cost Containment – A.R.S. § 15-1650.03B requires the Arizona Board of Regents (ABOR) to annually provide the following information for each of Arizona's 3 universities:

Historical Increases in Tuition and Fees, Housing, and Meal Plans

From FY 2014 to FY 2022, costs of tuition, fees, housing, and meal plans increased by approximately 18.8% at ASU, 27.6% at NAU, and 22.3% at UA.

Increases in Faculty and Staff FTE Counts and Total Salaries

From FY 2014 to FY 2022, total salaries for university employees across all classifications increased by 62.1% at ASU, 20.2% at NAU, and 10.1% at UA. These increases compare to a 30.6% increase in the number of faculty at ASU (1,435 FTE Positions), 5.6% at NAU (51 FTE Positions), and 4.7% at UA (180 FTE Positions).

Changes in Credit Hour Requirements

From FY 2004 to FY 2022, NAU reports a 1 credit hour increase for Civil Engineering. In the same time period, UA reports 14 programs increased credit hour requirements by up to 9 credit hours. ASU reports no changes in credit hour requirements.

Faculty Time Allocations

At all 3 universities, 20% of faculty and resources are dedicated to administrative duties, professional development, and service. ASU and UA faculty dedicate 40% of their remaining time to teaching and 40% to research, while NAU faculty dedicates 50% to teaching and 30% to research.

Non-Traditional or Low-Cost Degree Options

All Universities offer accelerated graduate degree programs. Alternative degree earning programs and community college pathway programs are also available at all 3 universities.

Cost Containment Actions

All universities report utilizing contract renegotiations, staffing initiatives, and reducing travel expenses to contain costs in FY 2022. Additional examples of actions taken over the last year include:

- ASU: Suspension of university-wide merit program, outsourcing specialized development and design activities, and use of lower cost cloud platforms
- NAU: Reduced business hours, increased energy efficiency, and completion of phase out of multi-term enrollment.
- UA: Automation in food service programs, automated fault detection and diagnostics software, and increased human resources support.

(Cameron Mortensen)

Universities – Report on One-Time Operating and Capital Funding

– Pursuant to a footnote in the FY 2023 General Appropriation Act, ASU and NAU are required to report the intended use of \$80.0 million appropriated from the General Fund in FY 2023 for one-time operating and capital funding:

Of the \$54.0 million appropriated to ASU, \$31.0 million will be used to construct a new academic building on the Polytechnic (East) campus, \$10.0 million will be allocated for research laboratory renovations in multiple locations, \$10.0 million will be used to purchase research and development equipment for the Eyring Materials Center, and \$3.0 million will fund equipment purchases for the Media and Immersive experience (MIX) Center located in downtown Mesa.

Of the \$26.0 million appropriated to NAU, \$15.8 million will be used to address campuswide deferred maintenance projects, including technology infrastructure, building improvements for nursing programs, and roof and window replacements, \$5.2 million will support the university's New Economy Initiatives, including nursing, occupational therapy, forestry, engineering, and student support and public safety programs, and \$5.0 million will be used to expand program offerings in Yuma.

The universities are required to submit the scope, purpose and estimate cost of any capital improvement projects to JCCR for review. (Morgan Dorcheus)



Universities – Report on One-Time Operating Funding –

Pursuant to footnotes in the FY 2023 General Appropriation Act, the universities are required to report the intended use of \$46.0 million appropriated from the General Fund in FY 2023 for one-time operating funding:

Of the \$21.2 million appropriated to ASU, \$12.5 million will be used to expand programs in the Ira A. Fulton Schools of Engineering, \$6.0 million will assist in establishing new Science and Technology Centers, and \$2.7 million will be used for industry engagement, including executive education, tuition assistance programs, and business startup support.

Of the \$10.1 million appropriated to NAU, \$7.1 million will be used to expand Allied and Behavioral Health programs in locations across the state, \$2.0 million will be used for technology infrastructure projects on the Phoenix Biosciences campus, and \$1.0 million will support expansion of the School of Hospitality and Restaurant Management.

Of the \$14.7 million appropriated to UA, \$7.3 million will be used to expand Arizona Cooperative Extension programs, \$3.7 million will expand the Cancer Engineering research and workforce training programs, and \$3.7 million will support the university's One Health initiatives. (Morgan Dorcheus)

University of Arizona – College of Veterinary Medicine Report – Pursuant to an FY 2023 General Appropriations Act (Laws 2022, Chapter 313) footnote, the University of Arizona (UA) submitted a report detailing how \$8.0 million appropriated from the General Fund in FY 2023 will impact the number of resident and non-residents students enrolled in the College of Veterinary Medicine (CVM). CVM currently enrolls 325 students, of which 165 are residents (51%) and 160 are non-residents (49%). With these monies, UA plans to enroll 360 total students next year, of which 216 will be resident students (60%) and 144 will be non-residents students (40%). (Cameron Mortensen)

