

## Summary

August 2023 General Fund revenues were \$980.8 million, which represents a decline of (22.0)% below the prior year. August collections resulted in a forecast loss of \$(118) million below the enacted budget revenue forecast. This forecast loss was concentrated in Sales Tax and Individual Income Tax, which both experienced technical/timing issues that lowered collections for each category during August.

### Sales Tax

Total August Sales Tax collections increased by 1.9% compared to the prior year, which generated a forecast loss of \$(20) million during the month.

This result, however, is not indicative of actual Sales Tax performance for the month given a technical correction the Department of Revenue (DOR) processed in August. Over the last several years, some Sales Tax deposits have been classified by DOR as Use Tax (out-of-state purchases, 100% to General Fund) when they should have been classified under Retail (approximately 75% to General Fund, 25% shared with local governments).

As DOR made the correction and shifted monies from Use Tax to Retail, General Fund revenues were reduced by \$(21) million August, which essentially explains the entire forecast loss reported for August Sales Tax.

Absent this technical correction, August Sales Tax collections would have grown by 5.4% and met the enacted budget forecast. This 5.4% adjusted growth rate is an improvement over the slowing performance in the last few months for the Sales Tax category. However, it will take additional data to determine whether this August growth represents a new trend.

### Individual Income Tax

Overall Individual Income Tax (IIT) collections were (31.6)% below August 2022 and \$(89) million below the enacted budget forecast. This forecast loss was almost entirely due to withholding collections, which were \$(83) million below forecast during the month.

When reporting the July IIT results, our office noted the category saw gains from an extra Monday processing day in the month of July (with Monday typically being the largest deposit day of the week).

Because August 2023 had one less Monday processing day for withholding than August 2022, IIT collections were expected to decline in the month to account for this timing issue. However, August 2023 withholding collections declined by even more than anticipated, thereby generating the monthly forecast loss for August IIT collections.

We suspect this August forecast loss still relates to the timing issues – because July 2023's extra Monday had an abnormally large amount of deposits, the state is likely "giving back" some of those artificial July gains in the August withholding results.

### Preliminary FY 2023 Ending Balance Update

As noted in the August *Monthly Fiscal Highlights*, the Executive Branch was required by budget legislation to provide a preliminary estimate of the FY 2023 ending balance by September 15, 2023. This reporting would provide additional data on the final results of FY 2023, including further clarification on whether actual state spending differed from the budget's projection. At the time of publication, our office has not received this report from the state's General Accounting Office (GAO).

## Table of Contents

August Revenues.....	2
Monthly Indicators .....	5
<b>Summary of Recent Agency Reports</b>	
ADOA – Travel Reduction Pilots Report .....	8
DCS – Semi-Annual Benchmark Progress Report .....	8
ADC – Report on Medical Staffing Augmentation.....	8
DES – Coolidge Campus Total Costs Report.....	9

DES – Federal COVID Child Care Monies Report.....	9
Homeland Security – Report on Funding.....	9
Housing – Housing Trust Fund Expenditure Plan.....	10
Southern AZ Tourism Authority – FY 2023 Report.....	10
Treasurer – Report on Interest Earnings Spending.....	10
Treasurer – Smart and Safe Arizona Fund Report.....	10
ABOR/Universities – Report on Cost Containment.....	11
University of Arizona – College of Veterinary Medicine ..	11



August Revenues

<b>Table 1</b>			
<b>General Fund Revenues (\$ in Millions)</b>			
	<b>FY 2024</b>	<b>Difference From</b>	<b>Difference</b>
	<b>Collections</b>	<b>Enacted Forecast</b>	<b>From FY 2023</b>
August	\$ 980.8	\$ (118.2)	\$ (276.2)
Year-to-Date	\$ 2,090.7	\$ (129.4)	\$ (334.3)

**Sales Tax** collections of \$612.7 million in August were 1.9% above the same month in the prior year and \$(20.0) million below the enacted budget forecast. Year to date through August, sales tax revenue is up by 1.1% compared to the same period in the prior year and \$(49.6) million below the enacted budget forecast.

DOR recently informed our office that historical sales tax collections for an extended period of almost 4 years had been filed and remitted under the wrong sales tax categories, and as a result, total revenue for this period was overstated by almost \$21 million.

In August, DOR made the necessary technical adjustments to correct for the past misreporting of collections, which required DOR to shift monies from the Use Tax category to the Retail category. As a result, August's sales tax revenue was reduced by \$(21) million. Absent this technical adjustment, the "real" sales tax growth in August would have been 5.4%.

Table 2 shows the August growth rate for the 5 major sales tax categories, which combined make up about 85% of total sales tax collections.

<b>Table 2</b>		
<b>August Sales Tax Growth Rates Compared to Prior Year</b>		
	<b>August</b>	<b>YTD</b>
Retail/Remote Seller <sup>1/</sup>	13.2%	7.0%
Contracting	19.0%	16.0%
Use Tax <sup>2/</sup>	N/A	(76.2)%
Restaurant & Bar	7.3%	1.5%
Utilities	12.6%	8.1%

<sup>1/</sup> Absent DOR's technical correction, Retail/Remote Seller growth would have been 3.8% in August and 2.4% YTD.

<sup>2/</sup> Absent DOR's technical correction, Use Tax growth would have been (20.3)% in August and (21.9)% YTD.

The combined Retail/Remote Seller category, which makes up close to 54% of total sales tax revenue, increased by 13.2% in August compared to the same month in the prior year. However, this growth rate was artificially inflated by DOR's technical adjustment discussed above. Absent this adjustment, August's Retail/Remote Seller growth rate would have been 3.8%.

August sales tax collections were also helped by strong growth in the utilities category, which increased by 12.6% during the month. August collections, which reflect July activity/utility bills, was higher than usual given the extreme heat that occurred in the state, including the hottest July on record in Phoenix.

Among the major sales tax categories, only the prime contracting classification has remained consistently strong over the last year. Sales tax revenue from contractors increased, year over year, by 19.0% in August and is up by 16.0% year to date. Taxable sales data by industry indicates that most of this growth can be attributed to nonresidential (industrial and commercial) construction.

**Individual Income Tax (IIT)** net revenue was \$394.7 million in August, a (31.6)% decrease from the previous year and \$(89.2) million below the enacted budget forecast. A decline in withholding collections was the biggest contributor to July's forecast loss, along with increased refunds.

August withholding collections were \$397.1 million, a decrease of (27.3)% from last year and \$(83.1) million less than forecasted. This decline is primarily the result of two factors: 1) August 2023 had one fewer Monday compared to the prior year, which is important since the largest withholding deposits of the week typically occur on Mondays, and 2) the withholding rates were lowered by the Department of Revenue at the start of 2023. Year-to-date (YTD), withholding has decreased (11.1)% compared to the same period last year and is \$(58.4) million below the forecast.



Payments in August were (22.5)% below the August 2022 level, but \$7.2 million greater than the enacted budget forecast. Most of August's payment revenue comes from final payments made by taxpayers with filing extensions. The level of payments collected during the Spring of 2023 was significantly below the 2022 level, so a large year-over-year decrease was expected. However, the \$48.0 million in total payments collected in August was still higher than the typical pre-pandemic level for the month. YTD, payments are down (53.6)% relative to FY 2023, and \$(15.0) million below the forecast.

Refunds in August were \$50.4 million, 62.8% greater than August 2022, resulting in a forecast loss of \$(13.3) million. This is the highest level of refunds ever issued in the month of August, which typically makes up about 2% of the fiscal year's total. YTD, refunds are 73.9% higher than the same period last year, with a forecast loss of \$(22.3) million.

	<u>August</u>	<u>YTD</u>
Withholding	(27.3)%	(11.1)%
Estimated/Final Payments	(22.5)%	(53.6)%
Refunds	62.8%	73.9%

**Corporate Income Tax (CIT)** net collections in August were \$18.1 million, a decrease of (54.0)% from last year and \$(16.3) million below the enacted budget forecast. This is the first month of decline for CIT since February. On average, about 2% of the yearly CIT total is collected in August. YTD, net CIT collections are 3.9% greater than the same period last year and \$4.4 million above the forecast.

**Insurance Premium Tax (IPT)** revenue was \$68.5 million in August, an increase of 1.0% compared to the same month in the prior year and \$7.7 million above the enacted budget forecast. Fiscal year to date, IPT revenue is up by 10.7% and is \$13.1 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in August was \$1.6 million, which is 11.9% above August 2022 collections and approximately \$(0.1) million below the enacted budget forecast. Year to date, General Fund tobacco tax revenues total \$3.4 million, 11.4% above the amount collected for the comparable period in FY 2023, and less than \$(0.1) million below forecast.

**Liquor Tax** revenue deposited into the General Fund in August was \$3.2 million, which is 1.3% above the amount deposited in August 2022 and \$(0.3) million below the

enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$6.6 million, (2.1)% below the comparable period in FY 2023, and \$(0.5) million below forecast.

The **Lottery Commission** reported that total ticket sales in August were \$129.6 million. This amount is \$23.0 million, or 21.6% greater than August 2023.

**Highway User Revenue Fund (HURF)** collections of \$138.7 million in August were 5.7% above the amount collected in August 2022 and \$3.7 million above forecast. Year to date, HURF collections are \$280.9 million, 4.8% above the prior year and \$5.1 million more than forecast.

The state collected \$14.7 million in dedicated **Marijuana Excise Taxes** in August, marking an 11.4% increase over August 2022 revenues. Monies from this excise tax are deposited into dedicated non-General Fund accounts. The total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) was \$5.8 million in August. Of this amount, the General Fund received \$4.3 million. (Table 4 details collections for August 2023).

	<u>August</u>	<u>YTD</u>
<b>Marijuana Excise Tax</b>	<b>\$14.7</b>	<b>\$28.1</b>
<b>Medical Marijuana TPT*</b>	<b>\$1.5</b>	<b>\$3.0</b>
<u>Distribution:</u>		
General Fund	\$1.1	\$2.2
Counties	\$0.2	\$0.5
Cities	\$0.1	\$0.3
<b>Recreational Marijuana TPT*</b>	<b>\$4.3</b>	<b>\$8.4</b>
<u>Distribution:</u>		
General Fund	\$3.2	\$6.2
Counties	\$0.7	\$1.4
Cities	\$0.4	\$0.8
<b>Total State Marijuana Tax Collections</b>	<b>\$20.5</b>	<b>\$39.5</b>

\* Amounts may not add to total due to rounding

Due to delays in reporting final July revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For July, DOR has increased the amount of prior General Fund revenue collections by \$1.6 million and the adjustment has been included in the reported year-to-date results.



Table 5

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

	Current Month					FY 2024 YTD (Two Months)				
	Actual August 2023	Change From August 2022		Enacted Forecast		Actual August 2023	Change from August 2022		Enacted Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use	\$612,705,485	\$11,708,232	1.9 %	(\$20,046,116)	(3.2) %	\$1,264,344,553	\$14,192,903	1.1 %	(\$49,611,477)	(3.8) %
Income - Individual	394,737,409	(182,257,196)	(31.6)	(89,157,477)	(18.4)	830,161,153	(240,564,468)	(22.5)	(95,751,084)	(10.3)
- Corporate	18,071,594	(21,174,036)	(54.0)	(16,318,894)	(47.5)	99,407,900	3,773,607	3.9	4,368,420	4.6
Property	63,594	(120,169)	(65.4)	(173,354)	(73.2)	604,366	52,755	9.6	(24,589)	(3.9)
Luxury - Tobacco	1,567,490	166,325	11.9	(59,462)	(3.7)	3,381,137	344,687	11.4	(17,550)	(0.5)
- Liquor	3,186,056	41,392	1.3	(256,760)	(7.5)	6,628,437	(144,568)	(2.1)	(460,964)	(6.5)
Insurance Premium	68,520,151	676,469	1.0	7,660,241	12.6	125,762,761	12,139,221	10.7	13,149,006	11.7
Other Taxes	995,313	204,215	25.8	271,269	37.5	2,027,398	390,683	23.9	338,530	20.0
<b>Sub-Total Taxes</b>	<b>\$1,099,847,092</b>	<b>(\$190,754,768)</b>	<b>(14.8) %</b>	<b>(\$118,080,553)</b>	<b>(9.7) %</b>	<b>\$2,332,317,704</b>	<b>(\$209,815,181)</b>	<b>(8.3) %</b>	<b>(\$128,009,706)</b>	<b>(5.2) %</b>
<b>Other Revenue</b>										
Lottery	0	(40,000,000)	(100.0)	0	--	0	(40,000,000)	--	0	--
Gaming	0	(18,588,674)	(100.0)	(2,037,008)	(100.0)	1,631,464	(16,957,210)	(91.2)	(2,242,553)	(57.9)
License, Fees and Permits	5,491,282	968,447	21.4	652,966	13.5	8,396,798	548,548	7.0	(95,810)	(1.1)
Interest	6,388	(12,925,309)	(100.0)	6,388	--	12,748	(12,921,085)	(99.9)	5,176	68.4
Sales and Services	3,766,123	1,551,609	70.1	1,413,033	60.1	5,110,122	1,686,921	49.3	588,204	13.0
Other Miscellaneous	(553,779)	19,575,107	--	(2,454,332)	--	(617,216)	20,875,895	(97.1)	(2,858,553)	(127.5)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	2,675,916	2,138,044	397.5	2,346,012	711.1	4,690,979	(1,391,020)	(22.9)	3,222,082	219.4
<b>Sub-Total Other Revenue</b>	<b>\$11,385,930</b>	<b>(\$47,280,777)</b>	<b>(80.6) %</b>	<b>(\$72,941)</b>	<b>(0.6) %</b>	<b>\$19,224,895</b>	<b>(\$48,157,951)</b>	<b>(71.5) %</b>	<b>(\$1,381,455)</b>	<b>(6.7) %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$1,111,233,022</b>	<b>(\$238,035,544)</b>	<b>(17.6) %</b>	<b>(\$118,153,494)</b>	<b>(9.6) %</b>	<b>\$2,351,542,599</b>	<b>(\$257,973,132)</b>	<b>(9.9) %</b>	<b>(\$129,391,161)</b>	<b>(5.2) %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(130,401,650)	(38,155,093)	41.4	(0)	0.0	(260,803,299)	(76,310,186)	41.4	(0)	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
<b>Sub-Total Other Adjustments</b>	<b>(130,401,650)</b>	<b>(38,155,093)</b>	<b>41.4 %</b>	<b>(0)</b>	<b>0.0 %</b>	<b>(260,803,299)</b>	<b>(76,310,186)</b>	<b>41.4 %</b>	<b>(0)</b>	<b>0.0 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$980,831,372</b>	<b>(\$276,190,638)</b>	<b>(22.0) %</b>	<b>(\$118,153,494)</b>	<b>(10.8) %</b>	<b>\$2,090,739,300</b>	<b>(\$334,283,318)</b>	<b>(13.8) %</b>	<b>(\$129,391,161)</b>	<b>(5.8) %</b>
<b>Non-General Funds</b>										
Highway User Revenue Fund	138,709,333	7,442,230	5.7 %	3,674,033	2.7 %	280,864,341	12,740,244	4.8 %	5,077,344	1.8 %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) second estimate of the U.S. **Real Gross Domestic Product (GDP)** in the 2<sup>nd</sup> quarter of 2023 is an annualized growth rate of 2.1%. This is a downward revision from the preliminary estimate of 2.4%.

The Conference Board's **Consumer Confidence Index** fell to 106.1 in August, a decrease of (7.9) points, or (6.9)% from the revised July level. This is the first month of negative growth since May. Views of the present situation and future expectations declined during the month. Respondents cited lower job availability and rising inflation as the primary reasons for the reduced confidence. Overall confidence is not unusually low; the index's level is close to the average since 2020 and is above the 2022 average of 104.5. Compared to August 2022, the index has increased by 2.5 points, or 2.4%.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, decreased (0.4)% in July to 105.8 points. The main drivers for this decline were reduced manufacturing orders, high interest rates, and lower consumer confidence. This is the 16<sup>th</sup> consecutive month that the index has decreased. According to the Conference Board's August press release, the "leading index continues to suggest that economic activity is likely to decelerate and descend into mild contraction in the months ahead. Over the past 6 months, the LEI has fallen by (4.0)%.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** increased, month-over-month, at a seasonally adjusted rate of 0.6% in August. The biggest contributor to this rise was higher gasoline prices. Prices for shelter and food also increased during the month. The overall CPI has increased 3.7% since last August 2022. During this period, food prices increased 4.3%; energy prices fell (3.6)% (including a (3.3)% decrease for gasoline and (14.8)% decline for oil); and shelter costs increased 7.3%. Excluding food and energy, the year-over-year "core" CPI increased by 4.3% in August.

ARIZONA

Housing

In July, Arizona's 12-month total of **single-family building permits** was 28,782. This was an increase of 1.3% over last month's total and (34.6)% below July 2022's 12-month total.

In July, Arizona's 12-month total of 23,062 **multi-family building permits** is (2.2)% below last month's total and 7.1% greater than the same 12-month period ending in July 2022. July 2023 is the first month since August 2021 to see less than 10% year-over-year growth.

The **median home price** in Maricopa County decreased to \$465,000 in August, representing a (0.3)% decrease from July's median sale price and a (2.1)% decrease compared to the same month in 2022. August was the 9<sup>th</sup> consecutive month with a year-over-year decline in the median sales price, and it was the second consecutive month with a month-over-month decline. Previously, the median sales price had not declined on a year-over-year basis since November 2011.

Tourism

In July, **revenue per available room** decreased to \$73.45, representing a (9.4)% reduction below the average revenue in June and a 4.9% increase over the July 2022 figure.

**Hotel occupancy** was 60.9% in July, which is (2.2)% below the prior month's occupancy rate and 1.5% higher than that of July 2022.

**State park visitation** rose to 283,939 visitors in June, a 2.3% increase over May visitation and 7.5% above the number of visitors in June 2022.

**Phoenix Sky Harbor Airport Ridership** was about 3.9 million in July, which represents a 1.6% increase over June's figure and a 5.7% increase over July 2022 ridership.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state had 49,700 more **nonfarm jobs** in August compared to July. Prior to the pandemic, nonfarm employment recorded an average net increase of 54,000 jobs in August (2010-2019). Compared to the same month in 2022, the state had 56,700 more jobs in August, an increase of 1.8%.



The state's **seasonally adjusted unemployment rate** rose from 3.6% in July to 3.8% in August. Arizona's unemployment rate is equal to the national unemployment rate, which was also 3.8% in August.

OEO reported that a total of 3,034 **initial claims for unemployment insurance** were filed in Arizona in the week ending on September 9<sup>th</sup>. This marks a 19.8% year-over-year increase in initial claims, with the week ending September 9, 2022 seeing 2,532 initial claims.

According to OEO, for the week ending on September 2<sup>nd</sup> there were a total of 28,870 **continued claims for unemployment insurance** in Arizona. This is 28.9% greater than last year's total of 22,391 on the comparable date. The number of continued claims has fallen each week since July 29, counteracting a rising trend that began in November 2022. Prior to start of the pandemic, the average number of weekly continued claims was 22,613.

### State Agency Data

As of September 1, 2023, the total **AHCCCS caseload** was 2.20 million members. Total monthly enrollment decreased (0.7)% from August and decreased (8.2)% compared to a year ago. Pursuant to a provision in the federal 2023 Consolidated Appropriations Act, AHCCCS began removing members who do not meet the financial eligibility requirements of the program on April 1. AHCCCS had previously been prohibited from disenrolling members who would have otherwise lost eligibility based on income, pursuant to federal legislation in March 2020. As a result, the (0.7)% decline is likely attributable to that policy change and we anticipate further caseload declines in the coming months.

Parent and child enrollment in the Traditional population decreased by (0.8)% in September, or (10.1)% lower than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 1,000,005 – a decrease of (0.8)% from August, or (6.6)% lower than last year. For September 2023, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.4%. At 68,742, this population is 3.1% higher than a year ago.

There were 11,231 **TANF Cash Assurances** cases in August 2023, representing a 4.4% increase from July 2023. The year-over-year number of cash benefit recipients has decreased by (2.8)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In August 2023, 963,340 people received food stamp assistance. This was a 1.1% increase from July 2023 and a 5.5% increase from August 2022.

Based on information the Department of Child Safety provided for July 2023, **reports of child maltreatment** totaled 43,694 over the last 12 months, a decrease of (2.4)% from the prior year.

There were 10,810 **children in out-of-home care** as of July 2023, or (12.7)% less than in July 2022. Compared to the prior month, the number of out-of-home children has decreased by (0.8)%.

The Arizona Department of Correction's **inmate population** was 34,269 as of August 31, 2023. This was a 0.1% increase from July 31, 2023 and a 2.6% increase since August 2022.



Table 6

MONTHLY INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
<b>Arizona</b>				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	August	3.8%	0.2%	(0.2)%
- Total Unemployment Rate (discouraged/underemployed)	2 <sup>nd</sup> Q 2023	6.8%	0.3%	(0.3)%
- Initial Unemployment Insurance Claims	Week Ending Sep. 9	3,034	(10.2)%	19.8%
- Continued Unemployment Insurance Claims	Week Ending Sep. 2	28,870	(3.1)%	28.9%
- Non-Farm Employment - Total	August	3,144,600	1.6%	1.8%
Manufacturing	August	194,200	(0.3)%	(0.4)%
Construction	August	203,800	2.1%	3.7%
- Average Hourly Earnings, Private Sector	August	\$32.03	0.5%	5.3%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	July	28,782	1.3%	(34.6)%
Multi-family	July	23,062	(2.2)%	7.1%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	August	4,952	4.8%	(2.4)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	August	\$465,000	(0.3)%	(2.1)%
- Maricopa Pending Foreclosures	August	973	(0.7)%	0.9%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	July	3,879,771	1.6%	5.7%
- State Park Visitors	June	283,939	2.3%	7.5%
- Revenue Per Available Hotel Room	July	\$73.45	(9.4)%	4.9%
- Arizona Hotel Occupancy Rate	July	60.9%	(2.2)%	1.5%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	1 <sup>st</sup> Q 2023	\$436.5 billion	7.5%	7.7%
- Arizona Population	July 2022	7,359,197	N/A	1.3%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	September 1st	2,197,700	(0.7)%	(8.2)%
Traditional Acute Care		1,129,000	(0.8)%	(10.1)%
Other Acute Care		1,000,000	(0.8)%	(6.6)%
Long-Term Care – Elderly & DD		68,700	0.4%	3.1%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	July	43,694	(0.3)%	(2.4)%
DCS Out-of-Home Children	July	10,810	(0.8)%	(12.7)%
Filled Caseworkers (1,406 Budgeted)	July	1,356	1	218
- ADC Inmate Growth	August	34,269	0.1%	2.6%
- Department of Economic Security				
- TANF Cash Assistance Recipients	August	11,231	4.4%	(2.8)%
- SNAP (Food Stamps) Recipients	August	963,340	1.1%	5.5%
<b>United States</b>				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	2 <sup>nd</sup> Q, 2023 3 <sup>rd</sup> Estimate)	\$20.4 trillion	2.1%	2.5%
- Consumer Confidence Index (1985 = 100)	August	106.1	(6.9)%	2.4%
- Leading Economic Index (2016 = 100)	July	105.8	(0.4)%	(7.6)%
- Consumer Price Index, (1982-84 = 100)	August	307.0	0.6%	3.7%



## Summary of Recent Agency Reports

**Arizona Department of Administration – Report on Travel Reduction Pilots**— Pursuant to an FY 2023 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) reported on travel reduction pilot programs for providing subsidies to state employees. In FY 2023, ADOA continued a 100% subsidy rate for Valley Metro riders in the Phoenix metro area. By the end of FY 2023, the program realized a 29% increase in the average number of employees using Valley Metro each month with an average increase of 30% in total monthly rides.

In addition, ADOA reported that participation in the Arizona Department of Corrections Vanpool Pilot has increased. ADOA credits the recent replacement of the ADC vans for the increase. ADOA reports that it will monitor ridership and the availability of funding in the program. (Rebecca Perrera)

**Department of Child Safety - Semi-Annual Benchmark Progress Report** – Pursuant to an FY 2023 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 2023 to June 2023.

As of June 30, 2023, DCS had 755 inactive cases and 7,403 open reports. Both the number of inactive cases and open reports are below their respective legislative benchmarks of 1,000 inactive cases and 8,000 open reports. The report also provides information on staff hiring 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 filled 218 additional DCS Specialist positions between July 2022 and June 2023, bringing the total number of DCS Specialists to 1,355.

In June of 2023, DCS was responsible for 10,915 children in out-of-home care. The FY 2023 General Appropriation Act removed a legislative benchmark requirement for children in out-of-home care of 13,964, but retains the reporting on caseloads; this figure has decreased by (13.3)% over the past 12 months. This figure includes 879 youth ages 18-20 who are in extended foster care.

The FY 2023 General Appropriation Act added a legislative benchmark for long-term cases to match those reported for December of 2022. Long-term cases are those in which a child has been in an out-of-home placement for at least 18 days. As of June 30, 2023, DCS had 3,309 long-term cases, or (14) below the December 2022 benchmark of 3,323 long-term cases. (Maggie Rocker)

**Department of Corrections – Report on Medical Staffing Augmentation Expenditures** – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted its annual report on expenditures from the Medical Staffing Augmentation Special Line Item. The FY 2022 budget included \$15 million for Medical Staffing Augmentation and made this funding non-lapsing. ADC is required to report the actual expenditures made and the expenditure plan for all remaining monies.

In its last report, ADC reported it had spent \$3.8 million through FY 2022 and had a plan to spend the remaining funding for a variety of initiatives to increase staffing levels and retention of health care staff. ADC now reports it has spent the full appropriation for the following programs:

- Shift Bonus and Differential Programs: Additional pay for staff that work hard to fill shifts (such as nights and weekends).
- Performance Measure Bonus Program: Staff bonuses tied to meeting compliance with litigation-related performance measures.
- Commitment Bonus Program: A 20% wage stipend for incumbent employees.
- Sign-On Bonus Program: Staff bonuses paid to new hires in positions that have high vacancies and are difficult to recruit.
- Appreciation Bonus Program: Staff bonuses paid to full time staff that joined the new health care vendor upon their takeover of the contract (between October 2022 and December 31, 2022).
- Other Programs: Includes funding for provider on-call bonuses, a business analyst position, a friends and family position (to coordinate increased inquiries from families of inmates during the coronavirus pandemic), and flexible shift "Baylor Program."

See *Table 7* below for a summary of the Medical Staffing Augmentation program expenditures.





**Table 7**

**Medical Staffing Augmentation Program Expenditures**

<u>Program</u>	<u>Amount (\$ in M)</u>
Shift Bonus and Differential Programs	\$6.0
Performance Measure Bonus Program	2.8
Commitment Bonus Program	2.4
Sign-On Bonus Program	2.2
Appreciation Bonus Program	1.4
Other Programs	0.2
<b>Total</b>	<b>\$15.0</b>

(Geoffrey Paulsen)

**Department of Economic Security – Report on Arizona Training Program at Coolidge (ATP-C) Campus Total Costs –**

An FY 2023 General Appropriation Act footnote requires the Department of Economic Security (DES) to report on total costs associated with the ATP-C for FY 2023. DES reported \$24.9 million in total costs. This is a 7.8% increase from the \$23.0 million spent in FY 2022. The total number of ATP-C clients decreased from 58 in FY 2022 to 55 in FY 2023. Due to the closure of the remaining State Operated Group Homes (SOGH) at ATP-C in FY 2023, the residents of the SOGHs have now successfully transferred to several of the on-campus Intermediate Care Facilities (ICF). (Chandler Coiner)

**Department of Economic Security – Report on Federal COVID Child Care Monies – Pursuant to an FY 2024 General Appropriation Act footnote, the Department of Economic Security (DES) reported on the status of federal Child Care and Development Block Grant (CCDBG) monies provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Consolidated Appropriations Act (CAA); and the American Rescue Plan Act of 2021 (ARPA).**

The footnote also requires that DES report on the number of children supported by these federal COVID monies, the average monthly child care reimbursement rates, and the number of child care settings with a quality rating.

DES reports having spent the entirety of the \$88.0 million for discretionary CCDBG funding from the CARES Act for programs and initiatives. Of the \$621.5 million in discretionary CCDBG funding from the CAA and ARPA, DES reports year-to-date expenditures of \$312.9 million. As a result, \$308.6 million is available for expenditure in FY 2024.

The ARPA also provided an additional \$596.4 million in CCDBG stabilization funding. Of that amount, DES reports year-to-date expenditures of \$575.0 million. As a result, \$21.4 million is available for expenditure in FY 2024.

The following programs and initiatives were implemented by DES as a result of the COVID pandemic, supported by federal CCDBG funding from COVID related legislation:

- The Arizona Enrichment Centers Scholarships Program (ended August 2020) served an average of 3,989 children each month at an average monthly reimbursement rate of \$856.91.
- The Essential Workers Child Care Relief Scholarship Program (ended September 2021) has served an average of 5,805 children each month at an average monthly reimbursement rate of \$676.32.
- Child Care for Returning Workers has served an average of 420 children each month at an average monthly reimbursement rate of \$562.76.
- The Arizona Education Workforce Scholarship Program has served an average of 1,256 children each month at an average monthly reimbursement rate of \$1,033.68.
- Continued child care waitlist suspension supported by COVID funding has served an average of 18,159 children each month at an average monthly reimbursement rate of \$1,065.56.

DES reports that according to the most recently available data, 813 providers are enrolled in the Quality First Program and therefore have a quality rating. (Mitch Wenzel)

**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) 2020 through FFY 2022. The report indicates that 11.2% of the FFY 2022 allocation has been expended. Information for FFY 2020 - FFY 2022 is included in Table 8 below.**

The state was allocated and the Arizona Department of Homeland Security was awarded \$28.3 million in Homeland Security grants for FFY 2022. The department reported total expenditures of \$3.2 million, leaving \$25.2 million unexpended. State agencies were awarded \$4.3 million, of which \$939,200 has been expended. Local governments were awarded \$24.1 million, of which \$2.2 million has been expended. The largest local grantee was the Pinal County Sheriff’s Office (\$2.8 million). State grantees were the Department of Public Safety (\$4.9 million), and the Arizona Department of Administration (\$253,800).



**Table 8**

**Awards and Expenditures by Homeland Security Grant Recipients**

	<u>FFY 2020</u>	<u>FFY 2021</u>	<u>FFY 2022</u>
State Awards	\$3,078,300	\$4,378,400	\$4,258,200
Local Government Awards	<u>23,071,000</u>	<u>26,162,000</u>	<u>24,114,500</u>
<b>Total Awards</b>	<b>\$26,149,200</b>	<b>\$30,540,400</b>	<b>\$28,372,700</b>
State Expenditures	\$4,087,200	\$3,379,700	\$939,200
Local Government Expenditures	<u>20,653,300</u>	<u>15,526,400</u>	<u>2,226,900</u>
<b>Total Expenditures</b>	<b>\$24,740,500</b>	<b>\$18,906,100</b>	<b>\$3,166,100</b>
Total			
Percentage of Total Awards			
Currently Expended	94.6%	61.9%	11.2%

Total combined state and local awards for FFY 2022 represented a decrease from the amount received in FFY 2021. Arizona received \$26.1 million in total combined state and local awards in FFY 2020 and \$30.5 million in FFY 2021. Of the funds received, 94.6% have been expended for FFY 2020 and 61.9% have been expended for FFY 2021. (Mitch Wenzel)

**Department of Housing – Report on Housing Trust Funds Expenditure Plan** – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Housing (DOH) submitted its FY 2024 Housing Trust Funds Expenditure Plan. DOH reports holding eight stakeholder feedback sessions since July 2023 and plans to hold two more through September 2023. ADOH has opened a project proposal and stakeholder input portal on their website and plans to release Notices of Funding Availability by December 2023. The amount of funding in each expenditure category will be based upon the stakeholder feedback and a needs assessment. (Cameron Mortensen)

**Southern Arizona Sports, Tourism, and Film Authority – Report on FY 2023 Expenditures** – Pursuant to A.R.S. § 5-1409A, the Southern Arizona Sports, Tourism, and Film Authority (SASTFA) submitted a report detailing its FY 2023 expenditures. SASTFA reports spending a total of \$134,100 from its FY 2023 appropriation of \$750,000. Of this amount, \$55,000 paid for SASTFA sponsorships at the Arizona Bowl and Fan Fest 2023, \$54,600 went toward payroll and associated taxes for SASTFA's sole paid employee, \$14,400 furnished a retreat and various vehicle/travel costs, and the remaining \$10,100 was used to set up a website and for office supplies. (Nate Belcher)

**State Treasurer – Report on Expenditures of Interest Earnings** – Pursuant to a General Appropriation Act footnote, the State Treasurer submitted a report on expenditures of interest earnings for services pursuant to A.R.S. § 35-315 and 35-318. Expenditures totaled \$6.8 million in FY 2022, \$3.2 million in FY 2023, and they are projected to total \$8.3 million in FY 2024. These costs are paid from General Fund interest earnings. Expenditure categories include: banking service contracts (which make up the bulk of total expenditures), custodial banking services, administration and information technology (including general ledger replacement), payment card industry compliance, external investment management services and investment advisory and support services. (Mitch Wenzel)

**State Treasurer – Report on Smart and Safe Arizona Fund Expenditures** – Pursuant to A.R.S. § 36-148, the State Treasurer submitted a report detailing actual distributions made in FY 2023 and estimated distributions for FY 2024 from the Smart and Safe Arizona Fund (SSAF) to the Department of Health Services (DHS), the Department of Revenue (DOR), the Supreme Court, the Department of Public Safety (DPS) and the State Treasurer for the actual reasonable costs incurred by these entities to implement and enforce the provisions of the Smart and Safe Arizona Act (Proposition 207).

In FY 2023, the Treasurer distributed a total of \$7.4 million to these entities from SSAF. Of this amount, \$7.1 million was distributed to DHS, \$145,500 was distributed to DOR, \$218,200 was distributed to the Supreme Court, and \$1,100 was retained by the Treasurer for administrative purposes. SSAF revenue was not distributed to DPS in FY 2023. In FY 2024, the Treasurer expects to distribute \$11.4 million in SSAF monies to DHS, \$600,000 to DOR, \$240,000 to the Supreme Court, and expects to retain \$2,000 to administer the fund. (Mitch Wenzel)



**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 2023, costs of tuition, fees, housing, and meal plans increased by approximately 22.3% at ASU, 31.1% at NAU, and 26.9% at UA.

Increases in Faculty and Staff FTE Counts and Total Salaries

From FY 2014 to FY 2023, total salaries for university employees across all classifications increased by 83.3% at ASU, 33.1% at NAU, and 20.3% at UA. These increases compare to a 36.1% increase in the number of faculty at ASU (1,693 FTE Positions), 11.6% at NAU (106 FTE Positions), and 5.6% at UA (214 FTE Positions).

Changes in Credit Hour Requirements

From FY 2004 to FY 2023, NAU reports a 1 credit hour increase for a Civil Engineering degree. In the same time period, UA reports 12 programs or emphases 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, consolidation efforts, and increased efficiency to contain costs in FY 2023. Additional examples of actions taken over the last year include:

- ASU: Approved design guideline variance requests for capital projects, transitioned ASU EDPlus outreach services to in-house management, and executed cloud cost optimization projects.
- NAU: Negotiated a multi-year lease extension at the North Valley campus, changed campus wide temperature set-point policies, and upgraded irrigation systems.

- UA: Implemented a new cloud-based financial system, offset major campus banking fees, improved metering methods, and improved software used for chilled water, HVAC, and thermal ice storage systems. (Cameron Mortensen)

**University of Arizona – College of Veterinary Medicine**

Report – Pursuant to an FY 2024 General Appropriation Act (Laws 2023, Chapter 133) footnote, the University of Arizona (UA) submitted a report detailing how \$8.0 million appropriated from the General Fund in FY 2024 will impact the number of resident and non-residents students enrolled in the College of Veterinary Medicine (CVM). CVM currently enrolls 328 students, of which 206 are residents (62.8%) and 122 are non-residents (37.2%). (Cameron Mortensen)

