Joint Legislative Budget Committee

Monthly Fiscal Highlights

September 2026

Summary

August 2026 General Fund revenues totaled $1.22 billion, which is (3.2)% below August 2025. This overall growth rate for the month, along with certain individual category results, are difficult to interpret given technical processing issues with August 2025 collections in the prior year.

Given the issues with last year's collection base, revenues were expected to decline by a modest amount this year – this meant the (3.2)% revenue decline only generated a minor forecast loss of $(10) million for the month.

During August 2025, one or more taxpayers had incorrectly reported the payment of Corporate Income Tax (CIT) as Individual Income Tax (IIT) withholding revenue. As a result, IIT collections in August 2025 were overstated by approximately $100 million while CIT revenue was understated by the same amount. The Department of Revenue subsequently adjusted the level of September 2025 CIT and IIT collections to align the dollars correctly.

As a result, comparing August 2026 IIT and CIT collections to August 2025 creates a misleading picture. To help better explain the August 2026 revenue results, this *Monthly Fiscal Highlights* narrative will describe the data after correcting for this miscoding of revenues.

Sales Tax

Overall August Sales Tax collections (which represent July sales activity) grew by 4.8% above the prior year and were effectively at the enacted budget forecast.

For the major Sales Tax subcategories, growth for consumer-based categories such as retail and restaurant/bar were generally in the 3% to 4% range. Other subcategories showed higher growth, including: 1) Utilities collections, likely due to increased levels of electricity demand; and 2) Use Tax revenues (based on certain out-of-state purchases), which can show significant monthly variation.

Individual Income Tax

Total Individual Income Tax collections grew by 6.4% above August 2025. This level of revenue was $(14) million below the enacted budget forecast for the month.

Corporate Income Tax

August 2026 Corporate Income Tax declined by (76)% below August 2025. Beyond the miscoding problem, the $100 million August CIT payment was likely a one-time occurrence.

Given this one-time August 2025 payment, the enacted budget forecast assumed that August 2026 CIT revenues would decline significantly to a more normal level of revenues. Since CIT revenues declined slightly less than expected, the tax category generated a forecast gain of $10 million during the month.

Year-to-Date Results

Year-to-date through August, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2027 General Fund revenues are 2.6% above the prior year.

With the August results, after 2 months of tracking against the enacted budget forecast, the state has generated a cumulative forecast gain of $37 million.

These overall reported year-to-date FY 2027 amounts are unaffected by the revenue misclassification issue.

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August Revenues

Table 1			
	General Fund Revenues ($ in Millions)		
	FY 2027 Collections	**Difference From Enacted Forecast**	**Difference From FY 2026**
August	$ 1,220.4	$ (9.8)	$ (39.9)
Year-to-Date	$ 2,570.4	$ 36.9	$ 52.1

Sales Tax collections were $715.3 million in August, which was 4.8% greater than the same month in the previous year and $0.5 million above the enacted budget forecast. Sales Tax revenue collected in August reflects sales activity that occurred in July. Through the first 2 months of FY 2027, sales tax revenue is up by 6.4% and is $32.9 million above forecast.

Table 2 shows the August 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		
	August	**YTD**
Retail/Remote Seller	3.7%	6.6%
Contracting	3.1%	5.6%
Use Tax	12.3%	3.2%
Restaurant & Bar	4.2%	4.5%
Utilities	6.8%	7.7%

The combined Retail/Remote Seller tax revenue category made a gain of 3.7% in August compared to the prior year, making it one of the smaller gains among all Sales Tax categories this month.

August marked another month with strong growth for the Utilities Classification of the Transaction Privilege Tax (TPT). Year over year, sales tax revenue for this category increased by 6.8% in August and is up by 7.7% for the first 2 months of the current fiscal year. Taxable sales data available through July (provided by DOR) indicates that most of the gain for this category can be attributed to the retail sales of electricity.

Individual Income Tax (IIT) net revenue was $455.6 million in August, a 6.4% increase from the same month in the prior year and $(13.6) million below the enacted budget forecast. Year to date through August, IIT net revenue is up by 6.1% compared to the same period in FY 2026 and is $(6.1) million less than forecast. These overall IIT growth rates reflect data after adjusting for the revenue misclassification issue.

Withholding collections in August this year were $450.9 million, a year-over-year increase of 6.8% and $(11.4) million below the enacted budget forecast. Through the first 2 months of FY 2027, withholding revenue is up by 7.1% and is $0.2 million above forecast. These withholding growth rates correct for the prior misclassification of tax revenue.

Total August tax payments (estimated plus final) were $34.6 million, a decrease of (6.3)% from last year and $(5.1) million below forecast. Year to date through August, total tax payments are down by (6.6)% and are $(9.1) million less than projected. Historically, tax payments in August make up only about 2% of the fiscal year total.

Refunds in August were $29.9 million, a decrease of (2.8)% compared to the same month in the prior year. As with tax payments, refunds in the month of August typically make up about 2% of the fiscal year total. Because the enacted budget forecast assumed a refund level of $32.8 million in August, there was forecast gain of $2.9 million for the month. Through the first 2 months of FY 2027, total refunds are $65.2 million, an increase of 4.3% over the comparable period in FY 2026, resulting in a year-to-date forecast gain of $2.9 million.

Table 3		
Individual Income Tax Growth Rates Compared to Adjusted Prior Year		
	August	**YTD**
Withholding	6.8%	7.1%
Estimated/Final Payments	(6.3)%	(6.6)%
Refunds	(2.8)%	4.3%

Net **Corporate Income Tax (CIT)** collections were $27.7 million in August, (76.1)% below the August 2025 level and $10.0 million higher than the enacted budget forecast. Net CIT for the month of August usually makes up no more than 1% to 2% of the fiscal year total and August CIT collections tends to vary considerably from one year to the next.

Through the first 2 months of FY 2027, net CIT is down by (51.9)% compared to the same period last year and is $7.9 million above forecast. Given the variability in CIT during these early months of the fiscal year, it is difficult to draw any conclusions from this year-to-date comparison.

These CIT growth rates reflect data after adjusting for the revenue misclassification issue.

Insurance Premium Tax (IPT) revenue was $93.4 million in August, an increase of 0.7% compared to the same month in the prior year. IPT revenue in August ended $(2.6) million below the enacted budget forecast. Year to date, IPT revenue is up by 5.3% over the same period in FY 2026 and is $8.9 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in August was $1.3 million, which is (32.6)% below the level of collections a year prior and $(0.5) million below the enacted forecast. Year to date, General Fund tobacco tax revenue totals $2.4 million, which is (29.2)% below the comparable period in FY 2026 and $(0.7) million less than forecast.

Liquor Tax revenue deposited into the General Fund in August was $3.6 million, which is (26.0)% decrease from August 2025 and $(1.8) million below the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total $7.5 million, a 3.8% increase over the same period in FY 2026, and $(0.7) million below forecast.

The **Lottery Commission** reported that total ticket sales in August were $122.7 million. This amounts to a $(15.5) million loss, or (11.2)% less than August 2025.

Highway User Revenue Fund (HURF) collections of $144.7 million in August were (2.2)% below the amount collected in August 2025 and were $(4.7) million below forecast. Year to date, HURF collections are $301.6 million, 2.0% above the prior year and $(0.2) million less than forecast.

The state collected $15.2 million in dedicated **Marijuana Excise Taxes** in August 2026, which is 11.7% above August 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 $3.9 million in August, which is 14.2% above August 2025 collections. (*Table 4* details collections for August 2026).

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

	August	YTD
Marijuana Excise Tax	**$15.2**	**$30.1**
Medical Marijuana TPT **	**$0.6**	**$0.1**
Distribution:		
General Fund	$0.4	$0.1
Counties	$0.1	$0.0
Cities	$0.1	$0.0
Recreational Marijuana TPT	**$4.8**	**$10.5**
Distribution:		
General Fund	$3.5	$7.8
Counties	$0.8	$1.7
Cities	$0.5	$1.1
Total State Marijuana Tax Collections	**$20.5**	**$40.8**

* Amounts may not add to total due to rounding
** The negative collection amounts displayed for Medical Marijuana TPT is due to technical issues.

Table 5

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

	Current Month					FY 2027 YTD (Two Months)				
		Change From					Change from			
	Actual	August 2025		Enacted Forecast		Actual	August 2025		Enacted Forecast	
	August 2026	Amount	Percent	Amount	Percent	August 2026	Amount	Percent	Amount	Percent
Taxes										
Sales and Use	$715,290,528	$33,067,879	4.8 %	$514,076	0.1 %	$1,477,530,518	$88,829,090	6.4 %	$32,948,192	2.3 %
Income - Individual*	455,599,382	(72,578,447)	(13.7)	(13,598,608)	(2.9)	993,321,785	(42,837,380)	(4.1)	(6,054,122)	(0.6)
- Corporate*	27,710,844	11,703,342	73.1	10,030,768	56.7	81,509,640	12,198,447	17.6	7,853,300	10.7
Property	2,294,096	2,138,050	--	1,770,380	338.0	2,925,805	2,124,231	265.0	1,431,745	95.8
Luxury - Tobacco	1,328,773	(644,053)	(32.6)	(459,613)	(25.7)	2,423,474	(1,001,294)	(29.2)	(650,173)	(21.2)
- Liquor	3,562,945	(1,252,198)	(26.0)	(1,775,539)	(33.3)	7,526,537	273,136	3.8	(681,305)	(8.3)
Insurance Premium	93,422,537	669,059	0.7	(2,604,223)	(2.7)	182,499,305	9,177,703	5.3	8,881,138	5.1
Other Taxes	6,778,684	5,596,643	473.5	5,263,175	347.3	7,953,399	5,657,832	246.5	5,029,947	172.1
Sub-Total Taxes	$1,305,987,789	($21,299,725)	(1.6) %	($859,585)	(0.1) %	$2,755,690,462	$74,421,764	2.8 %	$48,758,722	1.8 %
Other Revenue										
Lottery	0	0	--	0	--	0	0	--	0	--
Gaming	0	(5,919,566)	(100.0)	(4,479,791)	(100.0)	3,992,496	(1,927,070)	(32.6)	(3,983,842)	(49.9)
License, Fees and Permits	4,067,690	(409,444)	(9.1)	(908,978)	(18.3)	7,927,223	686,265	9.5	(58,687)	(0.7)
Interest	15,552,483	(6,139,988)	(28.3)	(1,540,388)	(9.0)	15,562,707	(6,139,894)	(28.3)	(1,540,264)	(9.0)
Sales and Services	1,551,088	237,214	18.1	(957,952)	(38.2)	2,127,407	(641,945)	(23.2)	(1,728,608)	(44.8)
Other Miscellaneous	1,264,521	(381,294)	(23.2)	75,171	6.3	973,401	1,185,111	(559.8)	(3,008,345)	(75.6)
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	451,173	3,619,015	--	(1,091,148)	(70.7)	1,115,607	3,835,171	(141.0)	(1,515,034)	(57.6)
Sub-Total Other Revenue	$22,886,955	($8,994,063)	(28.2) %	($8,903,086)	(28.0) %	$31,698,840	($3,002,363)	(8.7) %	($11,834,782)	(27.2) %
TOTAL BASE REVENUE	**$1,328,874,744**	**($30,293,788)**	**(2.2) %**	**($9,762,671)**	**(0.7) %**	**$2,787,389,302**	**$71,419,401**	**2.6 %**	**$36,923,940**	**1.3 %**
Other Adjustments										
Urban Revenue Sharing	(108,502,222)	(9,643,409)	9.8	0	(0.0)	(217,004,444)	(19,286,818)	9.8	0	(0.0)
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Income Tax Rebate	100	350	(140.0)	100	--	(500)	(250)	100.0	(500)	--
Other One-Time Revenue Adjustments	0	0	--	0	--	0	0	--	0	--
Sub-Total Other Adjustments	(108,502,122)	(9,643,059)	9.8 %	100	(0.0) %	(217,004,944)	(19,287,068)	9.8 %	(500)	0.0 %
TOTAL GENERAL FUND REVENUE	**$1,220,372,622**	**($39,936,847)**	**(3.2) %**	**($9,762,571)**	**(0.8) %**	**$2,570,384,357**	**$52,132,333**	**2.1 %**	**$36,923,440**	**1.5 %**
Non-General Funds										
Highway User Revenue Fund	144,747,717	(3,211,680)	(2.2) %	(4,691,274)	(3.1) %	301,610,851	5,853,641	2.0 %	(207,686)	(0.1) %

* Due to the misclassification of Individual Income Tax and Corporate Income Tax revenues in August 2025, the "Change From August 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 misclassification issue.

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) second estimate of U.S. Real **Gross Domestic Product** (GDP) for the 2nd quarter of 2026 indicates that it increased at a seasonally adjusted annual rate of 1.5% over the prior quarter. Real GDP increased by 2.1% in the 1st quarter of 2026. The slower growth rate in the 2nd quarter was primarily attributable to a decrease 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 August. The index fell from 55.2 to 51.7, representing a (6.3)% decrease from July, ending two consecutive months of improvement. Overall consumer sentiment remains well below historical averages. Consumer responses centered around inflation, with a majority of respondents believing that their income will grow at a slower rate than inflation. The index is (11.2)% below its level 12 months ago.

The **Leading Economic Index**, published by the Conference Board, was 99.5 in July, an increase of 0.2% from the revised June level. Most components were positive in July except for consumer expectations, which pushed down the overall index. From January to July, the 6-month index increased by 0.2%, a positive growth rate for the first time in more than 4 years. The previous 6-month period fell by (0.3)%.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in August increased at a seasonally adjusted rate of 0.3% from the prior month. Compared to the same month last year, consumer prices are up by 3.4% before seasonal adjustment. The core CPI, which excludes food and energy prices, has grown by 2.4% from a year ago.

ARIZONA

Housing

In July, Arizona had a 12-month total of 31,148 **single-family building permits** issued. This represents a decrease of (0.2)% from the prior month's rolling total and a decrease of (17.2)% from the 12-month total a year prior.

Arizona's 12-month total of 14,366 **multi-family building permits** in July fell (6.9)% from June's rolling total and is (9.3)% below the 12-month period ending in July 2025.

Tourism

Phoenix Sky Harbor Airport Ridership was 4.2 million passengers in July, which represents a (0.3)% decline from June and is 0.4% above the figure a year prior.

Hotel occupancy was 56.4% in July, which is an increase of 0.4% from the occupancy rate in July 2025.

Revenue per available room was $65.74 in July, which represents a (0.6)% decline from the average revenue during July 2025.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state gained 34,300 **nonfarm jobs** in August compared to July. In the 10-year period prior to the pandemic (2010-2019), Arizona experienced an average net gain of 54,000 jobs in August.

Slightly less than 70% of August's month-over-month job gain was from the local and state government education sector. Job gains in this sector typically occur in August when schools return from summer recess. Compared to the same month in 2025, the state gained 17,400 jobs in August 2026, an increase of 0.5%.

The state's seasonally adjusted **unemployment rate** remained unchanged at 4.9% in August. During the same month last year, Arizona's jobless rate was 4.4%. The U.S. unemployment rate was 4.1% in August, the same as in the prior month.

OEO reported that a total of 2,333 **initial claims for unemployment insurance** were filed in Arizona in the week ending on September 12th. This represents a (38.5)% decrease in initial claims compared to a year ago.

According to OEO, there were a total of 22,339 **continued claims for unemployment insurance** in Arizona for the week ending on September 5th, which is (29.3)% lower than for the comparable week in 2025.

State Agency Data

As of September 1, 2026, the total **AHCCCS caseload** was 1.71 million members. Total monthly enrollment increased 0.5% from August to September and decreased (8.1)% compared to a year ago.

Parent and child enrollment in the Traditional population increased 0.4% in September compared to August and decreased (9.1)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 726,966, an increase of 0.6% from August and (7.9)% lower than last year.

For September 2026, the Elderly and Physically Disabled Long-Term Care population increased by 0.7% over the prior month. At 27,520, this population is virtually unchanged compared to a year ago. The Developmental Disabilities (DD) Long-Term Care population increased by 0.8% over the prior month. At 49,407, this population is 5.8% higher than a year ago.

Based on information the **Department of Child Safety** provided for July 2026, reports of child maltreatment totaled 45,675 over the last 12 months, an increase of 3.8% from the comparable period in the prior year.

There were 7,882 children in out-of-home care as of July 2026, or (4.4)% fewer than in July 2025. Compared to the prior month, the out-of-home children population decreased by (2.3)%.

The Arizona Department of Correction's **Inmate Population** was 34,553 as of July 31, 2026. This was a (0.2)% decrease since June 30, 2026 and a (2.6)% decrease since July 2025.

There were 4,348 individuals receiving **Temporary Assistance for Needy Families (TANF) Cash Assistance** in July 2026, representing a 0.4% increase from June 2026. Year over year, the number of cash benefit recipients has decreased by (41.2)%.

The **Supplemental Nutrition Assistance Program (SNAP)** provides assistance to low-income households to purchase food. There were 502,673 individuals receiving SNAP benefits in July 2026, representing a 6.5% increase from June 2026. Year over year, the number of SNAP recipients has decreased by (44.7)%.

Table 6

MONTHLY INDICATORS

Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
Employment				
- Seasonally Adjusted Unemployment Rate	August	4.9%	0.0%	0.5%
- Total Unemployment Rate (discouraged/underemployed)	2nd Q 2026	8.9%	0.5%	1.0%
- Initial Unemployment Insurance Claims	Week Ending Sep 12	2,333	(7.3)%	(38.5)%
- Continued Unemployment Insurance Claims	Week Ending Sep 5	22,339	(4.0)%	(29.3)%
- Non-Farm Employment - Total	August	3,250,100	1.1%	0.5%
Manufacturing	August	192,000	0.5%	(0.5)%
Construction	August	230,300	1.0%	3.1%
- Average Hourly Earnings, Private Sector	August	$36.54	1.3%	4.6%
Building				
- Building Permits (12 month rolling sum)				
Single-family	July	31,148	(0.2)%	(17.2)%
Multi-family		14,366	(6.9)%	(9.3)%
Tourism and Restaurants				
- Phoenix Sky Harbor Air Passengers	July	4,193,673	(0.3)%	0.4%
- State Park Visitors	June	182,768	(21.0)%	(23.9)%
- Revenue Per Available Hotel Room	July	$65.74	(14.5)%	(0.6)%
- Arizona Hotel Occupancy Rate	July	56.4%	(4.2)%	0.4%
General Measures				
- Arizona Personal Income, SAAR	1st Q 2026	$533.5 billion	4.8%	4.2%
- 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
Agency Measures				
- AHCCCS Recipients	September 1st	1,712,813	0.5%	(8.1)%
Traditional Acute Care		908,920	0.4%	(9.1)%
Other Acute Care		726,966	0.6%	(7.9)%
Long-Term Care – Elderly & Physically Disabled		27,520	0.7%	0.0%
Long-Term Care – Developmentally Disabled (DD)		49,407	0.8%	5.8%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	July	45,675	0.2%	3.8%
DCS Out-of-Home Children	July	7,882	(2.3)%	(4.4)%
Filled Caseworkers (1,406 Budgeted)	July	1,258	6	(38)
- ADC Inmate Growth	July	34,553	(0.2)%	(2.6)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	July	4,348	0.4%	(41.2)%
- SNAP Recipients	July	502,673	6.5%	(44.7)%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	2nd Q, 2026 2nd Estimate)	$24.3 trillion	1.5%	2.1%
- Consumer Sentiment Index (1966 = 100)	August	51.7	(6.3)%	(11.2)%
- Leading Economic Index (2016 = 100)	July	99.5	0.2%	0.8%
- Consumer Price Index, (1982-84 = 100)	August	335.0	0.3%	3.4%

Summary of Recent Agency Reports

ADOA – School Facilities Division – Quarterly Report on Credit Enhancement Program – Pursuant to A.R.S. § 41-5858, the School Facilities Division (SFD) within the Arizona Department of Administration is required to submit quarterly reports on the Public School Credit Enhancement Program. The program is operated by the Governor's Office. The current total outstanding principal amount of guaranteed financing is $323.3 million. To date through the end of FY 2026, there have been no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is $118.6 million and has a leverage ratio of 2.73 (based only on the current outstanding principal of guaranteed financings). The statutory limit for the program's leverage ratio is 3.5. (Gordon Robertson)

Arizona Health Care Cost Containment System – Report on Arnold v. Sarn – Pursuant to an FY 2026 General Appropriation Act footnote, the Arizona Health Care Cost Containment System (AHCCCS) reported on its implementation of the *Arnold v. Sarn* joint agreement. The state had been a longstanding defendant in the *Arnold v. Sarn* litigation concerning the level of services provided to the Seriously Mentally Ill (SMI) population in Maricopa County. In January 2014, a joint agreement was filed with the court to terminate the lawsuit, and in February 2014, the agreement received court approval.

The agreement requires availability of certain behavioral health services for individuals with an SMI designation in Maricopa County ("class members"). These services include assertive community treatment teams (ACT), peer support services, supported employment, supportive housing, and crisis services. AHCCCS continues to comply with these service capacity requirements. AHCCCS estimates that the annual cost of providing *Arnold v. Sarn* services is $62.5 million, including $29.7 million from the General Fund. The General Fund amount consists of:

- $6.6 million for Assertive Community Treatment teams.
- $1.6 million for Peer Support Services.
- $579,000 for Supported Employment.
- $20.9 million for Supported Housing.

Of the total $44.9 million in Total Fund spending on Supported Housing, $19.7 million was for rental subsidies and $25.3 million was for support services.

As of April 2026, these funds have provided supportive housing services for 4,664 members, peer support for 3,542 members, and supportive employment services for 1,015 members. These are in excess of the agreement's specified additional service capacity criteria by 3,464 members, 2,042 members, and 265 members, respectively. Funds additionally support 24 ACT teams, including 9 teams since 2014, 1 more than the agreement criteria. (Brian Belakovsky)

AHCCCS – Quarterly Report on the Parents as Paid Caregivers Program – Pursuant to A.R.S. § 36-2970.01, the Arizona Health Care Cost Containment System (AHCCCS) submitted a quarterly report detailing the utilization of attendant care services under the Physically Disabled Parents as Paid Caregivers (PPCG) program. This is the first AHCCCS PPCG report that uses live-in Electronic Visit Verification (EVV) data. The Department of Economic Security submitted a separate report on the PPCG program for Developmental Disabilities.

AHCCCS reported the following for the quarter ending December 31, 2025, for their PPCG program:

- There were 192 children with physical disabilities and 206 parents in the AHCCCS PPCG program. *(Children with developmental disabilities are addressed in a separate report submitted by the Department of Economic Security. See below.)*
- There were 53 emergency department visits and 26 inpatient hospitalizations across the 192 participants.
- The average amount of time a minor in the AHCCCS PPCG program has been enrolled in the Arizona Long Term Care System (ALTCS) is 3.8 years. Their actual participation in PPCG would be shorter.
- The average physically disabled child participating in the program used an estimated 16.9 hours of PPCG services per week. (Brian Belakovsky)

Attorney General – Quarterly Reports on Legal Settlements – The Attorney General (AG) submitted its statutorily-required quarterly reports on the receipts to and disbursements from the Consumer Protection – Consumer Fraud (CPCF) Revolving Fund, the Antitrust Enforcement Revolving Fund, and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund and receipts and deposits of opioid claims-related litigation monies.

In the fourth quarter of FY 2026, the AG deposited a total of $19.7 million into various consumer accounts. Of that amount, $12,900 was deposited into the Antitrust Enforcement Revolving Fund, $8.5 million was deposited in the CPCF Revolving Fund, $3.5 million was deposited into the Consumer Restitution Subaccount, $7.5 million was deposited into the Consumer Remediation Subaccount, of which $7.4 million was opioid claims-related revenue, and $84,600 was deposited into the General Fund. Among the highlights of the report:

Deposits to the CPCF Revolving Fund

The AG deposited $8.5 million into the appropriated CPCF Revolving Fund. This amount included a deposit of $2.8 million from a settlement with Arizona Public Service (APS), resolving allegations that APS engaged in deceptive and/or unfair acts and practices in connection with its disconnection practices and $4.3 million from a balance transfer of unexpended monies from the Restitution Subaccount of the Consumer Restitution and Remediation Revolving Fund pursuant to A.R.S. § 44-1531.02(B). As of June 30, 2026, the fund had an unencumbered balance of $26.4 million.

Deposits to the Consumer Restitution Subaccount

The AG deposited $3.5 million into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount included a deposit of $2.1 million from a settlement with Mercedes Benz, resolving allegations that Mercedes engaged in deceptive practices relating to the sale of BlueTEC diesel device and a deposit of $1.2 million from a settlement with White Tanks Investment Group, LLC, resolving allegations that White Tanks engaged in deceptive and/or unfair practices in connection with the advertisement or sale of services relating to veteran disability claims. As of June 30, 2026, the fund had an unencumbered balance of $11.1 million.

Opioid Claims-Related Deposits to the Consumer Remediation Subaccount

The AG deposited $7.4 million of opioid revenues into the partially-appropriated Consumer Remediation Subaccount. This amount resulted from interest income derived from opioid balances in the fund as well as deposits of $2.8 million from a settlement with Kroger, $2.8 million from a settlement with Walgreens, and $1.6 million from a settlement with Johnson & Johnson, all resolving allegations of deceptive practices related to the sale of opioids. The AG expended $8.0 million from opioid balances within the Remediation Subaccount during the fourth quarter of FY 2026. As of June 30, 2026, the Remediation Subaccount had an unencumbered balance of $22.0 million, of which $6.7 million is related to opioid claims. (Jacob Cross Mayhew)

Board of Chiropractic Examiners – Report on Ongoing Revenues and Expenditures – Pursuant to an FY 2027 General Appropriations Act footnote, the Board of Chiropractic Examiners (Board) submitted its report to the Joint Legislative Budget Committee (JLBC) on its proposal to align ongoing expenditures and ongoing revenues. The agency is supported by the Board of Chiropractic Examiners Fund. The revenue for the fund was $403,200 in FY 2025 and $536,700 in FY 2026. The Board's FY 2027 appropriation is $664,100.

The Board proposes setting a new fee structure for Business Entities, Continuing Education Providers, and Chiropractic Assistants. Business Entities would pay $500 for initial registration, $250 for renewal, and $100 for each additional business location. Continuing Education Providers would pay $250 for a regular curriculum review approval, and $100 for Providers of Approved Continuing Education filings. Chiropractic Assistants would pay $100 for initial registration and $50 for renewal. They plan to submit rulemaking for these changes, and project implementation by January 2027.

With these changes, the Board projects annual revenue of $783,600 to the Board of Chiropractic Examiners Fund for FY 2028. Assuming the adoption of its full $799,400 FY 2028 budget request proposal, the Board projects a structural operating balance shortfall of $(15,800). The structural balance represents ongoing revenues versus ongoing expenditures. The Board estimates that it has a cash reserve of $326,000 that would offset the $(15,800) structural shortfall. (Trevor Malzewski)

Department of Corrections – Report on Correctional Officer Staffing – Pursuant to an FY 2026 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted its semi-annual report on correctional officer (CO) staffing. As of June 29, 2026, ADC reported that of the 5,960 total CO positions, 5,156.5 were filled and 803.5 were vacant, a vacancy rate of 13.5%. This was a decrease since June 2025 when the vacancy rate was 17.0%. Total filled positions have increased by 222 since June 2025. This increase consists of 1,419.25 new hires, offset by 217.5 COs promoted to a new position and 979.75 COs leaving ADC.

ADC utilizes overtime to maintain inmate supervision levels despite CO vacancies. From July 1, 2025 through June 29, 2026, ADC reported a total of 1,203,152 overtime hours worked. ADC estimates the average CO will earn a total salary of $66,600 in FY 2026, compared to $63,500 in FY 2025. Of this amount, ADC estimates the average CO will earn about $9,800 in overtime wages in FY 2026, compared to $10,500 in FY 2025. (Jordan Johnston)

Department of Economic Security – Report on DDD Utilization of Covered Services by Disability Classification – Pursuant to an FY 2026 General Appropriation Act footnote, the Arizona Department of Economic Security (DES) submitted an annual report on the Division of Developmental Disabilities (DDD) utilization of covered services by disability classification.

DES spent $2.9 billion on long-term care services for DDD members in FY 2025. Of this amount, $1.2 billion was for members with an intellectual disability (42.5%), and $921.1 million was for members with autism as their primary diagnosis (32.2%). The remaining $722.5 million (25.3%) was for members with other primary diagnoses such as cerebral palsy, epilepsy, down syndrome, and individuals considered at risk for developing a qualifying disability.

Compared to other disability categories, members with intellectual disabilities had a higher-than-average share of expenditures going to assisted living, day programs, group homes services, and intermediate care facilities. Members with autism had a higher-than-average share going to hourly (in-home) habilitation, respite care, and therapy services. All other members, collectively, had a higher-than-average share going to attendant care and nursing services. (Brian Belakovsky)

Department of Economic Security – Report on Arizona Training Program at Coolidge (ATP-C) Campus Total Costs – An FY 2026 General Appropriation Act footnote requires the Department of Economic Security (DES) to report on total costs associated with the ATP-C for FY 2026. DES reported $21.9 million in total costs. This is a (2.2)% decrease from the $22.4 million spent in FY 2025. The total number of ATP-C clients decreased from 48 in FY 2025 to 41 in FY 2026. Due to the closure of the remaining State Operated Group Homes (SOGH) at ATP-C in FY 2023, the residents of the SOGHs have transferred to several of the on-campus Intermediate Care Facilities (ICF). DES reports no current plans to close the ATP-C. (Brian Belakovsky)

DES – Quarterly Report on the Parents as Paid Caregivers Program – Pursuant to A.R.S. § 36-2970.01, the Department of Economic Security (DES) submitted a quarterly report detailing the utilization of attendant care and habilitation services under the Division of Developmental Disabilities (DDD) Parents as Paid Caregivers (PPCG) program. DES reported the following for the quarter ending December 31, 2025, for the DDD PPCG program:

- There were 13,835 children and 12,623 parents in the DDD PPCG program. This represents an increase of 4,950 and 4,114, respectively, compared to the prior quarter as originally reported. We do not have information to determine how much of this growth reflects improved data quality compared to new participation in the program; the observed growth may be due to one or both of these factors.
- DES now estimates that approximately 5% of providers are currently out of compliance with new Electronic Visit Verification (EVV) reporting requirements, compared to 10% in the prior quarter. Using the newly available EVV data, DES revised its prior quarter participation upward. Reported PPCG participation levels could receive further revisions in future reports once the remaining 5% of providers come into EVV compliance.
- Of the 13,835 children, there were 2,564 emergency department visits by 1,115 children. There were also 236 inpatient hospitalizations across 195 children.
- The average amount of time a minor in the PPCG program has been enrolled in the Arizona Long Term Care System (ALTCS) is 5.1 years. Their actual participation in PPCG would be significantly shorter.
- The average weekly hours of approved services, delineated by primary diagnosis, is displayed in *Table 7* below. Compared to the 4th calendar quarter of 2024, the average number of hours declined in each of the diagnosis categories. (Brian Belakovsky)

Table 7

Average Approved Hours (Weekly) by Primary Diagnosis

	October 1, 2024 through December 31, 2024	**October 1, 2025 through December 31, 2025** 1/
"At Risk" Individuals	32.4	29.7
Autism	29.3	28.2
Cerebral Palsy	35.0	31.2
Epilepsy	33.4	31.3
Intellectual Disability	30.9	29.8

1/ The federally mandated 40-hour weekly limit on PPCG service hours began on July 1, 2025, as required by Laws 2025, Chapter 93.

Arizona Department of Education – Report on Estimated Cost of Empowerment Scholarship Accounts for FY 2027 – Pursuant to A.R.S. § 15-2403H, the Arizona Department of Education (ADE) recently reported that it will cost an estimated $1.256 billion to fund Empowerment Scholarship Accounts (ESAs) in FY 2027, and $1.426 billion in FY 2028. ADE's analysis assumes that enrollment in the program will be 117,244 in FY 2027 and 129,932 in FY 2028. In comparison to ADE's projections, enrollment in the ESA program as of August 31, 2026 was 104,644. ESA enrollment typically peaks in the third quarter of the fiscal year. (Gordon Robertson)

Department of Education – Report on Empowerment Scholarship Accounts – Pursuant to A.R.S. § 15-2406, the Arizona Department of Education (ADE) reported data for the fourth quarter of FY 2026 on the Empowerment Scholarship Account (ESA) program:

- There were 99,709 total enrollees in the program, including 70,613 universal ESA enrollees.
- Of the students grades 1-12 newly entering the universal program, 8,531, or 59.5%, were enrolled in a public school immediately preceding their enrollment in the ESA program. The percentage for FY 2025 was 57.3%.
- 9.6% of ESA students were kindergarteners or preschoolers with disabilities, 68.5% were in grades 1-8, and 21.9% were in grades 9-12.
- There were 249 ESA students who were English Language Learners and 20,997 students with disabilities.
- ESA enrollees incurred $222.1 million of expenses in the fourth quarter of FY 2026, including $112.0 million for private school tuition, $34.1 million for tutoring and teaching services, $19.0 million for curriculum, and $57.0 million for all other expenses.

The report also delineates all ESA awards by formula allocation and by zip code. (Gordon Robertson)

Arizona Department of Education – Report on Failing School Tutoring Fund Planned Expenditures – Pursuant to a provision in the FY 2027 K-12 Education BRB, the Arizona Department of Education (ADE) reported on proposed expenditures of its $1,500,000 appropriation from Education Sales Tax revenues to the Failing Schools Tutoring Fund, which may be used to purchase materials to assist students in meeting Arizona academic standards and to achieve passing scores on statewide assessments.

ADE plans to use $987,100 from the fund for assistance to districts and charter schools for approved tutoring providers, Project Momentum grants, and other school improvement grants. The department also intends to allocate $512,900 for operating costs, including 3.3 FTE Positions. (Gordon Robertson)

Arizona Department of Environmental Quality – Report on Underground Storage Tank Approval Process **-** Pursuant to A.R.S. § 49-1024, the Arizona Department of Environmental Quality (ADEQ) submitted its annual report on the underground storage tank preapproval process.

Underground storage tanks (USTs) store substances like petroleum and are regulated by ADEQ. When USTs leak, owners and operators are responsible for cleanup costs and under the law are to demonstrate an ability to pay for cleanup. For example, an owner may purchase a UST insurance policy. The pre-approval program provides support for costs that owners and operators of UST's needing corrective action might have that are not covered by the owner or operator's financial assurance mechanism.

For FY 2026, ADEQ reported reimbursements totaling $5.1 million. As of September 1, 2026, ADEQ reports 91 facilities active in the program, the same number of facilities listed last September. ADEQ reports 124 preapproved applications, with $18.2 million in preapproved funding. Of that amount, ADEQ has reimbursed $6.3 million. The remaining $11.9 million has yet to be distributed. Last September, ADEQ reported 133 preapproved applications with funding totaling $20.2 million and reimbursements of $6.5 million. (Trevor Malzewski)

Department of Environmental Quality – Report on Water Quality Assurance Revolving Fund for FY 2026 – Pursuant to an annual General Appropriations Act footnote, the Department of Environmental Quality (DEQ) submitted its annual report to the Joint Legislative Budget Committee (JLBC) on the progress of activities in the Water Quality Assurance Revolving Fund (WQARF) Program. The WQARF Program is similar to the federal Superfund program and is designed to remediate contaminated groundwater at specified sites. The report lists total FY 2026 expenditures of $14.5 million. Revenues totaled $20.4 million, including $15.0 million in appropriations, $2.6 million recovered from responsible parties, $2.2 million in fees, and $558,500 from interest and other revenue.

In FY 2027, DEQ plans to spend $17.0 million on the WQARF Program, including $9.3 million for 36 registry sites and preliminary investigations, $7.6 million for administration, and $141,000 for the Department of Water Resources.

Pursuant to an annual General Appropriations Act footnote, DEQ also reported on the progress of each site listed on the WQARF registry. At the end of FY 2026, DEQ reported 37 WQARF registry sites, unchanged from FY 2025. DEQ did not report any completed phases for remedial action plans, records of decision, or delistings. (Trevor Malzewski)

Arizona Department of Forestry and Fire Management – Report on Nonnative Vegetation Species Eradication Grant Expenditures – Pursuant to A.R.S. § 37-1309C, the Arizona Department of Forestry and Fire Management (DFFM) reported on the total expenditures of grant-funded nonnative vegetation species eradication (NVSE) projects in FY 2026 (See *Table 8* below).

The FY 2020 General Appropriation Act annually appropriates $1,000,000 from the General Fund from FY 2021 to FY 2029 for deposit in the Nonnative Vegetation Species Eradication Fund.

DFFM reports that $248,200 has been expended to date of its FY 2025 appropriation. All 6 projects are in progress, but five projects have reported zero acres treated to date. The Department notes that many of the projects rely on special weather conditions for the target plants to become treatable.

DFFM reports spending $18,100 through August 31, 2026 from its FY 2026 appropriation for grant reimbursements. DFFM selected 7 projects to receive NVSE grant funding out of 29 applicants. All 7 of the selected projects are in progress, and all projects are projected to be completed by the end of December 2028. Please see *Table 8* below for more information. (Nate Belcher)

Arizona Department of Forestry and Fire Management – Report on Gila River Nonnative Species Eradication Grant Expenditures – Pursuant to an FY 2023 General Appropriations Act (GAA) footnote as amended by the FY 2025 GAA, the Arizona Department of Forestry and Fire Management (DFFM) reported on the total expenditures for Gila River nonnative species eradication projects in FY 2026. In FY 2023, the Legislature appropriated $5.0 million from the General Fund for nonnative species eradication projects along the Gila River and made the funds non-lapsing through June 30, 2025. In the FY 2025 budget, this lapsing date was extended through June 30, 2029.

In FY 2025, DFFM expended $411,900 of the $5.0 million appropriation on 4 projects to remove invasive plants and plant native species on 105 acres of land. DFFM also allocated $3.2 million from federal American Rescue Plan Act (ARPA) funding for 9 projects in FY 2025.

In FY 2026, DFFM allocated $1.8 million toward 10 projects to remove or replace invasive plants with native species on 1,622 acres of land along the Gila River. Of this amount, $437,000 allocated for 4 of the projects comes from ARPA and another project for $135,000 is funded from a separate appropriation within DFFM. The remaining 5 projects, totaling $1.2 million, are funded from the General Fund appropriation. To date, DFFM has expended $274,700 on the 5 non-General Fund projects and $450,200 on the 5 General Fund projects.

In FY 2027, DFFM projects allocating $3.6 million from the General Fund appropriation for 2 projects, one to plant native species and treat against invasive species on 734 acres of burn scar and the other to remove invasive species on 118 acres of land. To date, DFFM reports no spending from the FY 2027 allocations.

DFFM reports that a total of $1.4 million has been expended from the appropriation. (Nate Belcher)

Table 8

DFFM Nonnative Vegetation Species Eradication Grant FY 2026 Expenditures
For 2025 Grant Cycle
($ in thousands)

Grantee	Project Title	Grant Amount	Spending as of 8/31/26	Expected Completion
Pima County	Tucson Mountain Park Invasive Grass Control	$194.0	$ 0	12/28
Sky Island Alliance	Restoration of McGrew Spring	54.0	3.6	3/28
Tubac Nature Center	Control of Invasive Plants Along the Santa Cruz River	65.0	14.5	9/28
American Conservation Experience	Stinknet Intervention at Saguaro National Park	182.0	0	6/27
Friends of Saguaro National Park	Reducing Desert Fuel Loads at Saguaro National Park	144.0	0	9/27
Arizona Elk Society	Diffuse Knapweed Control at the Moqui Ranchettes	47.0	0	12/28
Yuma Crossing National Heritage Area	Invasive Species Control at the Yuma East and West Wetlands	90.0	0	12/26
Total		**$776.0**	**$18.1**	

Arizona State Retirement System – Report on Incentive Compensation Plan Amendments – Pursuant to A.R.S. § 38-611.01, the Arizona State Retirement System (ASRS) submitted a report on recent amendments to its Incentive Compensation Plan (ICP) for investment-related personnel.

The ICP links a portion of eligible staff compensation to fund performance. Eligibility is limited to investment management positions directly involved in portfolio management or investment analysis. Administrative, risk, compliance, and support staff are not eligible. A participant must be in good standing and actively employed on the payment date to receive any award. ICP payments are made as a lump sum by November 30 and must be re-earned annually.

Under the amended compensation plan, participants may earn incentive compensation of up to 50% of their base salary. Prior to this amendment, the ICP capped incentive compensation at 30% of participants' base salary. These awards are based on a blend of 1-year and 5-year net investment returns measured against existing benchmarks across four performance categories: internal portfolio, asset class/private markets, total fund, and qualitative performance. The weightings of each category vary by position, and incentive compensation is awarded when employees meet performance targets that vary from 0.1% to 0.5% growth in given investment categories.

The ASRS Director administers the ICP under ASRS Board oversight, and any future amendments will require acceptance by the ASRS Investment Committee and full Board, alongside consultation with the ADOA Director. (Jacob Cross Mayhew)

University of Arizona – College of Veterinary Medicine Report – Pursuant to an FY 2027 General Appropriations Act (Laws 2026, Chapter 126) footnote, the University of Arizona (UA) submitted a report detailing how $8.4 million appropriated from the General Fund in FY 2027 will impact the number of resident and non-residents students enrolled in the College of Veterinary Medicine (CVM). CVM currently enrolls 337 students, of which 235 are residents (70%) and 102 are non-residents (30%). (Grace Timpany)