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*"The most recent data... would increase the projected FY 2015 ending balance to \$325 million."*

This report has been prepared for the Arizona Legislature by the Joint Legislative Budget Committee Staff on August 20, 2015.

## Summary

July 2015 revenues exceeded the enacted budget forecast, which is a continuation of the revenue gains seen in the second half of FY 2015. Revenues collections during July were approximately \$713.4 million, or \$38.8 million above forecast.

The state began its implementation of a new accounting system on July 1. Due to implementation issues, some standard information is unavailable.

In terms of revenue, JLBC Staff is only able to report estimates for the "Big 3" revenue categories (Sales, Individual and Corporate Income Taxes), along with Insurance Premium Tax. While these categories comprise 95% of General Fund revenues, the July results are subject to change given the preliminary nature of the estimates. The remaining revenue amounts are assumed to meet the enacted budget forecast for July.

The new accounting system will also affect the reporting of state spending, as this information is also unavailable at this time.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bill out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-August 2015 is \$1.4 billion. In addition, the state's Budget Stabilization Fund has a balance of \$457.6 million.

### FY 2015 Ending Balance Update

Based on the latest information from the Department of Revenue, additional collections in June improved the FY 2015 year-end numbers above those reported in last month's *Monthly Fiscal Highlights*. The state received \$59 million more in FY 2015 revenue than previously reported, which has the following results:

- At the end of the Regular Session, FY 2015 was projected to have a shortfall of \$(132) million. This shortfall was to be filled with a conditional transfer from the Budget Stabilization Fund (the Rainy Day Fund). As required by the General Appropriation Act, JLBC Staff and OSPB [sent official notification](#) that the Rainy Day Fund transfer will not occur due to the projected FY 2015 positive ending balance.
- JLBC Staff reported in the July *Monthly Fiscal Highlights* that the FY 2015 results (greater revenue and lower spending) would leave FY 2015 with a projected balance of \$266 million.
- The most recent data, which improved revenue collections by \$59 million, would increase the projected FY 2015 ending balance to \$325 million.
- The FY 2015 results create a larger beginning balance for FY 2016. As a result, a budgeted \$(35) million FY 2016 shortfall turns into a \$278 million balance by the end of FY 2016. These are one-time monies and would not support permanent initiatives.

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## Summary (Continued)

- Last month, JLBC Staff noted that at least \$200 million of the previously estimated \$322 million overage is expected to continue into FY 2016 and beyond. The magnitude of this ongoing gain may now be approximately \$250 million of the updated \$381 million revenue overage.
- In total, the updated FY 2015 results may lead to a one-time FY 2016 gain of \$278 million (via the ending balance) and at least \$250 million in ongoing revenues.
- A ruling in favor of the plaintiffs in the K-12 litigation, however, could add over \$250 million in new spending and offset the possible ongoing revenue gain.

The JLBC Staff will provide updated long-term budget projections at the Finance Advisory Committee meeting on October 8<sup>th</sup>. These projections will incorporate the FY 2015 results, along with an updated long-term revenue forecast and revised agency spending estimates.

### DCS/DES Spending Transfers

JLBC Staff recently [published a report](#) on spending transfers made by DCS and DES during FY 2015. The report outlines DCS transferred \$17.9 million of funding from in-home preventive services to out-of-home support services. In addition, DES moved approximately \$6.4 million of TANF funding and \$8.3 million of Long-Term Care System Fund monies to their operating budget for administrative costs.

## July Revenues

	General Fund Revenues (\$ in Millions)		
	FY 2016 Collections	Difference From Budget Forecast	Difference From FY 2015
July	\$ 713.4	\$ 38.8	\$ 51.3
Year-to-Date	\$ 713.4	\$ 38.8	\$ 51.3

**Sales Tax** (preliminary) collections of \$348.7 million were 2.9% above July of last year and \$(2.2) million below the forecast for the month

Table 2 below includes the major categories of the state's sales tax, which together account for approximately 90% of total collections.

Retail sales, which alone represent close to 50% of total collections, increased by an estimated 9.3% in July. This was also the fifth consecutive month with a year-over-year retail sales growth rate of about 9% or more. Collections from contracting activity declined

by (16.4)% in July. Contracting tax collections have declined by (16)% or more in each of the last 4 months. The simultaneous increase in retail sales tax collections and decline contracting tax collections over the past several months are likely related to "TPT Simplification" legislation enacted in 2013, under which the tax base for building materials changed from contracting to retail, beginning in 2015.

## July Revenues (Continued)

	<u>July</u>	<u>YTD</u>
Retail	9.3%	9.3%
Contracting	(16.4)%	(16.4)%
Use	3.9%	3.9%
Restaurant & Bar	4.6%	4.6%
Utilities	(5.9)%	(5.9)%

**Individual Income Tax** net revenues were \$331.0 million in July, which were \$23.0 million above the prior year and \$26.9 million above the forecast for the month. Amounts are preliminary estimates and are subject to revision.

As indicated in *Table 3*, withholding increased by 10.6% for the month. The July withholding collections are \$34.6 million above the forecast.

July estimated and final payments of \$14.1 million were (34.2)% below last year and \$(4.9) million below the forecast.

July Individual Income Tax refunds totaled \$(19.1) million – this compares to \$(17.0) million in July 2014 and a forecasted amount of \$(16.3) million.

	<u>July</u>	<u>YTD</u>
Withholding	10.6%	10.6%
Estimated + Final Payments	(34.2)%	(34.2)%
Refunds	12.0%	12.0%

**Corporate Income Tax** net collections were \$27.4 million in July, which was \$14.9 million more than July of the prior year. Collections for the month were \$14.1 million above the forecast. The estimates are preliminary and there is insufficient data to gauge potential reasons for the increase.

**Insurance Premium Tax** collections of \$43.0 million in July were 3.2% above the prior year, and \$36,400 above forecast.

**Highway User Revenue Fund (HURF)** collections of \$112.2 million in July were up \$6.2 million, or 5.9% compared to July of last year. July collections were \$3.2 million above forecast.

Table 4

## General Fund Revenue: Change from Previous Year and Budget Forecast July 2015

	Current Month					FY 2016 YTD (One Months)				
	Actual July 2015	Change From July 2014		Budget Forecast		Actual July 2015	Change from July 2014		Budget Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use	\$348,679,584	\$9,679,358	2.9 %	(\$2,159,942)	(0.6) %	\$348,679,584	\$9,679,358	2.9 %	(\$2,159,942)	(0.6) %
Income - Individual	330,970,103	22,990,623	7.5	26,900,678	8.8	330,970,103	22,990,623	7.5	26,900,678	8.8
- Corporate	27,423,196	14,894,703	118.9	14,067,318	105.3	27,423,196	14,894,703	118.9	14,067,318	105.3
Property	269,332	94,248	53.8	0	0.0	269,332	94,248	53.8	0	0.0
Luxury - Tobacco	1,997,365	62,577	3.2	0	0.0	1,997,365	62,577	3.2	0	0.0
- Liquor	3,171,746	304,488	10.6	0	0.0	3,171,746	304,488	10.6	0	0.0
Insurance Premium	43,026,885	1,331,745	3.2	36,364	0.1	43,026,885	1,331,745	3.2	36,364	0.1
Other Taxes	392,517	(52,213)	(11.7)	0	0.0	392,517	(52,213)	(11.7)	0	0.0
<b>Sub-Total Taxes</b>	<b>\$755,930,728</b>	<b>\$49,305,529</b>	<b>7.0 %</b>	<b>\$38,844,418</b>	<b>5.4 %</b>	<b>\$755,930,728</b>	<b>\$49,305,529</b>	<b>7.0 %</b>	<b>\$38,844,418</b>	<b>5.4 %</b>
<b>Other Revenue</b>										
Lottery	0	0	--	0	--	0	0	--	0	--
License, Fees and Permits	2,316,974	23,868	1.0	0	0.0	2,316,974	23,868	1.0	0	0.0
Interest	40,335	38,008	--	0	0.0	40,335	38,008	--	0	0.0
Sales and Services	822,110	211,208	34.6	0	0.0	822,110	211,208	34.6	0	0.0
Other Miscellaneous	1,765,165	(1,258,076)	(41.6)	0	0.0	1,765,165	(1,258,076)	(41.6)	0	0.0
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	3,000,000	2,690,953	870.7	0	0.0	3,000,000	2,690,953	870.7	0	0.0
<b>Sub-Total Other Revenue</b>	<b>\$7,944,585</b>	<b>\$1,705,961</b>	<b>27.3 %</b>	<b>\$0</b>	<b>0.0 %</b>	<b>\$7,944,585</b>	<b>\$1,705,961</b>	<b>27.3 %</b>	<b>\$0</b>	<b>0.0 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$763,875,313</b>	<b>\$51,011,490</b>	<b>7.2 %</b>	<b>\$38,844,418</b>	<b>5.4 %</b>	<b>\$763,875,313</b>	<b>\$51,011,490</b>	<b>7.2 %</b>	<b>\$38,844,418</b>	<b>5.4 %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(50,469,525)	275,119	--	0	0.0	(50,469,525)	275,119	--	0	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
<b>Sub-Total Other Adjustments</b>	<b>(50,469,525)</b>	<b>275,119</b>	<b>-- %</b>	<b>0</b>	<b>0.0 %</b>	<b>(50,469,525)</b>	<b>275,119</b>	<b>-- %</b>	<b>0</b>	<b>0.0 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$713,405,788</b>	<b>\$51,286,609</b>	<b>7.7 %</b>	<b>\$38,844,418</b>	<b>5.8 %</b>	<b>\$713,405,788</b>	<b>\$51,286,609</b>	<b>7.7 %</b>	<b>\$38,844,418</b>	<b>5.8 %</b>
<b>Non-General Funds</b>										
Highway User Revenue Fund	\$112,197,898	\$6,245,150	5.9 %	\$3,165,105	2.9 %	\$112,197,898	\$6,245,150	5.9 %	\$3,165,105	2.9 %

## Monthly Indicators

### NATIONAL

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Real Gross Domestic Product (GDP)** increased at an annual rate of 2.3% in the second quarter of 2015. This estimate is a noticeable pick-up from the 0.6% growth in the first quarter of 2015. The acceleration was primarily due to increased consumption, exports, state and local government spending, and residential investment. These improvements were partly offset by decreases in federal spending and business investment.

The Conference Board's **U.S. Consumer Confidence Index** decreased by (8.9)%, to 90.9 in July. The July reading is the lowest since September 2014 and now stands only 0.7% above the reading during the prior July. The monthly decrease was largely driven by a more pessimistic economic outlook of the near future rather than of current circumstances. Some economists attribute recent decrease in confidence to worries over economic prospects for China and Europe. Consumer confidence measured by this index has been highly volatile in 2015, during which 5 of the 7 months experienced monthly swings of 5.0% or greater.

The Conference Board's **U.S. Leading Economic Index** increased by 0.6% in June and 5.5% since June 2014. Of the index's 10 components, 6 made positive contributions, 3 were neutral, and 1 made a negative contribution. Increased building permits and movement in interest rates were once again the largest positive contributors to the index. The nationwide increase in building permits continues to be concentrated in multifamily units and may represent a temporary improvement. Stock market performance was the only component that acted as a drag on the index.

According to the U.S. Department of Commerce Bureau of Economic Analysis, the **U.S. Personal Consumption Expenditure Price Index (PCEPI)** increased 0.2% in June, relative to May. Despite recent monthly growth, the measure stands at just 0.3% above the June 2014 level. The index's annual growth has been pulled well below the Federal Reserve Bank's 2% annual inflation target, largely due to a (15.9)% year-over-year decrease in energy prices. Annual growth in the core index (all items except food and energy), however, has grown by a steadier 1.3% through June.

### ARIZONA

The Federal Reserve Bank of Philadelphia's **coincident index** gauges current economic activity in each state. The index combines 4 indicators: employment, average hours worked in manufacturing, unemployment rate, and inflation-adjusted wages.

Arizona's coincident index increased by 3.2% compared to June 2014. Over the same time period, the U.S. coincident index increased by 3.6%. Currently, Arizona's rate of annual coincident index growth is 33<sup>th</sup> in the nation. Last year at this time, Arizona's rate was 40<sup>st</sup> highest among states. *See Appendix A – Tracking Arizona's Recovery for additional historical information.*

#### Housing

The **median price of a single family home** was \$219,900 in July, a (2.3)% decrease from June. The price is 6.2% higher than July of last year.

Single-family housing construction is increasing, while multi-family construction has peaked. Arizona's 12-month total of **single-family building permits** is 19,486, or 10.4% more than a year ago. The comparable single-family permit growth rate for the entire U.S. is 6.0%. *See Appendix A – Tracking Arizona's Recovery for historical information.*

The 12-month total of multi-family building permits was increasing strongly compared to last year, but has recently levelled off. Arizona's total of 8,831 **multi-family building permits** is 3.9% above 2014. Arizona's rate of increase is now less than the comparable multi-family permit growth for the U.S. as a whole, which is 19.6% above 2014.

#### Employment

In June, the **Average Weekly Hours** worked by individuals in Arizona's private sector was 34.7 hours. This workload is (0.6)% below the June 2014 level. The **Average Hourly Earnings** received by these private sector workers was \$22.92, which is (0.2)% below the average in the prior month. The year-over-year growth was flat in June.

The U.S. Bureau of Labor Statistics releases estimates quarterly for a broader measure of labor underutilization called the **total unemployment rate**. Besides the "regularly" unemployed, the measure also includes persons who are available to work but stopped looking for a job ("discouraged workers"), and persons who had to settle for part-time employment

## Monthly Indicators (Continued)

("underemployed workers"). The Arizona rate averaged 13.8% for the third quarter of 2014 through the second quarter of 2015. This rate is (0.5)% below the reading issued for the prior quarter. The state's total unemployment rate reading of 13.8% was the third highest of any state. The national average for the measure was 11.3% during the quarter.

### Tourism

**Revenue per available room** reached \$56.85 in June, which was 11.5% above the amount in June 2014. Year-to-date, revenue per available room is 14.7% above the 2014 year-to-date amount through June.

### State Agency Data

At the beginning of August 2015, the total **AHCCCS** caseload was 1.71 million members. Since the federal health care expansion in January 2014, the overall AHCCCS population has grown by 452,400 members.

Total monthly enrollment increased 0.5% during July, continuing its rebound from flat or decreasing enrollment during October through February. The slowdown in prior months may have been exacerbated by a change in the length of eligibility redetermination.

The overall July increase was concentrated primarily in the Traditional population of the lowest income parents and children. Enrollment in the Traditional population increased 15,400 during the month to a level of 1.06 million members. The July level represents an increase of 1.5% since last month and an 8.8% increase since last year. This growth was mostly offset by the enrolled Proposition 204 Parents population, which saw enrollment decrease by (9.0)%, or (13,400) enrollees.

In January 2014, the state started accepting new enrollment to the Proposition 204 childless adults program. In July 2015, the childless adult population increased by 1,600, or 0.6%. Since January 2014, the childless adult population has increased by 215,900 to reach a level of 283,700. The state share of the Proposition 204 physical health cost is paid through a hospital assessment while the behavioral health costs are paid through the General Fund.

The state also opted to expand adult Medicaid coverage to 133% of FPL. The 100% - 133% enrollment increased by 2,600 in July and now totals 68,100 individuals enrolled since January 2014. The federal government is currently paying 100% of this cost.

As of April 2015, the Department of Child Safety received 50,486 **reports of child maltreatment** in the last 12 months, which was an increase of 13.3% over the prior year. There were 17,592 **children in out-of-home care** in March 2015, or 0.9 % more than in February 2015. Year-over-year, the number of out-of-home children grew by 11.7%.

There were 23,582 **TANF recipients** in the state in June, representing a (1.6)% decrease in monthly caseloads from May. The year-over-year number of TANF recipients has declined by (18.1)%. The statutory lifetime limit on cash assistance is 24 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. This June, there were 998,719 food stamp recipients in the state, representing a 0.3% increase from May caseloads. Compared to June of last year, food stamp participation declined by (4.7)%.

ADC reported a total **inmate population** of 42,808. The inmate population has increased by 2.1% since July 2014, and 0.3% since last month. In light of renovations needed at ASP-Kingman in the aftermath of an early July riot and the necessity of temporarily housing prisoners off-site, the state of Arizona established 1,159 emergency beds at other county and private correctional facilities.

Table 5

## MONTHLY INDICATORS

<u>Indicator</u>	<u>Time Period</u>	<u>Current Value</u>	<u>Change From Prior Period</u>	<u>Change From Prior Year</u>
<b>Arizona</b>				
<u>Employment</u>				
- Regular Unemployment Rate	June	5.9%	0.1%	(1.1)%
- Total Unemployment Rate (discouraged/underemployed)	2 <sup>nd</sup> Q 2015	13.8%	(0.5)%	(2.1)%
- Initial Unemployment Insurance Claims	June	20,073	5.0%	(13.1)%
- Unemployment Insurance Recipients	July	24,386	(30.6)%	(42.1)%
- Non-Farm Employment - Total	June	2.57 million	(1.8)%	2.1%
Manufacturing	June	156,200	0.0%	(0.6)%
Construction	June	129,000	0.7%	2.5%
- Average Weekly Hours, Private Sector	June	34.70	0.3%	(0.6)%
- Average Hourly Earnings, Private Sector	June	\$22.92	(0.2)%	0.0%
<u>Sales</u>				
- Retail Taxable Sales				
Motor Vehicles/Misc. Auto	May	\$960.3 million	7.2%	(6.2)%
Furniture/Home Furnishings	May	\$314.5 million	5.9%	(7.2)%
Building Material/Lawn & Garden	May	\$444.3 million	26.4%	10.8%
<u>Building</u>				
- Residential Building Permits (12-month avg)				
Single-family	June	19,486	1.9%	10.4%
Multi-family	June	8,831	3.1%	3.9%
- Maricopa County/Other, Home Sales (ARMLS)				
Single-Family (Pending Sales)	July	5,587	(14.2)%	5.3%
- Maricopa County/Other, Median Home Price (ARMLS)				
Single-Family (Pending Sales)	July	\$219,900	(2.3)%	6.2%
- Phoenix S&P/C Home Price Index (2000 = 100)	May	151.57	0.8%	3.8%
- Maricopa Pending Foreclosures	July	4,854	(3.8)%	(23.6)%
- Greater Phoenix Total Housing Inventory, (ARMLS)	July	22,857	(2.1)%	(15.1)%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	June	3.76 million	0.5%	4.6%
- National Park Visitors	May (revised)	1,243,123	10.1%	(3.1)%
- State Park Visitors	June	211,480	(10.7)%	23.1%
- Revenue Per Available Hotel Room	June	\$56.85	(14.9)%	11.5%
<u>General Measures</u>				
- Arizona Consumer Confidence Index (1985 = 100)	3rd Q 2015	84.3	6.6%	17.7%
- Arizona Coincident Index (July 1992 = 100)	June	217.07	(0.3)%	3.2%
- Arizona Leading Index -- 6 month projected growth	June	2.5%	(3.3)%	(0.5)%
- Arizona Personal Income	1 <sup>st</sup> Q 2015	\$261.3 billion	3.8%	4.2%
- Arizona Population	July 2014	6.73 million	N/A	1.5%
- State Debt Rating				
Standards & Poor's/Moody's	May '15	AA / Aa2	N/A	N/A
Outlook	May '15	Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	August 1 <sup>st</sup>	1,710,555	0.5%	10.2%
Acute Care Traditional		1,056,427	1.5%	8.8%
Prop 204 Childless Adults		283,659	0.6%	14.0%
Other Prop 204		134,990	(9.0)%	(17.6)%
Adult Expansion		68,064	4.0%	149.5%
Kids Care I		950	(5.5)%	(52.3)%
Long-Term Care – Elderly & DD		57,120	0.1%	2.8%
Emergency Services		109,345	2.0%	29.8%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	April 2015	50,486	1.1%	13.3%
DCS Out-of-Home Children	March	17,592	0.9%	11.7%
Filled Caseworkers (1406 Budgeted)	April	1,448	52	205
- ADC Inmate Growth	July	42,808	0.3%	2.1%
- Department of Economic Security				
- TANF Recipients	June	23,582	(1.6)%	(18.1)%
- SNAP (Food Stamps) Recipients	June	998,719	0.3%	(4.7)%
- Judiciary Probation Caseload				
Non-Maricopa	May	18,296	127	797
Maricopa County	May	26,833	(42)	1,821
<b>United States</b>				
- Gross Domestic Product	2 <sup>nd</sup> Q, 2015	\$16.3 trillion	2.3%	2.3%
(Chained 2009 dollars, SAAR)	(1 <sup>st</sup> Estimate)			
- Consumer Confidence Index (1985 = 100)	July	90.9	(8.9)%	0.7%
- Leading Indicators Index (2010 = 100)	June	123.6	0.6%	5.5%
- Consumer Price Index, SA (1982-84 = 100)	July	238.1	0.1%	0.2%
- Personal Consumption Price Index (2009 = 100)	June	109.0	0.2%	0.3%

## Summary of Recent Agency Reports

**Department of Health Services – Quarterly Report on the Comprehensive Medical and Dental Program (CMDP)** - Pursuant to Laws 2013, Chapter 220, the Department of Health Services (DHS) is required to report on the financial and program accountability trends of CMDP, the foster care medical program. This report is required quarterly until December 31, 2015.

DHS administers behavioral health services for CMDP enrollees. In the third quarter of FY 2015, 61% of foster care children received behavioral health services, a 2% increase compared to the second quarter of FY 2015. The percent of members served varied by region from a low of 53% in Maricopa County (GSA 6) to a high of 77% in GSA 3, which includes Cochise, Graham, Greenlee, and Santa Cruz Counties. Maricopa County and GSA 3 were also the lowest and highest service users in the second quarter of FY 2015.

The services most highly utilized by CMDP enrollees in the third quarter of FY 2015 included support services, treatment services, and rehabilitation services, with 98% receiving support services, 73% receiving treatment services, and 16% receiving rehabilitation services. Support services for foster children include case management, peer support, and transportation. Treatment services include individual and group counseling as well as behavioral health diagnostic evaluations. Rehabilitation services include living skills training, cognitive rehabilitation (such as memory training or anger management), and behavioral health education and prevention activities. Together, these 3 service categories represent 76% of CMDP behavioral health spending. Support services represented the largest spending category, accounting for 44% of total CMDP behavioral health spending.

Residential services cost \$11,800 per capita, the highest per capita cost of all service categories, but it was only the 4<sup>th</sup> highest spending category due to relatively low utilization. Only 1% of foster children received residential services in the third quarter.

Between the second and third quarter of FY 2015, the total cost of behavioral health services for CMDP increased by 2.2% (\$21.2 million to \$21.6 million). The cost increase reflects a 1.4% increase in unique CMDP members served coupled with a 0.8% increase in costs per capita since the second quarter. (Patrick Moran)

**Department of Insurance – Annual Report on Insurance Premium Tax Credits** - Pursuant to A.R.S. § 20-244(I), as added by Laws 2015, Chapter 10, the Arizona Department of Insurance is required to report by September 30 of each year on the amounts of insurance premium tax credits used in the previous fiscal year. The agency

reports that a total of \$27.8 million in insurance premium tax credits were used in FY 2015. Of this amount, \$21.0 million consists of credits earned for donations made by insurance companies to private school tuition organizations that provide scholarships to children of low-income families or to disabled children. The dollar impacts of the specific credits are listed in *Table 6*, below. (Jon Stall)

**Table 6**

**FY 2015 INSURANCE PREMIUM TAX CREDITS**  
(\$ in millions)

	<b>Annual Cost</b>
<b>Credits:</b>	
Health Insurance Premium <sup>1/</sup>	\$ 3.7
Military Reuse Zone	0.0
New Employment	3.2
Private School Tuition Organization	
- Low Income Students <sup>2/</sup>	18.0
Private School Tuition Organization	
- Disabled/Displaced Students <sup>3/</sup>	<u>3.0</u>
<b>Total Value of Credits</b>	<b>\$27.8</b>

<sup>1/</sup> Credit is capped at \$5.0 million annually.

<sup>2/</sup> Credit was capped at \$43.0 million in FY 2015 between corporate and insurance premium taxpayers.

<sup>3/</sup> Credits is capped at \$5.0 million annually between corporate income and insurance premium taxpayers.

**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, 145,425 students registered for the spring 2015 semester. Of the total students registered, the universities were able to verify the legal immigration status of 133,568 students. Additionally, the universities reported that 14,755 of these students did not require verification because they have neither requested nor received in-state tuition or state-supported financial aid. The universities reported that a total of 7 students were unverifiable due to their inability to provide the requisite documentation.

**Department of Economic Security** - The department reported that 7,214 applications were received for child care assistance during the reporting period of December 1, 2014 to May 31, 2015. Of this number, 5



## Summary of Recent Agency Reports (Continued)

were denied because criteria for citizenship or legal residency were not met.

Community Colleges - Statewide, the Community Colleges reported a total of 211,239 students classified as in-state for the spring 2015 semester. They reported 436 students who were not entitled to be classified as in-state because of a lack of lawful immigration status. Additionally, 80,443 students applied for financial aid. Of those who applied, the community colleges reported that 80 were not entitled to any aid because they were not lawfully present in the United States.

Department of Education – The department reported that 10,123 people applied for instruction in Arizona Adult Education during the reporting period of December 2, 2014 to June 19, 2015. Of this amount, 453 were denied instruction because they failed to provide evidence of citizenship or legal residence in the United States. The Arizona Adult Education program is funded with a combination of state and Federal Funds. (Krista MacGahan)

Department of Public Safety – Quarterly Report on the GIITEM Fund – Pursuant to A.R.S. § 41-1724, the Department of Public Safety (DPS) is required to report quarterly on Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Fund expenditures. In FY 2015, the GIITEM Fund was appropriated \$2.6 million in General Fund monies for grants to local law enforcement agencies to help with border security. During the fourth quarter of FY 2015 DPS expended \$130,800 for building operations and improvements to the Tucson GIITEM office building to support the GIITEM border security programs bringing the year-to-date total to \$2.2 million.

Additionally, the GIITEM Border Security and Law Enforcement Subaccount received \$613,500 in criminal fine and fee revenues in the fourth quarter of FY 2015, bringing the year-to-date revenue total to \$2.2 million. DPS expended \$785,500 in the fourth quarter bringing the year-to-date expenditure total to \$2.2 million. The monies were granted to 14 local law enforcement agencies and the Arizona Department of Corrections for border security purposes. (Eric Billings)

Arizona Board of Regents – Report on University Retention and Graduation Rates – Pursuant to A.R.S. § 15-1626, the Arizona Board of Regents (ABOR) is required to submit an annual report on retention and graduation rates at each university campus. Prior to 2013, ABOR reported retention and graduation rates based on the federal government's definition, which tracks the outcomes of first-time, full-time, degree-seeking students

after 1 year for retention rates and after 6 years for graduation rates.

ABOR reports that this methodology captures less than half of Arizona students who are making progress toward a degree. The federal definition excludes outcomes of students who begin at an Arizona university, but transfer to another in-state or out-of-state institution to continue their education.

- Fall 2014 retention rates reflect the percentage of first-time, full-time, degree-seeking students who initially enrolled in fall 2013 and who re-enrolled in the same university in fall 2014.
  - Arizona State University (ASU) 84%; Northern Arizona University (NAU) 74%; and the University of Arizona (UA) 82%.
- Six-year graduation rates reflect the percentage of first-time, full-time, degree-seeking students who received their degree within 6 years of their initial fall enrollment at the same university. The 2014 report shows the percentage of students who enrolled in fall 2008 who graduated from the same university within 6 years.
  - ASU 63%; NAU 52%; UA 60%.

Rather than using the federal definition, ABOR utilizes a metric entitled the Success and Progress Rate, which shows the outcomes of the same cohort of students who graduated at any higher education institution, in addition to those students who are still enrolled in higher education after 6 years. The percentage of students who enrolled in an Arizona university in fall 2008 who either graduated from the same university within 6 years, graduated from another university within 6 years, or are still enrolled in higher education was 82% for ASU, 79% for NAU, and 85% for UA. (Matt Gress)

Universities – Report on Performance Funding – Pursuant to a footnote in the FY 2016 General Appropriation Act (Laws 2015, Chapter 8, Section 102), the Arizona Board of Regents (ABOR) is to report to the Joint Legislative Budget Committee (JLBC) by July 1, 2015 on the final allocation of performance funding for each university. ABOR received \$5.0 million in FY 2016 for a performance-based funding model. According to ABOR, they allocated \$2.7 million to Arizona State University, \$1.1 million to Northern Arizona University, and \$1.2 million to the University of Arizona. These amounts are the same as the FY 2014 and FY 2015 performance funding allocations. (Matt Gress)

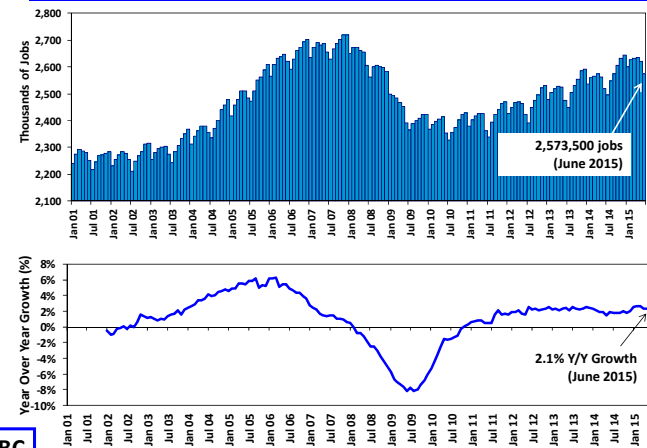
## Tracking Arizona's Recovery

August 2015  
Appendix A

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- 3.....Average Hourly Earnings – Private Sector
- 4.....Initial Claims for Unemployment Insurance
- 5.....State Sales Tax Collections – Retail Category
- 6.....State Sales Tax Collections – Contracting Category
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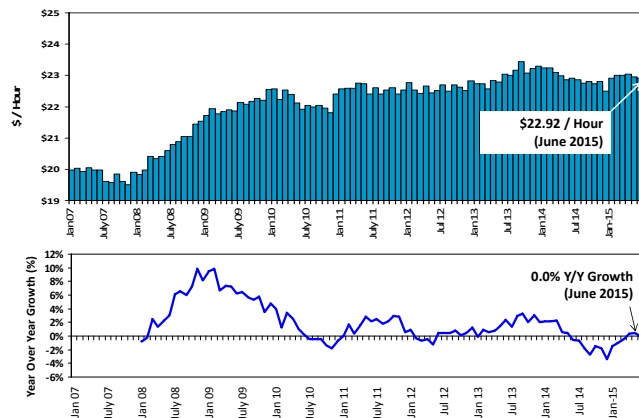
## Total Non-Farm Employment



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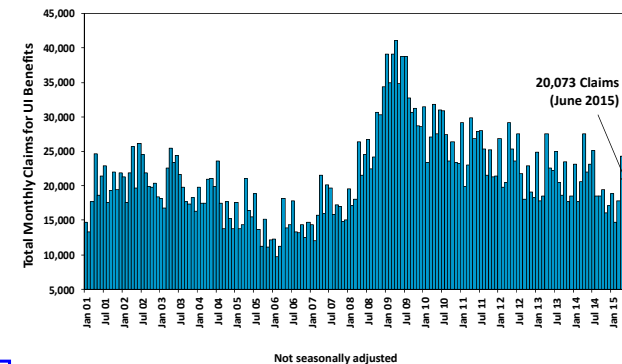
## Average Hourly Earnings – Private Sector



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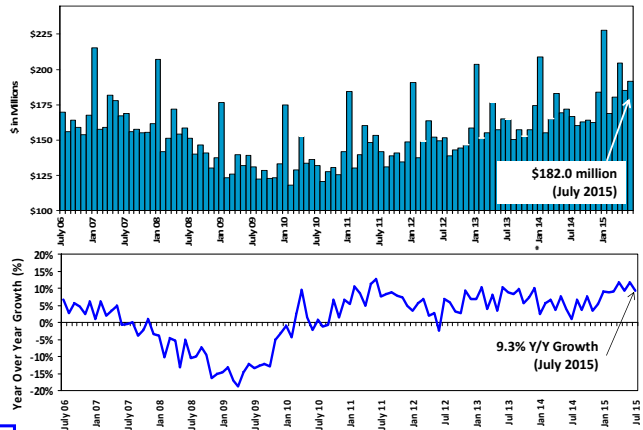
## Initial Claims for Unemployment Insurance



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## State Sales Tax Collections – Retail Category



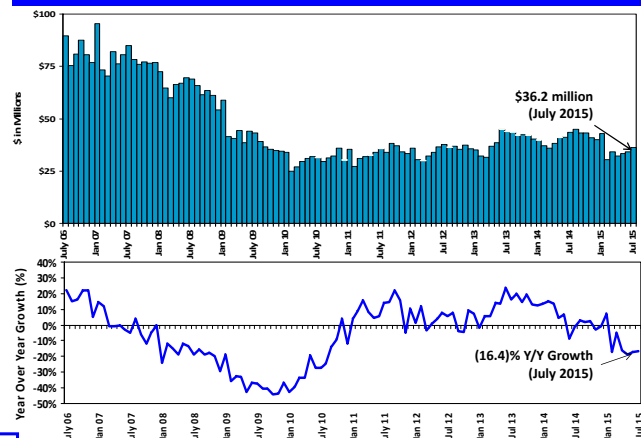
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Excludes temporary 1 ¢ sales tax

\* January 2014 estimate adjusted downward by \$30 million to reflect one-time category shift.

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## State Sales Tax Collections – Contracting Category

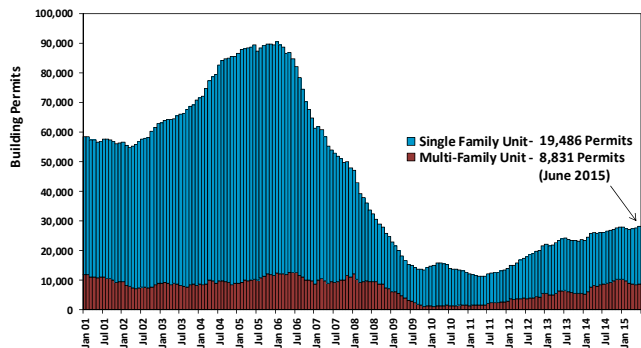


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Excludes temporary 1 ¢ sales tax

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## Residential Building Permits

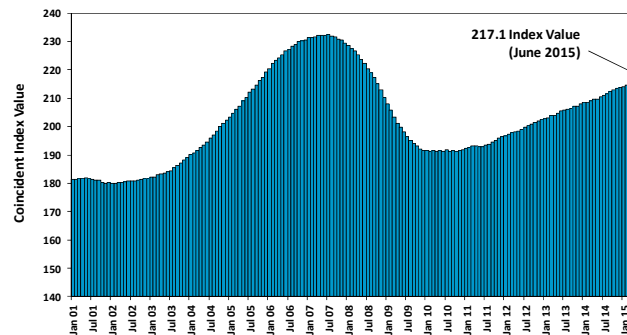


JLBC

12-Month Moving Sum

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## Economic Activity Index



JLBC

Source: Coincident Index – Federal Reserve Bank of Philadelphia. Combines four state-level indicators (employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements) to summarize current economic conditions.

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