

## Summary

March 2025 General Fund revenues were \$1.10 billion, which is an increase of 2.2% above March 2024. The March revenue results were \$(45) million below the January Baseline forecast.

The March forecast loss was the result of moderate losses across each of the state's 3 largest revenue categories – Sales, Individual Income, and Corporate Income Taxes.

### Sales Tax

Overall Sales Tax collections in March (which represent February sales activity) were nearly flat during month, growing by only 0.2% above March 2024. This minimal Sales Tax growth generated a \$(20) million forecast loss during the month compared to the Baseline forecast.

The nearly flat growth for the category was due to mixed results within the components of Sales Tax. The direct consumer sections of Sales Tax are still posting modest growth, with retail collections growing by 2.1% and restaurant/bar collections increasing by 2.6%. However, even within retail collections, there is some variation with "consumer staples" declining (such as clothing), along with growth in "durable goods" (such as motor vehicles and appliances).

In addition, contracting tax collections posted their second monthly decline in a row, with the March decline concentrated in projects related to specialty trades.

### Individual Income Tax

March Individual Income Tax collections (IIT) grew by 5.7% during the month, however, the performance still resulted in an \$(18) million loss below the Baseline forecast. The components of the March IIT results were as follows:

- Withholding collections grew by 6.9% over the prior year – while this does exceed recent wage and salary growth, collections were also helped by an additional Monday (the largest withholding tax processing day) compared to March 2024.

- Tax payments (both estimated and final) increased by 23.0% compared to last year. While this data does provide more context on payment trends during tax filing season, March is still a relatively small month for payment activity (typically 5% of total payments in a given fiscal year).
- The total dollar amount of refunds issued to taxpayers during March increased by 11.2% above the prior year. It is difficult to interpret this large increase in March refunds, as it follows February refund activity that was generally flat compared to last year.

### Corporate Income Tax

March Corporate Income Tax (CIT) revenues declined by (11.5)% below March 2024, which generated a forecast loss of \$(17) million compared to the Baseline forecast.

### Year-to-Date Results

Year-to-date through March, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2025 General Fund revenues are 4.7% above the prior year.

With the March results, after 3 months of tracking against the [January Baseline](#) forecast, the state has generated a cumulative forecast gain of \$15 million.

### April FAC Forecast

Under the January Baseline revenue forecast, after accounting for the state's "ongoing one-time" funding items related to school building repairs and state employee health insurance, the state had available resources of \$612 million for allocation in the FY 2026 budget process.

Given considerable uncertainty surrounding federal trade, spending and tax policy, the revised forecast at the [April meeting](#) of the Finance Advisory Committee (FAC) is more cautious than the January Baseline. In our April update, we project that the level of available resources for the FY 2026 budget process has fallen to \$277 million.

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March Revenues

<b>Table 1</b>			
<b>General Fund Revenues (\$ in Millions)</b>			
	<b>FY 2025</b>	<b>Difference From</b>	<b>Difference</b>
	<b>Collections</b>	<b>Baseline Forecast</b>	<b>From FY 2024</b>
March	\$ 1,099.0	\$ (45.4)	\$ 23.5
Year-to-Date	\$ 11,215.5	\$ 15.2	\$ 1,051.4

**Sales Tax** collections of \$630.4 million were 0.2% above March of last year and \$(19.6) million below the Baseline forecast. Year to date, sales tax revenue is up by 3.1% and is \$(14.0) million below forecast. Sales taxes collected in March reflect sales activity that occurred in February.

Table 2 displays the March growth rate for the 5 major sales tax categories, which together make up approximately 90% of total sales tax collections.

<b>Table 2</b>		
<b>Sales Tax Growth Rates Compared to Prior Year</b>		
	<b>March</b>	<b>YTD</b>
Retail/Remote Seller <sup>1/</sup>	2.1%	1.7%
Contracting	(3.8)%	1.8%
Use Tax <sup>2/</sup>	(6.6)%	19.0%
Restaurant & Bar	2.6%	1.9%
Utilities	(4.8)%	6.6%

<sup>1/</sup> If this amount was adjusted for corrections of previously filed tax returns in 2023 and 2024, the YTD Retail/Remote Seller growth would have been 3.0% in March.

<sup>2/</sup> If this amount was adjusted for corrections of previously filed tax returns in 2023 and 2024, YTD Use Tax growth would have been 0.3% in March.

As shown in the table above, 3 of the 5 major sales tax categories - Contracting, Use Tax, and Utilities - declined year-over-year in March. The combined Retail/Remote Seller category grew by 2.1%, the lowest increase since October 2024. Detailed taxable sales data provided by the Department of Revenue (DOR) indicates that several retail sectors, including General Merchandise (-2.8%), Clothing & Accessories (-0.1%), and Food and Liquor Stores (-2.8%) generated less sales tax revenue than in March 2024.

Those year-over-year losses, however, were offset by larger gains generated in a few of the other major retail sectors, including Motor Vehicle Dealerships (+3.9%) and Furniture, Electronics, and Appliances (+7.3%).

March marked the second consecutive month with a year-over-year decline in sales tax generated from contracting activities in the state. Industry data from DOR indicates that 62% of the decline was attributable to specialty trades, such as electricians, plumbers, painters, and HVAC technicians. The weakness seen in the specialty trade sector of the construction industry is also evident in the employment figures reported by the Arizona Office of Economic Opportunity (OEO). According to OEO, employment in the specialty trade sector was down by (5.9)% in February compared to the same month in the prior year.

**Individual Income Tax (IIT)** net revenue in March was \$205.6 million, 5.7% growth from March 2024 but \$(17.7) million below the Baseline forecast. A high level of refunds and lower-than-anticipated withholding were the reasons for the forecast loss. Year-to-date (YTD) through March, IIT has grown 10.8% compared to the same period in FY 2024 and is \$25.3 million greater than the forecast.

Withholding collections in March were \$507.2 million, an increase of 6.9% increase from the prior March but falling \$(5.0) million short of the forecast. The growth in withholding collections is due in part to the additional Monday in March 2025 compared to 2024, which is typically the most important processing day of the week for withholding.

Despite this additional Monday, withholding revenue was lower than we anticipated in our Baseline forecast. According to the most recent data from the U.S. Bureau of Economic Analysis, which is from February, growth in national wage and salary disbursements did decelerate. State level data from the 4<sup>th</sup> quarter of 2024 was 5.0% growth, a continuation of the prevailing trend.

Year-to-date, withholding has grown 6.1% from the same period in FY 2024 and is \$30.4 million more than the forecast.



Payments (estimated and final) were \$99.3 million in March, 23.0% more than last year and \$17.7 million above the forecast. Both estimated and final payments grew relative to last March. Final payments tend to pick up in March as the end of the tax filing season enters its second half. Typically, March payments make up 4%-5% of the fiscal year total. YTD, total payments have decreased (3.8)% from FY 2024 but are \$23.1 million greater than the Baseline forecast.

In March, refunds were \$400.9 million, an 11.2% increase from the previous year. The Baseline forecast assumed a lower refund level of \$370.5 million, so there was a forecast loss of \$(30.4) million. Along with February and April, March is one of the three most critical months for refunds during the tax filing season. On average, March refunds make up about 23% of the total refunds in a fiscal year. YTD, refunds have decreased (11.1)% relative to the same period in FY 2024, but are higher than the Baseline forecast, resulting in a \$(28.2) million forecast loss.

	<u>March</u>	<u>YTD</u>
Withholding	6.9%	6.1%
Estimated/Final Payments	23.0%	(3.8)%
Refunds	11.2%	(11.1)%

**Corporate Income Tax (CIT)** net revenue in March was \$108.8 million, (11.5)% less than the prior year and \$(17.2) million under the Baseline forecast. On average, March CIT revenue comprises about 6% of the fiscal year total. YTD, CIT collections have grown 7.9% compared to the same period in FY 2024 but are \$(11.7) million below the forecast.

**Insurance Premium Tax (IPT)** revenue was \$209.9 million in March, an increase of 4.2% compared to the same month in the prior year and \$5.9 million above the Baseline forecast. Because March is when final CY 2024 IPT payments are due, collections in this month make up a large portion of the yearly total. YTD, IPT revenue is up by 6.2% and is \$5.1 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in March was \$1.1 million, which is (28.9)% below collections a year prior and \$(0.4) million below the Baseline forecast. Year to date, General Fund tobacco tax revenues total \$12.3 million, which is (13.3)% below collections through the comparable period in FY 2024 and \$(0.8) million under forecast.

**Liquor Tax** revenue deposited into the General Fund in March was \$5.6 million. This is 8.6% above the amount deposited in March 2024 and \$0.7 million above the Baseline forecast. Year to date, General Fund deposits from liquor tax collections total \$36.6 million, an 11.0% increase over the same period in FY 2024, and \$2.4 million above forecast.

The **Lottery Commission** reported that total ticket sales in March were \$129.7 million. This amount is \$(24.1) million, or (15.6)% lower than in March 2024.

**Highway User Revenue Fund (HURF)** collections of \$158.1 million in March were flat compared to March 2024 and \$(4.0) million below forecast. Year to date, collections are \$1.34 billion, 2.3% above the same period in the prior year and \$1.6 million more than forecast.

In March, the state collected \$14.9 million in dedicated **Marijuana Excise Taxes**, which was 0.2% higher than March 2024 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. March's total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) revenue was \$5.5 million. Of this amount, the General Fund received \$4.1 million. (See *Table 4*)

	<u>March</u>	<u>YTD</u>
<b>Marijuana Excise Tax</b>	<b>\$14.9</b>	<b>\$130.7</b>
<b>Medical Marijuana TPT</b>	<b>\$0.9</b>	<b>\$8.9</b>
<u>Distribution:</u>		
General Fund	\$0.7	\$6.5
Counties	\$0.1	\$1.4
Cities	\$0.1	\$0.9
<b>Recreational Marijuana TPT</b>	<b>\$4.6</b>	<b>\$40.3</b>
<u>Distribution:</u>		
General Fund	\$3.4	\$29.7
Counties	\$0.8	\$6.5
Cities	\$0.5	\$4.0
<b>Total State Marijuana Tax Collections</b>	<b>\$20.4</b>	<b>\$179.8</b>

\* Amounts may not add to total due to rounding



Table 5

## General Fund Revenue: Change from Previous Year and Baseline Forecast March 2025

	Current Month					FY 2025 YTD (Nine Months)				
	Actual March 2025	Change From March 2024		Baseline Forecast		Actual March 2025	Change from March 2024		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use	\$630,351,071	\$1,352,995	0.2 %	(\$19,581,157)	(3.0) %	\$6,077,274,086	\$180,721,013	3.1 %	(\$14,009,378)	(0.2) %
Income - Individual	205,604,630	11,091,435	5.7	(17,737,630)	(7.9)	3,724,316,750	361,832,516	10.8	25,279,401	0.7
- Corporate	108,827,275	(14,172,586)	(11.5)	(17,177,115)	(13.6)	1,152,613,170	84,590,319	7.9	(11,666,585)	(1.0)
Property	1,166,223	98,235	9.2	(691,133)	(37.2)	24,925,894	6,142,514	32.7	(1,878,579)	(7.0)
Luxury - Tobacco	1,119,498	(456,109)	(28.9)	(397,367)	(26.2)	12,313,946	(1,895,543)	(13.3)	(828,079)	(6.3)
- Liquor	5,635,691	445,990	8.6	735,907	15.0	36,593,023	3,637,980	11.0	2,361,010	6.9
Insurance Premium	209,936,338	8,396,158	4.2	5,851,550	2.9	586,621,187	34,364,625	6.2	5,071,157	0.9
Other Taxes	3,950,623	(1,343,530)	(25.4)	(1,349,158)	(25.5)	14,485,707	940,002	6.9	(1,303,412)	(8.3)
<b>Sub-Total Taxes</b>	<b>\$1,166,591,349</b>	<b>\$5,412,590</b>	<b>0.5 %</b>	<b>(\$50,346,103)</b>	<b>(4.1) %</b>	<b>\$11,629,143,765</b>	<b>\$670,333,426</b>	<b>6.1 %</b>	<b>\$3,025,536</b>	<b>0.0 %</b>
<b>Other Revenue</b>										
Lottery	0	0	--	0	--	178,763,962	(28,031,196)	(13.6)	0	0.0
Gaming	4,798,983	650,115	15.7	(111,158)	(2.3)	25,372,968	3,434,225	15.7	419,129	1.7
License, Fees and Permits	4,202,720	(22,942)	(0.5)	456,656	12.2	42,255,098	2,273,802	5.7	2,405,407	6.0
Interest	18,831,539	(7,133,504)	(27.5)	3,243,932	20.8	188,555,860	(65,138,667)	(25.7)	11,827,254	6.7
Sales and Services	2,959,013	237,929	8.7	(134,766)	(4.4)	20,132,724	(2,862,654)	(12.4)	(495,297)	(2.4)
Other Miscellaneous	(847,622)	(2,270,519)	--	(2,365,917)	--	27,947,292	7,792,602	38.7	(2,315,711)	(7.7)
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	5,324,002	(963,821)	(15.3)	3,845,975	260.2	44,699,306	(42,029,038)	(48.5)	374,140	0.8
<b>Sub-Total Other Revenue</b>	<b>\$35,268,636</b>	<b>(\$9,502,743)</b>	<b>(21.2) %</b>	<b>\$4,934,721</b>	<b>16.3 %</b>	<b>\$527,727,208</b>	<b>(\$124,560,926)</b>	<b>(19.1) %</b>	<b>\$12,214,923</b>	<b>2.4 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$1,201,859,985</b>	<b>(\$4,090,153)</b>	<b>(0.3) %</b>	<b>(\$45,411,382)</b>	<b>(3.6) %</b>	<b>\$12,156,870,972</b>	<b>\$545,772,499</b>	<b>4.7 %</b>	<b>\$15,240,459</b>	<b>0.1 %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(105,688,149)	24,713,501	(19.0)	(0)	0.0	(951,193,339)	222,421,506	(19.0)	(0)	0.0
One-Time Transfers	2,872,950	2,872,950	--	0	0.0	9,818,850	9,818,850	--	0	0.0
Income Tax Rebate	(1,350)	8,550	(86.4)	(1,350)	--	(14,350)	273,417,100	(100.0)	(4,600)	47.2
<b>Sub-Total Other Adjustments</b>	<b>(102,816,549)</b>	<b>27,595,001</b>	<b>(21.2) %</b>	<b>(1,350)</b>	<b>0.0 %</b>	<b>(941,388,839)</b>	<b>505,657,456</b>	<b>(34.9) %</b>	<b>(4,600)</b>	<b>0.0 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,099,043,436</b>	<b>\$23,504,848</b>	<b>2.2 %</b>	<b>(\$45,412,732)</b>	<b>(4.0) %</b>	<b>\$11,215,482,133</b>	<b>\$1,051,429,956</b>	<b>10.3 %</b>	<b>\$15,235,858</b>	<b>0.1 %</b>
<b>Non-General Funds</b>										
Highway User Revenue Fund	158,104,440	32,663	0.0 %	(3,998,166)	(2.5) %	1,342,405,513	30,044,329	2.3 %	1,615,701	0.1 %

## Monthly Indicators

### NATIONAL

The Bureau of Economic Analysis' (BEA) third estimate of U.S. **Real Gross Domestic Product** (GDP) in the 4<sup>th</sup> quarter of 2024 is a seasonally adjusted annualized growth rate of 2.4%. This amount is revised upward from the second estimate produced by the BEA in February.

The **Consumer Confidence Index**, published by the Conference Board, was 92.9 in March, a decrease of (7.2) percentage points from the previous month. This is the 4<sup>th</sup> consecutive month of decline and the lowest level the index has been since January 2021. Consumers were more pessimistic about the present and future situations for multiple reasons. Higher inflation expectations, lower stock prices, and tariff uncertainty were all cited by survey respondents as sources of concern. Over the last 12 months, the index has decreased by (9.9)%.

The Conference Board's **U.S. Leading Economic Index** (LEI) was 101.1 in February, a (0.3)% reduction from the revised January level. Only 3 of the components in the LEI made negative contributions to the index: consumer expectations, the ISM New Orders Index, and building permits. The declines in these categories were significant enough to offset positive or neutral contributions from the remaining 7 components. In the 6 months from August to February, the LEI declined (1.0)%, a smaller decrease than the (2.1)% decline over the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** decreased by (0.1)% in February over the prior month on a seasonally adjusted basis. A significant decline in gasoline prices offset increased food and shelter prices during the month. Compared to the same month last year, consumer prices are up by 2.4% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 2.8% from a year ago.

### ARIZONA

#### Housing

In February, Arizona had a 12-month total of 40,730 **single-family building permits** issued. This represents a decrease of (1.4)% below the prior month's rolling total and an increase of 6.9% over the previous February's 12-month total.

Arizona's 12-month total of 14,420 **multi-family building permits** in February is (4.4)% below January's rolling total and (37.8)% below the 12-month period ending in February 2024.

The **median home price** in Maricopa County rose to \$491,500 in March, a 0.8% increase over the prior month and 2.6% above March 2024's median home price.

#### Tourism

**Phoenix Sky Harbor Airport Ridership** remained steady at around 4.0 million passengers in February, down a mere (0.4)% from the prior month and (3.4)% below February 2024 ridership.

February 2025 **state park visitation** fell (10.0)% below January's figure, dropping to 262,627. Visitation is also down (1.5)% from February 2024 levels.

#### Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state gained 3,800 **nonfarm jobs** in March compared to February. In the 10-year period prior to the pandemic (2010-2019), Arizona experienced an average net gain of 10,800 jobs in March. Compared to the same month in 2024, the state lost (16,400) jobs in March 2025, a decrease of (0.5)%.

The state's seasonally adjusted **unemployment rate** increased from 3.9% in February to 4.1% in March. The U.S. seasonally adjusted unemployment rate rose from 4.1% in February to 4.2% in March. This is the 12<sup>th</sup> consecutive month that Arizona's unemployment rate has been below the national rate.

OEO reported that a total of 3,801 **initial claims for unemployment insurance** were filed in Arizona in the week ending on April 5<sup>th</sup>. This represents an (11.0)% year-over-year drop in initial claims, with the week ending April 6, 2024 seeing 4,273 initial claims.

According to OEO, there were a total of 23,783 **continued claims for unemployment insurance** in Arizona for the week ending March 29<sup>th</sup>, which is 7.8% greater than last year's total of 22,070 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.





## State Personal Income

The U.S. Bureau of Economic Analysis (BEA) recently released **state personal income** estimates for the 4<sup>th</sup> quarter of 2024, as well as for the entire calendar year. Personal income in Arizona increased at an annual rate of 4.5% in the 4<sup>th</sup> quarter. Net earnings, dividends, interest, and rent, and transfer receipts all grew during the quarter. For all of calendar year 2024, Arizona personal income grew by 5.2%. The BEA estimates the total level of personal income was \$494.2 billion.

## State Agency Data

As of April 1, 2025, the total **AHCCCS caseload** was 1.9 million members. Total monthly enrollment decreased (1.0)% from March and decreased (9.3)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.3)% in April compared to March, or (4.7)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 827,411 – a decrease of (2.0)% from March and (15.4)% lower than last year.

For April 2025, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.4% over the prior month. At 72,881, this population is 4.3% higher than a year ago.

Based on information the **Department of Child Safety** provided for February 2025, reports of child maltreatment totaled 42,939 over the last 12 months, a decrease of (2.0)% from the prior year.

There were 8,678 children in out-of-home care as of February 2025, or (11.0)% less than in February 2024. Compared to the prior month, the out-of-home children population decreased by (0.5)%.

There were 8,523 individuals receiving **TANF Cash Assistance** in March 2025, representing a (3.8)% decline from February 2025. Year over year, the number of cash benefit recipients has decreased by (23.7)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 922,472 individuals receiving SNAP benefits in March 2025, representing a 0.5% increase from February 2025. Year over year, the number of SNAP recipients has decreased by (3.1)%.

The Arizona Department of Correction's **Inmate Population** was 35,570 as of March 31, 2025. This was a 0.1% increase since February 28, 2025 and a 2.3% increase since March 2024.



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	March	4.1%	0.2%	0.8%
- Total Unemployment Rate (discouraged/underemployed)	4 <sup>th</sup> Q 2024	7.0%	(0.2)%	(0.3)%
- Initial Unemployment Insurance Claims	Week Ending Apr 5	3,801	16.7%	(11.0)%
- Continued Unemployment Insurance Claims	Week Ending Mar 29	23,783	(1.0)%	7.8%
- Non-Farm Employment - Total	March	3,262,000	0.1%	(0.5)%
Manufacturing	March	192,900	(0.2)%	(2.0)%
Construction	March	224,000	0.9%	(2.7)%
- Average Hourly Earnings, Private Sector	March	\$34.68	0.7%	6.9%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	February	40,730	(1.4)%	6.9%
Multi-family		14,420	(4.4)%	(37.8)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	March	5,618	20.8%	4.8%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	March	\$491,500	0.8%	2.6%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	February	3,981,995	(0.4)%	(3.4)%
- State Park Visitors	February	262,627	(10.0)%	(1.5)%
- Revenue Per Available Hotel Room	February	\$149.76	80.7%	3.5%
- Arizona Hotel Occupancy Rate	February	72.5%	15.7%	0.5%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	4 <sup>th</sup> Q 2024	\$494.2 billion	4.5%	4.7%
- Arizona Population (U.S. Census)	July 2024	7,582,384	N/A	1.5%
- State Debt Rating				
Standards & Poor's/Moody's Rating	May 2015/Nov 2019	AA / Aa1	N/A	N/A
Standards & Poor's/Moody's Outlook	July 2024/Nov 2019	Positive/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	March 1st	1,941,877	(1.0)%	(9.3)%
Traditional Acute Care		1,041,585	(0.3)%	(4.7)%
Other Acute Care		827,411	(2.0)%	(15.4)%
Long-Term Care – Elderly & DD		72,881	0.4%	4.3%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	February	42,939	(0.1)%	(2.0)%
DCS Out-of-Home Children	February	8,678	(0.5)%	(11.0)%
Filled Caseworkers (1406 Budgeted)	February	1,236	(6)	(61)
- ADC Inmate Growth	March	35,570	0.1%	2.3%
- Department of Economic Security				
- TANF Cash Assistance Recipients	March	8,523	(3.8)%	(23.7)%
- SNAP (Food Stamps) Recipients	March	922,472	0.5%	(3.1)%
<b>United States</b>				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	4 <sup>th</sup> Q, 2024 (3 <sup>rd</sup> Estimate)	\$23.5 trillion	2.4%	2.5%
- Consumer Confidence Index (1985 = 100)	March	92.9	(7.2)%	(9.9)%
- Leading Economic Index (2016 = 100)	February	101.1	(0.3)%	(3.1)%
- Consumer Price Index, (1982-84 = 100)	March	319.8	(0.1)%	2.4%



## Summary of Recent Agency Reports

**Arizona Department of Administration – Report on FY 2025 Rent Exemptions** – Pursuant to A.R.S. § 41-792.01, the Arizona Department of Administration (ADOA) is required to report to the JLBC Staff each proposed partial or whole Capital Outlay Stabilization Fund (COSF) rental exemption. Due to space reallocations at 1740 W Adams St, ADOA has proposed additional rent exemptions totaling \$6,200 for the ADOA Central Services Bureau and the Board of Podiatry Examiners. ADOA has increased rent charges to the Board of Occupational Therapy, the Board of Athletic Training, and the State Personnel Board by a corresponding amount. (Destin Moss)

**Arizona Department of Administration – Report on School Safety Program Expenditures** – Pursuant to A.R.S. § 41-1733(B), each county sheriff or city police department that has established a school safety program shall submit a report on all expenditures made in the preceding year. The FY 2023 budget appropriated \$20.0 million from the General Fund to the Arizona Department of Administration (ADOA) to distribute to county sheriffs and police departments. A budget footnote delineated each allocation. In addition, the FY 2022 budget appropriated \$2.5 million to the State Treasurer and delineated allocations to the Maricopa, Yavapai, Mohave, and Navajo County Sheriffs.

In FY 2024, counties reported a total of \$4.2 million in expenditures for the implementation of interoperable school safety programs. Most counties are in the process of working with vendors to implement these interoperable safety systems. Apache County, Gila County, La Paz County, Pinal County and Santa Cruz County did not submit a report detailing their expenditures. (Ethan Scheider)

**AHCCCS – Report on Inpatient Psychiatric Treatment Availability** – Pursuant to A.R.S. § 36-2903.13, the Arizona Health Care Cost Containment System (AHCCCS) reported the availability of inpatient psychiatric treatment from Regional Behavioral Health Authorities for the time period of January 1, 2024, through October 15, 2024.

As of October 2024, there were 2,073 licensed psychiatric beds available at subacute and secure residential treatment centers as well as 2,148 additional beds available at hospitals specializing in behavioral health. As a result, a total of 4,221 beds are available among provider types able to bill AHCCCS for inpatient psychiatric services. The occupancy rate increased substantially from 61.6% in 2023 to 88% in 2024.

AHCCCS separately provided inpatient psychiatric treatment expenditures and the number of unique members receiving those services out of state for 2 populations: 1) members younger than 21, and 2) members aged 21 and older. Regarding the former population, AHCCCS spent \$116.5 million in 2024 with 104 members having one or more inpatient stays out of state. For members 21 and older, AHCCCS spent \$279.1 million with 109 members having one or more inpatient stays out of state.

While AHCCCS is required to report the prevalence of psychiatric boarding for at least 24 hours before transferring the patient to a psychiatric facility, relevant data is currently unavailable. AHCCCS is working with Managed Care Organizations to implement a standardized reporting methodology. (Maggie Rocker)

**Department of Corrections – Report on Health Care Performance Measures** – Pursuant to an FY 2025 General Appropriations Act footnote, ADC submitted its latest report detailing the status of health care performance measures tracked for the purposes of contract monitoring. The report includes measures or quality indicators required by the permanent injunction in the *Jensen v. Thornell* litigation issued in April 2023. ADC reports that the injunction requires that each quality indicator not meeting 100% compliance requires a corrective action plan.

According to ADC, from January 2024 to November 2024, 325 of the 1,699 quality indicators audited (19% of indicators) were considered as meeting 100% compliance. Another 575 quality indicators (34% of indicators) were considered as meeting at least 75% compliance. (Geoffrey Paulsen)

**Department of Corrections – Report on Mental Health Transition Pilot Program** – Pursuant to A.R.S. § 31-291, the Arizona Department of Corrections (ADC) submitted its annual report on the Mental Health Transition Pilot Program for FY 2024. The program provides 90 days of mental health services for up to 500 inmates per year that have been diagnosed with a serious mental illness and are nearing their release from ADC custody. During the 90 days, services are provided through AHCCCS with the intent that the inmate continue AHCCCS coverage upon release.





ADC reports that the first inmates in the program began receiving services in March 2023. In FY 2024, ADC reports that 133 total inmates participated in the program. Of the participants, 54 successfully completed all 90 days before the end of the fiscal year, 17 were still enrolled at the end of FY 2024, and 49 were unsuccessfully discharged from the program. Since the program began, ADC reports that 30% of participants returned to ADC custody, compared to a 22% return rate for those with a serious mental illness that did not participate in the program. (Geoffrey Paulsen)

**Arizona Criminal Justice Commission – Report on Anti-Racketeering Revolving Fund** – Pursuant to A.R.S. § 13-2314.01 and § 13-2314.03, the Arizona Criminal Justice Commission (ACJC) provided its first and second quarterly report on the activities of the Arizona Anti-Racketeering Revolving Fund (ARRF). ACJC is required to compile quarterly expenditures of the Attorney General, department, agency, county attorney, and political subdivision reports into a single comprehensive report of sources and expenditures as well as report on forfeiture orders.

In the first half of FY 2025, the ARRF received revenues totaling \$20.5 million, and had expenditures totaling \$12.8 million. Of these revenues and expenditures, revenues reported to ACJC by county attorneys totaled \$5.1 million and expenditures totaled \$5.6 million.

In the first half of FY 2025, participating agencies received \$16.8 million in net collections from seized assets originally valued at \$41.5 million.

ARRF consists of monies derived from seized property and assets that result from judgments pursuant to anti-racketeering statutes. Once a settlement or conviction is reached, the Attorney General disperses the monies to the involved state and local investigative and prosecutorial agencies. Additionally, assets seized as part of a federal investigation are deposited into the fund and used in accordance with state and federal guidelines. Monies in ARRF are used to help fund the investigation and prosecution of any offense defined as racketeering pursuant to Arizona statutes. (Benjamin Beutler)

**Department of Environmental Quality – Report on Full Time Employee Requirements** – Pursuant to A.R.S. § 41-1055, agencies are required to report the number of full-time employees necessary to implement and enforce proposed rules prior to receiving approval from the Governor's Regulatory Review Council.

The Arizona Department of Environmental Quality (ADEQ) reported that it would require 3 full-time employees to implement new and adjusted aquifer water quality standards. As of March 2025, these rules have yet to be approved by the Governor's Regulatory Review Council. ADEQ is responsible for drinking water aquifer water quality standards to protect the state's aquifers, which are all designated for drinking water-protected use. These standards are used in the issuing of permits. Statute requires ADEQ to open a rulemaking docket to match additional primary drinking water maximum contaminant levels (MCLs) established or modified by the U.S. Environmental Protection Agency (EPA) or set an Arizona standard. (Maggie Rocker)

**Judiciary – Court of Appeals – Report on Distribution of Cases** – Pursuant to Laws 2022, Chapter 310, the Arizona Administrative Office of the Courts (AOC) submitted its report on the distribution of cases between Division I and Division II of the Court of Appeals. The report evaluates whether cases should be reallocated between divisions for optimal use of judicial resources and expeditious case resolution.

According to the report, between 2005 and 2024, 77.2% of case filings were assigned to Division I and 22.8% of case filings were assigned to Division II. Based on this information, the court developed a case transfer process for select case types and a targeted workload distribution of 67.9% of cases to Division I and 32.1% of cases to Division II. The court determined civil/probate, family, criminal, and post-conviction relief case types were best suited for transfer from Division I to Division II. The court began moving cases in November 2022. The court reports that from February 2023 to October 2024 it essentially achieved its targeted workload distribution — 69.7% for Division I and 30.3% for Division II — within 2.0% of their goal. (Benjamin Beutler)

**Northern Arizona University – Report on Translational Genomics Research Institute** – Pursuant to a FY 2025 General Appropriation Act footnote, Northern Arizona University (NAU) submitted its 2024 report on the Translational Genomics Research Institute (TGen). The budget includes \$5 million from the General Fund for biomedical research funding. Of this amount, \$3 million is appropriated to NAU and \$2 million is appropriated to the Department of Health Services. These monies are distributed to TGen each year.

In calendar year 2024, TGen spent its distribution from NAU on research supplies (\$284,400), research for outside services (\$409,500), research capital (\$1.9 million), proposal development (\$100,000), project management (\$100,000), technical infrastructure (\$100,000), and education (\$100,000).



Monies distributed from DHS were used for salaries and benefits (\$152,900), professional and outside services (\$1.7 million), and facilities and administrative costs (\$181,800).

TGen reported 41 new FTE Positions totaling \$4.4 million for salaries and benefits, in addition to \$1.9 million for 65 part-time and temporary positions. The majority of funding for these positions comes from non-state sources and grants. TGen investigators reported submitting 134 grants totaling \$156.9 million and were awarded 26 grants totaling \$24.5 million. NAU also reports that in 2024 there were 7 patents issued that utilized TGen technology and 209 published academic articles and presentations. (Ethan Scheider)

