

## Summary

July 2024 General Fund revenues were \$1.28 billion, which represents an increase of 15.1% above July 2023. July collections were \$83 million above the enacted budget's revenue forecast. This overall forecast gain was concentrated in the Corporate Income Tax category, with Individual Income Tax and Insurance Premium Tax also posting forecast gains for the month.

### Sales Tax

July Sales Tax collections (which represent June sales activity) grew by 2.6% during the month and generated a minor forecast loss of \$(9) million compared to the enacted budget forecast. While this overall performance is similar to how the category performed in FY 2024, there appear to be developing trends within Sales Tax subcategories.

After robust growth for most of FY 2024, Contracting Tax collections are slowing with June revenue having almost flat growth and July posting a decline of (4.0)%. In addition, the Retail subcategory (the combination of both standard retail and remote sellers) has also experienced a recent deceleration, resulting in sluggish Retail tax growth of 0.8% during July compared to the prior year.

### Individual Income Tax

Overall Individual Income Tax (IIT) collections were 9.7% above July 2023 and \$18 million above forecast for the month. This forecast gain mostly occurred in withholding revenue, as July is a minor month for IIT payments and refunds.

### Corporate Income Tax

July Corporate Income Tax (CIT) revenues were \$53 million above forecast for month, based on the category growing by 74% above July 2023 collections. This large CIT increase was surprising given that July is typically a smaller month with less volatility for the tax category.

### Insurance Premium Tax

Insurance Premium Tax (IPT) collections grew by 22% during July compared to July 2023, which generated a \$12 million forecast gain. While the IPT category has experienced strong growth recently, growth of this magnitude in July is likely also the result of timing issues associated with IPT installment payments.

### FY 2024 Ending Balance Update

As noted in the *July Monthly Fiscal Highlights*, preliminary data indicated that FY 2024 state revenues were \$412 million above the enacted budget revenue forecast.

The total net gain to the state budget, however, would also depend on whether actual spending differed from the budget's projection. At this time, our office is reviewing initial spending data provided by the state's General Accounting Office (GAO), given certain technical complexities with that information.

The enacted budget requires the Executive Branch to provide a preliminary estimate of the FY 2024 ending balance by September 15, 2024. Our office will report this preliminary ending balance information in the upcoming September *Monthly Fiscal Highlights*.

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July Revenues

<b>Table 1</b>			
<b>General Fund Revenues (\$ in Millions)</b>			
	<b>FY 2025 Collections</b>	<b>Difference From Enacted Forecast</b>	<b>Difference From FY 2024</b>
July	\$ 1,277.4	\$ 83.4	\$ 167.5
Year-to-Date	\$ 1,277.4	\$ 83.4	\$ 167.5

**Sales Tax** collections of \$668.3 million in July were 2.6% above the same month in the prior year but \$(8.8) million below the enacted budget forecast. Sales tax revenue collected in July reflects sales activity that occurred in June.

Table 2 shows the July growth rate for the 5 major sales tax categories, which combined make up about 90% of total sales tax collections.

<b>Table 2</b>		
<b>July Sales Tax Growth Rates Compared to Prior Year</b>		
	<b>July</b>	<b>YTD</b>
Retail/Remote Seller	0.8%	0.8%
Contracting	(4.0)%	(4.0)%
Use Tax	21.7%	21.7%
Restaurant & Bar	3.7%	3.7%
Utilities	4.9%	4.9%

The combined Retail/Remote Seller category grew (year-over-year) by 0.8% in July, which is smallest increase since November 2023. Approximately 90% of sales tax revenue for this combined category comes from standard retailers, which includes both "brick-and-mortar" stores and e-commerce sales if the retailer has a physical presence in Arizona (such as a fulfillment center or warehouse). The remaining 10% of the combined retail category comes from out-of-state retailers or "remote sellers," who are required to collect sales tax in Arizona following state legislation associated with the 2018 *Wayfair* US Supreme Court decision.

The weaker-than-expected performance for the combined Retail/Remote Seller category was primarily attributable to standard retail sales, which declined (year-over-year) by (0.7)% in July. Growth in standard retail sales has been trending down since the start of FY 2023 and outright declined in 3 of the last 4 months.

Detailed industry data provided by the Department of Revenue (DOR) indicates that the weakness in standard retail sales is experienced in several sectors, including motor vehicles, building material, lawn and garden supplies, as well as sales by department stores, warehouse clubs and supercenters.

Contracting sales tax revenue declined by (4.0)% in July. This follows June's year-over-year decline of (0.2)%. Detailed industry data from DOR through June suggests that the decline in contracting tax revenue is attributable to the following 3 sectors of the construction industry: residential, specialty trade (such as electrical, plumbing and roofing contractors), and heavy construction (such as highway, street, and utility system construction). Combined, sales tax collections from these 3 industries make up approximately 54% of total contracting tax revenue for the state.

**Individual Income Tax (IIT)** net revenue was \$477.7 million in July, 9.7% above the same month in the prior year and \$18.3 million above the enacted budget forecast.

Withholding collections in July were \$486.5 million, an increase of 6.0% above last year and \$12.2 million higher than under the enacted budget forecast. July's 6% year-over-year increase in withholding revenue appears to be consistent with the current growth in wage and salary disbursements, as reported by the U.S. Bureau of Economic Analysis.

Total (estimated plus final) tax payments were \$32.6 million in July, an increase of 10.6% over last July's level and \$4.1 million above forecast. Income tax payments in July typically make up approximately 2% of the fiscal year total.

Refunds in July were \$41.5 million, a decrease of (21.8)% compared to the same month in the prior year. Like tax payments, the refund level in July tends to represent



about 2% of the fiscal year total. Since the enacted budget forecast assumed a slightly higher refund level of \$43.4 million, the forecast gain for this category was \$1.9 million in July.

	<u>July</u>	<u>YTD</u>
Withholding	6.0%	6.0%
Estimated/Final Payments	10.6%	10.6%
Refunds	(21.8)%	(21.8)%

**Net Corporate Income Tax (CIT)** collections in July were \$141.8 million, an increase of 74.4% from last year and \$53.3 million above the enacted budget forecast. This was by far the highest level of net CIT ever collected in the month of July.

In the prior 5 fiscal years, net collections in July ranged from a low of \$35 million to a high of \$81 million. This is considered a more "normal level" since net collections in excess of \$100 million typically occur in the months of April, June, September and December when most corporations' estimated payments are due.

**Insurance Premium Tax (IPT)** revenue was \$69.7 million in July, an increase of 21.8% compared to the same month in the prior year. IPT revenue in July was \$11.6 million above the enacted budget forecast.

Any insurer with a tax liability of at least \$50,000 annually is required to make 6 monthly installment (or advance) tax payments from March to August of each calendar year. These tax payments, which reflect 15% of the actual IPT liability in the prior calendar year, can vary from month to month depending on when the payments are deposited into the General Fund. For this reason, it is not unusual to see a higher-than-expected level of IPT revenue in one month followed by a lower-than-expected level in the following month.

The amount of **Tobacco Tax** deposited into the General Fund in July was \$1.2 million, which is (33.3)% below July 2023 collections and \$(0.5) million below the enacted budget forecast.

**Liquor Tax** revenue deposited into the General Fund in July was \$3.9 million. This is 14.4% greater than the amount deposited in July 2023 and \$0.1 million above the enacted budget forecast.

**Highway User Revenue Fund (HURF)** collections of \$144.1 million in July were 1.4% above the amount collected in July 2023 but \$(0.9) million below forecast.

The state collected \$13.1 million in dedicated **Marijuana Excise Taxes** in July, which represents a (2.5)% decrease from July 2023 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. The total combined amount of Medical and Recreational state Transaction Privilege Tax (TPT) was \$6.6 million in July. Of this amount, the General Fund received \$4.9 million. (Table 4 details collections for July 2024).

	<u>July</u>	<u>YTD</u>
<b>Marijuana Excise Tax</b>	<b>\$13.1</b>	<b>\$13.1</b>
<b>Medical Marijuana TPT*</b>	<b>\$1.5</b>	<b>\$1.5</b>
<u>Distribution:</u>		
General Fund	\$1.1	\$1.1
Counties	\$0.2	\$0.2
Cities	\$0.1	\$0.1
<b>Recreational Marijuana TPT</b>	<b>\$5.1</b>	<b>\$5.1</b>
<u>Distribution:</u>		
General Fund	\$3.8	\$3.8
Counties	\$0.8	\$0.8
Cities	\$0.5	\$0.5
<b>Total State Marijuana Tax Collections</b>	<b>\$19.7</b>	<b>\$19.7</b>

\* Amounts may not add to total due to rounding



Table 5

## General Fund Revenue: Change from Previous Year and Enacted Forecast July 2024

	Current Month					FY 2025 YTD (One Month)				
	Actual July 2024	Change From July 2023		Enacted Forecast		Actual July 2024	Change from July 2023		Enacted Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<b>Taxes</b>										
Sales and Use	\$668,291,794	\$16,652,727	2.6 %	(\$8,783,467)	(1.3) %	\$668,291,794	\$16,652,727	2.6 %	(\$8,783,467)	(1.3) %
Income - Individual	477,704,473	42,280,729	9.7	18,284,805	4.0	477,704,473	42,280,729	9.7	18,284,805	4.0
- Corporate	141,817,733	60,481,426	74.4	53,309,320	60.2	141,817,733	60,481,426	74.4	53,309,320	60.2
Property	401,063	(139,709)	(25.8)	(143,479)	(26.3)	401,063	(139,709)	(25.8)	(143,479)	(26.3)
Luxury - Tobacco	1,209,285	(604,361)	(33.3)	(491,600)	(28.9)	1,209,285	(604,361)	(33.3)	(491,600)	(28.9)
- Liquor	3,937,399	495,018	14.4	132,956	3.5	3,937,399	495,018	14.4	132,956	3.5
Insurance Premium	69,712,532	12,469,922	21.8	11,626,445	20.0	69,712,532	12,469,922	21.8	11,626,445	20.0
Other Taxes	2,902,529	1,870,444	181.2	1,949,262	204.5	2,902,529	1,870,444	181.2	1,949,262	204.5
<b>Sub-Total Taxes</b>	<b>\$1,365,976,808</b>	<b>\$133,506,195</b>	<b>10.8 %</b>	<b>\$75,884,241</b>	<b>5.9 %</b>	<b>\$1,365,976,808</b>	<b>\$133,506,195</b>	<b>10.8 %</b>	<b>\$75,884,241</b>	<b>5.9 %</b>
<b>Other Revenue</b>										
Lottery	0	0	--	0	--	0	0	--	0	--
Gaming	0	(1,631,464)	(100.0)	(1,665,905)	(100.0)	0	(1,631,464)	--	(1,665,905)	--
License, Fees and Permits	3,888,077	723,973	22.9	(209,851)	(5.1)	3,888,077	723,973	22.9	(209,851)	(5.1)
Interest	(58,460)	(64,820)	--	(62,746)	--	(58,460)	(64,820)	--	(62,746)	--
Sales and Services	1,306,873	220,292	20.3	(413,997)	(24.1)	1,306,873	220,292	20.3	(413,997)	(24.1)
Other Miscellaneous	11,063,555	11,128,161	--	10,949,952	--	11,063,555	11,128,161	--	10,949,952	--
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	888,380	(1,126,682)	(55.9)	(1,070,811)	(54.7)	888,380	(1,126,682)	(55.9)	(1,070,811)	(54.7)
<b>Sub-Total Other Revenue</b>	<b>\$17,088,424</b>	<b>\$9,249,459</b>	<b>118.0 %</b>	<b>\$7,526,643</b>	<b>78.7 %</b>	<b>\$17,088,424</b>	<b>\$9,249,459</b>	<b>118.0 %</b>	<b>\$7,526,643</b>	<b>78.7 %</b>
<b>TOTAL BASE REVENUE</b>	<b>\$1,383,065,232</b>	<b>\$142,755,655</b>	<b>11.5 %</b>	<b>\$83,410,884</b>	<b>6.4 %</b>	<b>\$1,383,065,232</b>	<b>\$142,755,655</b>	<b>11.5 %</b>	<b>\$83,410,884</b>	<b>6.4 %</b>
<b>Other Adjustments</b>										
Urban Revenue Sharing	(105,688,149)	24,713,501	(19.0)	0	0.0	(105,688,149)	24,713,501	(19.0)	0	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Income Tax Rebate	(9,350)	(9,350)	--	(9,350)	--	(9,350)	(9,350)	--	(9,350)	--
<b>Sub-Total Other Adjustments</b>	<b>(105,697,499)</b>	<b>24,704,151</b>	<b>(18.9) %</b>	<b>(9,350)</b>	<b>0.0 %</b>	<b>(105,697,499)</b>	<b>24,704,151</b>	<b>(18.9) %</b>	<b>(9,350)</b>	<b>0.0 %</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,277,367,734</b>	<b>\$167,459,805</b>	<b>15.1 %</b>	<b>\$83,401,534</b>	<b>7.0 %</b>	<b>\$1,277,367,734</b>	<b>\$167,459,805</b>	<b>15.1 %</b>	<b>\$83,401,534</b>	<b>7.0 %</b>
<b>Non-General Funds</b>										
Highway User Revenue Fund	144,145,596	1,990,587	1.4 %	(910,241)	(0.6) %	144,145,596	1,990,587	1.4 %	(910,241)	(0.6) %

Monthly Indicators

NATIONAL

**Real Gross Domestic Product (GDP)** grew above trend at a 2.8% annual rate in the second quarter of 2024, according to the Bureau of Economic Analysis' (BEA) advance estimate.

The acceleration in real GDP growth from 1.4% in the first quarter to 2.8% in the second quarter was primarily attributable to higher consumer spending for goods, increased federal spending, and an increase in inventory investment.

The **Consumer Confidence Index**, published by the Conference Board, rose to 100.3 in July, an increase of 2.5 points. The gain was all in future expectations as evaluations of current conditions eased to its lowest level since April 2021. Consumer evaluation of current conditions were mixed compared to last month. Job conditions improved but general conditions and income prospects waned. Consumer buying plans for big-ticket items like vehicles and housing also remained weak. Only 4.2% of respondents reported having plans to buy a home in the next six months, the lowest rate since 2012.

The Conference Board's **U.S. Leading Economic Index (LEI)** decreased (0.6) points to 100.4 in July. A decrease in the number of new orders from customers of manufacturing firms was the largest contributor to the index's decline in July. Over the 6-month period ending in July, the LEI fell by (2.1)%, a smaller rate of decline than the (3.1)% decrease over the 6-month period between July 2023 and January 2024. According to the Conference Board's press release, "the LEI continues to fall on a month-over-month basis, but the six-month annual growth rate no longer signals a recession ahead."

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in July increased by 0.2% from the previous month on a seasonally adjusted basis. Compared to the same month last year, consumer prices are up by 2.9% before seasonal adjustment, the smallest year-over-year increase since March 2021. The Core CPI, which excludes food and energy, is up by 3.2% from a year ago, the lowest reading since April 2021.

ARIZONA

Housing

In June, Arizona reached a 12-month total of 41,181 **single-family building permits** issued. This marks an increase of 0.8% above May's rolling total and an increase of 44.9% over June 2023's 12-month total.

Arizona's 12-month total of 21,497 **multi-family building permits** in June is 5.8% above the prior month and (8.8)% below the 12-month period ending in June 2023.

The **median home price** in Maricopa County lowered to \$473,000 in July, a (1.9)% decrease from the median sale price in June and a 1.4% increase over the median home price a year prior.

Tourism

**Phoenix Sky Harbor Airport Ridership** fell to 4.2 million in June, a larger than typical drop for June, marking a (10.7)% decrease from the prior month and a 10.6% increase over June 2023 ridership.

**Hotel occupancy** was 62.7% in June, which is (4.5)% below May's rate and (0.4)% below June 2023's rate.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state lost (9,400) **nonfarm jobs** in July compared to June. Job losses on a month-over-month basis are common in July, with 2010-2019 seeing an average net loss of (19,800) jobs each July. Compared to a year prior, the state added 74,300 jobs in July, an increase of 2.4%.

The state's seasonally adjusted **unemployment rate** rose slightly from 3.3% in June to 3.4% in July, the second lowest recorded jobless rate for the state since January 1976 (historical data prior to January 1976 is not available). This slight increase ended a 6-month-long decline of the Arizona unemployment rate. The U.S. seasonally adjusted unemployment rate increased to 4.3% in July from 4.1% in June.

OEO reported that a total of 3,889 **initial claims for unemployment insurance** were filed in Arizona in the week ending on July 27<sup>th</sup>. This represents a (1.1)% year-over-year decrease in initial claims, with the week ending July 29, 2023 seeing 3,933 initial claims.



According to OEO, there were a total of 32,980 **continued claims for unemployment insurance** in Arizona for the week ending July 20<sup>th</sup>. This is 5.7% greater than last year's total of 31,200 on the comparable date. Prior to the start of the pandemic, the average number of weekly continued claims was 22,613.

### State Agency Data

As of August 1, 2024, the total **AHCCCS caseload** was 2.11 million members. Total monthly enrollment decreased (0.5)% from July and decreased (4.6)% compared to a year ago.

Parent and child enrollment in the Traditional population increased by 0.1% in August compared to July, but was down (4.3)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 951,862 – a decrease of (1.3)% from July and (5.6)% lower than last year.

For August 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.3%. At 70,893, this population is 3.5% higher than a year ago.

Based on information the **Department of Child Safety** provided for June 2024, reports of child maltreatment totaled 42,500 over the last 12 months, a decrease of (3.0)% from the prior year.

There were 9,267 children in out-of-home care as of June 2024, or (15.0)% less than in June 2023. Compared to the prior month, the out-of-home children population declined by (1.1)%.

There were 10,239 individuals receiving **TANF** Cash Assistance in July 2024, representing a (4.8)% decline from June 2024. Year over year, the number of cash benefit recipients has decreased by (1.2)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 958,611 individuals receiving SNAP benefits in July 2024, representing a 0.6% increase from June 2024. Year over year, the number of SNAP recipients has increased by 0.6%.

The Arizona Department of Correction's **Inmate Population** was 35,144 as of July 31, 2024. This figure was essentially unchanged from the prior month but 2.7% higher than in July 2023.





<b>Table 6</b>				
<b>MONTHLY INDICATORS</b>				
<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>				
- Seasonally Adjusted Unemployment Rate	July	3.4%	0.1%	(0.5)%
- Total Unemployment Rate (discouraged/underemployed)	2 <sup>nd</sup> Q 2024	7.0%	(0.2)%	0.2%
- Initial Unemployment Insurance Claims	Week Ending July 27	3,889	(11.3)%	(1.1)%
- Continued Unemployment Insurance Claims	Week Ending July 20	32,980	1.1%	5.7%
- Non-Farm Employment - Total	July	3,198,400	(0.3)%	2.4%
Manufacturing	July	193,400	(0.5)%	(0.6)%
Construction	July	219,800	1.3%	4.0%
- Average Hourly Earnings, Private Sector	July	\$33.36	0.5%	4.7%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	June	41,181	0.8%	44.9%
Multi-family		21,497	5.8%	(8.8)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	July	5,065	(1.3)%	7.2%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	July	\$473,000	(1.9)%	1.4%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	June	4,223,536	(10.7)%	10.6%
- State Park Visitors	June	281,145	(3.8)%	(1.0)%
- Revenue Per Available Hotel Room	June	\$79.36	(22.6)%	(2.1)%
- Arizona Hotel Occupancy Rate	June	62.7%	(4.5)%	(0.4)%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	1 <sup>st</sup> Q 2024	\$471.8 billion	8.4%	4.6%
- Arizona Population	July 2023	7,431,344	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
<u>Agency Measures</u>				
- AHCCCS Recipients	August 1st	2,111,334	(0.5)%	(4.6)%
Traditional Acute Care		1,088,579	0.1%	(4.3)%
Other Acute Care		951,862	(1.3)%	(5.6)%
Long-Term Care – Elderly & DD		70,893	0.3%	3.5%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	June	42,500	(0.7)%	(3.0)%
DCS Out-of-Home Children Filled Caseworkers (1406 Budgeted)	June	9,267	(1.1)%	(15.0)%
DCS Out-of-Home Children Filled Caseworkers (1406 Budgeted)	June	1,287	14	(68)
- ADC Inmate Growth	July	35,144	0.0%	2.7%
- Department of Economic Security				
- TANF Cash Assistance Recipients	July	10,239	(4.8)%	(1.2)%
- SNAP (Food Stamps) Recipients	July	958,611	0.6%	0.6%
<b>United States</b>				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	2 <sup>nd</sup> Q, 2024 (1 <sup>st</sup> Estimate)	\$22.9 trillion	2.8%	3.1%
- Consumer Confidence Index (1985 = 100)	July	100.3	2.6%	(12.0)%
- Leading Economic Index (2016 = 100)	July	100.4	(0.2)%	(4.9)%
- Consumer Price Index, (1982-84 = 100)	July	314.5	0.2%	2.9%



## JLBC/JCCR Meeting Follow Up

### Arizona Board of Regents – Report on Private Leases -

Pursuant to A.R.S. § 41-792D, the Arizona Board of Regents (ABOR) is biennially required to submit a report on all approved office leases that exceeded the Lease Cost Review Board’s (LCRB) estimated average cost per square foot for privately-owned office space during the prior 2 years. According to the report, ABOR approved the following new or renewed lease contracts:

- 19 leases that exceeded the LCRB’s \$22.93 average cost per square foot in FY 2023.
- 9 leases that exceeded the LCRB’s \$22.93 average cost per square foot in FY 2024.

Including lease contracts continuing from prior years that did not require renewal, 58 university leases exceeded the LCRB’s average cost per square foot as of FY 2024. (Grace Timpany)

### Pima Community College District - Report on 2019 Bond Issue -

Pursuant to provisions from the September 2018 JCCR meeting, the Pima County Community College District (PCCCD) submitted its final project status update and expenditure report for the \$65.0 million bond project to construct and renovate the Downtown Campus, East Campus, and West Campus. PCCCD's allocation has changed since JCCR originally reviewed the expenditure plan in September 2018.

PCCCD reports total expenditures of \$68.1 million as of June 30, 2024 (see Table 7). At the downtown campus, two buildings are complete. The remaining phase of the Science and Technology building renovation, which will be funded by the college, is in the process of negotiation and

finalization of the renovation designs. Proceeds from the bonds also funded the purchase of four additional downtown properties, and a request for qualifications to study a public-private partnership for future development of these properties has been published.

A planning study to explore the needs and expectations of the Center of Excellence in Public Safety and Security relocation to the East Campus has been approved, as further space programming coordination is needed.

Following a space coordination study of the West Campus nursing and science labs, the college decided to renovate existing health professions facilities using reserve funds. Construction of the health professions facilities began in Summer of 2023 and remains ongoing. Additionally, Construction of the West Campus science labs as part of the renovation is 95% complete and expected to be finished in Fall 2024. All food service and bookstore projects have been completed, and no contingency funds have been spent. (Ethan Scheider)

**Table 7**

	Expenses by Campus		
	Budgeted Expenses	Original Allocation	Actual Expenses
Downtown	\$51,007,422	\$43,300,000	\$52,091,899
East	500,000	5,200,000	49,277
West	12,367,456	5,400,000	15,437,300
Multiple Campuses	500,000	500,000	500,000
Contingency	625,122	10,600,000	0
<b>Total</b>	<b>\$65,000,000</b>	<b>\$65,000,000</b>	<b>\$68,078,476 <sup>1/</sup></b>

<sup>1/</sup> Variance to revenue bonds proceeds have been covered by college funds. Actual expenses over \$65.0 million were paid from interest revenues.

## Summary of Recent Agency Reports

### Arizona Health Care Cost Containment System – Report on Arnold v. Sarn –

Pursuant to an FY 2024 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 has 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 \$62.1 million, including \$27.6 million from the General Fund. The General Fund amounts consists of:





- \$5.5 million for Assertive Community Treatment teams.
- \$1.3 million for Peer Support Services.
- \$0.7 million for Supported Employment.
- \$20.1 million for Supported Housing, which consists of \$19.0 million for rental subsidies and \$1.1 million for support services.

As of April 2024, these funds have provided supportive housing services for 3,879 members, peer support for 2,225 members, and supportive employment services for 1,414 members. These are in excess of the agreement criteria by 2,679, 725, and 664 members, respectively. Funds additionally support 24 ACT teams, 16 more than the agreement criteria. (Maggie Rocker)

**Department of Corrections – Report on Correctional Officer Staffing** – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted its semi-annual report on correctional officer (CO) staffing. As of May 27, 2024, ADC reported that of the 5,962 total CO positions, 4,908.75 were filled and 1,053.25 were vacant, a vacancy rate of 17.7%. This was a decrease since October 2023 when the vacancy rate was 18.95%. Total filled positions increased by 108 since October. For FY 2024 as a whole, ADC reports 1,228.5 new hires, 151.75 COs promoted to a new position, and 787.5 COs leaving ADC, a net change of 289.25 COs since the end of FY 2023.

ADC utilizes overtime to maintain inmate supervision levels despite CO vacancies. In FY 2024, ADC reported a total of 1,260,013 overtime hours worked (through May 2024). ADC reports the average CO earned about \$11,039 in overtime wages in FY 2024, compared to \$11,623 in FY 2023. The average CO stipend also declined from \$3,166 in FY 2023 to \$2,365 in FY 2024. (Geoffrey Paulsen)

**Department of Corrections – Report on Health Care Credits Taken Against Payments to Health Care Vendor** – The state can seek Medicaid reimbursement for the costs of outside medical care for eligible inmates. To receive reimbursement, the care is paid by the Arizona Health Care Cost Containment System (AHCCCS). The Department of Corrections (ADC) pays the state match portion, and AHCCCS covers the federal portion. Since ADC already pays for all health care of inmates in state facilities in the inmate health care services contract, the total dollar amount of Medicaid expenditures is offset on subsequent invoices by the vendor. The net savings to the department is the federal portion.

A.R.S. § 35-142.01 allows the department in the current fiscal year to take credit against payments for the total expenditures paid for hospitalization and outside medical care from the current fiscal year or previous years. Pursuant to statute, ADC submitted its report on the credits taken for the previous fiscal year.

For FY 2024, the department took \$8.4 million in credits. The department paid \$1.1 million for the state match and received \$7.3 million in net savings from federal matching funds. ADC utilizes the net savings to augment funding for the inmate health care contracted services. (Geoffrey Paulsen)

**Office of Economic Opportunity – Microbusiness Loan Program Report** – Pursuant to a provision in the FY 2024 Commerce BRB, the Office of Economic Opportunity (OEO) reported on the amounts, recipients, locations, and progress of loans made through the newly created Microbusiness Loan Program. In FY 2024, the program received a one-time \$5.0 million non-lapsing General Fund appropriation.

<u>Lending Program</u>	<u>Microbusiness Loan Program Area Covered</u>	<u>OEO Award</u>
Rural AZ Microbusiness Loan Program	Coconino, Mohave, La Paz, and Yavapai Counties	\$500,000 for grants/\$15,000 for marketing
AZ Native American Microbusiness Loan Initiative	22 federally recognized tribes in AZ	250,000 for grants
Southern AZ Microbusiness Loan Program	Cochise, Graham, Greenlee, Pima, and Santa Cruz Counties	1,125,000 for grants/15,000 for marketing
Capital Deployment Strategy	Yuma County	124,500 for grants/6,800 for marketing
VVREO Revolving Loan Program	Verde Valley - Yavapai County	100,000 for grants
<b>Total</b>		<b>\$2,136,300</b>



The program allocates monies to entities which in turn provide loans of up to \$50,000 each to microbusinesses in Arizona, defined as independently owned and operated business with 5 or fewer employees. Among other restrictions, OEO may not distribute more than \$2.0 million of the appropriation to any single loan provider, the list of program beneficiaries must include providers located in at least two counties, and OEO's contribution to an eligible provider may not represent more than 25% of the principal amount loaned to microbusinesses through this program.

OEO reports that they have partnered with 5 lending programs operated by various Community Development Financial Institutions (CDFIs) and awarded a total of \$2,136,300 from the \$5.0 million appropriation to date, of which \$2,099,500 is set aside for microbusiness loans and \$36,800 is earmarked for marketing specific partner programs. The awards and coverage areas for each partner program are summarized in *Table 8* on the prior page. (Nate Belcher)

**Southern Arizona Sports, Tourism, and Film Authority – Report on FY 2024 Expenditures** – Pursuant to A.R.S. § 5-1409A, the Southern Arizona Sports, Tourism, and Film Authority (SASTFA) submitted a report detailing its FY 2024 expenditures. SASTFA reported spending a total of \$205,800 from its FY 2023 appropriation of \$750,000. Of this amount, \$126,700 went toward payroll and associated taxes for SASTFA's sole paid employee, \$35,000 paid for grants and Spring Training event expenses, \$23,300 furnished various vehicle/travel costs, \$16,400 was used to pay office rent and other administrative expenses, and the remaining \$4,400 went toward outside professional services and website maintenance.

Including \$134,100 in expenses from FY 2023, SASTFA has spent a total of \$339,900 of its FY 2023 appropriation of \$750,000. (Nate Belcher)

**Office of Tourism – Report on Wine Promotion Line Item** – Pursuant to a FY 2023 General Appropriation Act footnote, the Office of Tourism (AOT) submitted a report on expenditures from the Wine Promotion line item in the previous fiscal year. In FY 2023, the Legislature appropriated \$1,100,000 non-lapsing from the General Fund to promote wines produced in Arizona. AOT has expended \$739,600 of the non-lapsing FY 2023 monies to date. Of this amount, AOT spent \$652,300 on advertising, \$28,600 for research, and \$58,700 to support wine promotion events. (Nate Belcher)

**Arizona Department of Transportation – Annual Report on Motor Vehicle Division Wait Times** – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) reported on Motor Vehicle Division (MVD) field office customer wait times. Between arrival at an MVD office and departure, the average customer experience time in metropolitan areas increased from 20.7 minutes in FY 2023 to 26.2 minutes in FY 2024. The department states that the increase is primarily due to MVD offices implementing a new IT queuing system in FY 2024 that collects wait time data automatically rather than via manual work. During this transition period, several months of data were not collected that historically have had lower than average wait times.

Average customer experience times in metropolitan areas ranged from 18.4 minutes in the Tucson East office to 33.5 minutes in the Chandler office in FY 2024. In non-metropolitan areas, the average customer experience time increased from 16.1 minutes in FY 2023 to 17.0 minutes in FY 2024. In addition to customer experience time, the department measures the percent of customers spending more than 15 minutes waiting in the lobby. This metric increased from 22.1% to 44.8% in metropolitan areas and increased from 19.4% to 20.7% in non-metropolitan areas.

The overall average speed to answer phone calls remained steady at 3 minutes in both FY 2023 and FY 2024. The number of customers scheduling MVD appointments declined by (72.0)% from 405,500 customer visits in FY 2023 to 113,500 in FY 2024. In addition, kiosk transactions decreased by (34.6)%. However, overall self-service transactions (online transactions conducted at AZ MVD Now portal or kiosks) increased by 1.7% from, from 5.8 million to 5.9 million. The number of AZ MVD Now accounts increased by 13.2%, from 3.8 million to 4.3 million. In FY 2024, 666 MVD CSR's processed 2.8 million transactions.

The number of transactions for vehicle registration renewal by mail decreased by (41.6)% from FY 2023 to FY 2024, while the average turnaround time for vehicle registration renewal by mail was 1 day in FY 2024. (Jordan Johnston)

**Arizona Department of Transportation – Annual Report on ServiceArizona Retained Fees** – Pursuant to an FY 2025 General Appropriation Act footnote, the Arizona Department of Transportation (ADOT) reported on the state's share of fees retained by the ServiceArizona vendor in the prior fiscal year.



As an authorized third party, the vendor for ServiceArizona (the state’s vehicle registration renewal website) retains a portion of each transaction it completes, including those

for the vehicle license tax, registration fees and title fees, among others. The vendor for ServiceArizona keeps roughly half of its retained fees as compensation. The other half of the retained fees belong to the state and are treated as non-appropriated monies by ADOT. The state’s share is retained and managed by the ServiceArizona vendor, which disburses funds directly to vendors on behalf of the state, as directed by ADOT.

In FY 2024, the state’s share of the retained fees totaled \$18.9 million. The vendor spent \$21.0 million in FY 2024 on behalf of ADOT. The largest portion of these monies (\$8.9 million) were spent on enhancements and maintenance of the Motor Vehicle Modernization (MvM) automation project, which updated the Motor Vehicle Department (MVD) computer system.

The MvM project was completed on June 30, 2020. The system provides MVD customer service representatives with a suite of new applications for motor vehicle transactions. In addition, residents of Arizona can use the MVD customer portal (AZ MVD Now) which offers a variety of online services; the AZ MVD Now project has previously received enhancements funded by ServiceArizona fees. The department anticipates continued enhancements to the MvM system in FY 2025. Additional projects planned in FY 2025 include changes in ADOT's oversight of the authorized third-party program, development work for MVD's suite of online services for automobile dealers, and continued work on ADOT's mobile driver license program (enables customers to have driver licenses on their smartphones).

Besides funding for MvM enhancements and maintenance, the remaining \$12.1 million was spent as follows:

- \$6.9 million for operations and production support.
- \$4.2 million for MvM extensions and new technologies.
- \$657,900 for ADOT MvM strategic initiatives.
- \$322,900 for contract administration.

(Jordan Johnston)

