

## Summary

November 2024 General Fund revenues were \$1.10 billion, which is an increase of 52.2% above November 2023. November collections were \$(5) million below the enacted budget revenue forecast.

The significant percentage growth in overall state revenues did not generate a large forecast gain, as most of the growth related to last year's one-time income tax rebates. The state issued \$266 million of income tax rebates during November 2023, based on FY 2024 budget legislation that implemented a \$250 one-time dependent tax rebate. Because the one-time rebates lowered the November 2023 revenue collection base, the bottom line year-over-year growth of 52.2% overstates the November 2024 revenue results.

Excluding the impact of the one-time tax rebate, base General Fund revenue collections grew by 7.8%. This base revenue growth rate was helped by increases in non-tax revenue categories such as Lottery, interest earnings and certain transfers/reimbursements. In contrast, the state saw slower growth in the main tax categories, such as Sales Tax and Corporate Income Tax.

### Sales Tax

November Sales Tax collections (which represents October sales activity) grew by 2.3% compared to November 2023. After accounting for an unusually high level of Sales Tax refunds and technical corrections made by taxpayers during the month, the adjusted rate of growth for the Sales Tax category was 4.3% during November. This performance generated a forecast loss of \$(7) million. (See the Sales Tax section below for more information).

### Individual Income Tax

Overall Individual Income Tax (IIT) collections grew by 14.1% above November 2023, which generated a \$24 million forecast gain for the month.

Almost the entire forecast gain for the IIT category was due to withholding collections, which posted a strong growth rate of 10.7% during the month. The reason for this robust growth is unclear, as it generally exceeds recent employment and wage trends by several percentage points.

### Corporate Income Tax

The state's Corporate Income Tax (CIT) revenues during November were actually negative, as the abnormally high level of refunds exceeded tax payments. This unusual result generated a forecast loss of \$(42) million for the tax category during November.

### Other State Revenue Categories

As noted above, the state saw higher growth in non-tax revenue categories, with these non-tax revenues generating a combined forecast gain of \$19 million during the month. That forecast gain was mostly due to Medicaid Refunds received by the state due to a surplus in the Arizona Long Term Care System (ALTCS) program from the prior fiscal year.

### Year-to-Date Results/Operating Balance

Year-to-date through November, excluding Urban Revenue Sharing and one-time revenue adjustments, FY 2025 General Fund revenues are 7.8% above the prior year and are \$231 million above the enacted budget forecast.

The state's fiscal health can also be measured by the operating fund balance. The state pays its bills out of the operating fund balance, which consists of the General Fund and certain dedicated funds. The operating balance as of mid-December 2024 is \$6.8 billion.

## Table of Contents

<b>November Revenues</b> .....	2	DES – Report on Cost Effectiveness Study .....	11
<b>Monthly Indicators</b> .....	5	ADE – School District Budget Override Report .....	11
<b>JLBC Meeting Summary</b> .....	8	ADE – Report on Teacher Salaries.....	11
<b>JCCR Meeting Summary</b> .....	9	ADE – Broadband Expansion Fund Report.....	11
<b>JCCR Meeting Follow-Up</b> .....	10	ADE – Empowerment Scholarship Account Report .....	12
<b>Summary of Recent Agency Reports</b>		DEQ – Indirect Cost Recovery Fund Report .....	12
AHCSS – Emergency Department Utilization.....	10	Leg. Council – Monument and Memorial Repair Fund ....	12
ACA – Report on Water Infrastructure Grants .....	10	ABOR/Comm. Colleges – Report on Articulation .....	12
ACA – Inmate Small Business Program..	10	ASU – Report on University Campuses .....	13



November 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>Enacted Forecast</b>	<b>From FY 2024</b>
November	\$ 1,099.9	\$ (4.7)	\$ 377.3
Year-to-Date	\$ 6,282.1	\$ 230.8	\$ 884.6

**Sales Tax** collections of \$665.8 million in November were 2.3% above the same month in the prior year and \$(6.9) million below the enacted budget forecast. Year to date through November, sales tax revenue is up by 3.7% compared to the same period in the prior year and is \$3.2 million above forecast.

According to the Department of Revenue (DOR), some businesses filed amended Transaction Privilege Tax (TPT) returns for an extended period (from July 2017 to December 2020) that resulted in large sales tax refunds in November. In addition, taxpayers also made amendments to previous TPT returns because of having incorrectly filed and remitted their taxes under the Use Tax classification rather than the Retail classification. As a result of the various amendments filed in November, sales tax collections were artificially lowered by \$(13.2) million. (Use Tax was reduced by \$(17.2) million and Retail TPT was increased by \$4.0 million, for a net sales tax reduction of \$(13.2) million.) Absent the TPT amendments, November sales tax growth would have been 4.3%.

Table 2 shows the November 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>Nov.</b>	<b>YTD</b>
Retail/Remote Seller <sup>1/</sup>	6.2%	(0.6)%
Contracting	6.8%	4.1%
Use Tax <sup>2/</sup>	(48.4)%	58.7%
Restaurant & Bar	0.3%	0.9%
Utilities	12.8%	10.7%

<sup>1/</sup> Absent various corrections of previously filed tax returns in 2023 and 2024, Retail/Remote Seller growth would have been 5.0% in November 2024 and 1.8% YTD.

<sup>2/</sup> Absent various corrections of previously filed tax returns in 2023 and 2024, Use Tax growth would have been (3.3)% in November 2024 and 5.6% YTD.

During the first 5 months of FY 2025, the Utilities classification has performed best among the major sales tax categories, with a year-to-date growth rate of 10.7%. (Use Tax growth through November is artificially high due to corrections of historical data reported by DOR.)

More detailed taxable sales data from DOR indicates that 87% of the year-over-year gain in this category can be attributed to the sale of electricity. Data provided by the U.S. Energy Information Administration (EIA) suggests that this revenue increase is due to a combination of price increases and higher consumption of electricity in Arizona.

November **Individual Income Tax (IIT)** net revenue was \$431.8 million, 14.1% greater than the previous November and \$24.4 million higher than the enacted budget forecast. Year-to-date (YTD) through November, IIT has grown 13.6% compared to the same period in FY 2024 and is \$128.1 million above the forecast.

Withholding revenue in November was \$436.1 million, a 10.7% increase over last year and \$23.0 million more than the forecast. The growth in withholding collections is outpacing wages and salaries at the national and state level, which is between 5% and 6%, according to the latest data from the U.S. Bureau of Economic Analysis. YTD, withholding has grown 7.3% compared to the same period in FY 2024 and is \$88.3 million greater than the forecast.

Tax payments (estimated and final) in November were \$27.7 million, a (36.3)% decline from last November and \$(14.5) million under the forecast. November is not an important month for estimated or final payments, historically making up around 2% of the fiscal year total. YTD through November, total payments are (13.5)% lower than FY 2024 and are \$(48.6) million below forecast.

Refunds were \$32.0 million in November, a (45.4)% decrease from November 2023. Since the enacted budget forecast assumed a higher refund level of \$48.0, there was a forecast gain of \$16 million in November. Typically, November refunds make up about 2% of the fiscal year



total. YTD, refunds have decreased (36.4)% relative to the same period in FY 2024, resulting in a YTD forecast gain of \$88.4 million.

**Table 3**  
**Individual Income Tax Growth Rates**  
**Compared to Prior Year**

	<u>November</u>	<u>YTD</u>
Withholding	10.7%	7.3%
Estimated/Final Payments	(36.3)%	(13.5)%
Refunds	(45.4)%	(36.4)%

In November, corporate tax refunds exceeded corporate tax payments by \$30.7 million. As a result, **Corporate Income Tax (CIT)** net revenue in November was \$(30.7) million. This net CIT loss was due to an unexpectedly high level of refunds in November, which reached \$(78.1) million compared to tax payments of \$47.4 million. This amount of refunds has only been exceeded once, which was in November 2009 when the state issued \$(93.9) million in corporate refunds.

**Insurance Premium Tax (IPT)** revenue was \$1.1 million in November, a decrease of (14.8)% compared to the same month in the prior year and \$(174,200) below the enacted budget forecast. The amount of IPT collections in November tends to be small as neither installment payments by insurers nor estimated payments by AHCCCS contractors are due this month. YTD, IPT revenue is up by 15.8% and is \$18.6 million above forecast.

The amount of **Tobacco Tax** deposited into the General Fund in November was \$1.2 million, which is (28.6)% below collections a year prior and about \$(0.4) million below the enacted budget forecast. Year to date, General Fund tobacco tax revenues total \$7.0 million, which is (14.1)% below collections in the prior year and \$(0.8) million under forecast.

**Liquor Tax** revenue deposited into the General Fund in November was \$4.3 million. This is 1.6% more than the amount deposited in November 2023 and about \$0.4 million above the enacted budget forecast. Year to date, General Fund deposits from liquor tax collections total \$18.8 million, an 11.6% increase over the comparable period in FY 2024, and \$0.2 million above forecast.

The **Lottery Commission** reported that total ticket sales in November were \$107.2 million. This amount is \$(4.4) million, or (3.9)% lower than in November 2023.

**Highway User Revenue Fund (HURF)** collections of \$146.8 million in November were 4.8% above the amount collected in November 2023 and \$3.8 million above forecast. Year to date, collections are \$727.4 million, 2.8% above the same period in the prior year and \$5.2 million more than forecast.

In November, the state collected \$14.6 million in dedicated **Marijuana Excise Taxes**, which marks a (4.1)% reduction from November 2023 collections. Monies from this excise tax are deposited into dedicated non-General Fund accounts. This month'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*)

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

	<u>November</u>	<u>YTD</u>
<b>Marijuana Excise Tax</b>	<b>\$14.6</b>	<b>\$68.8</b>
<b>Medical Marijuana TPT</b>	<b>\$0.9</b>	<b>\$5.2</b>
<u>Distribution:</u>		
General Fund	\$0.7	\$3.9
Counties	\$0.1	\$0.8
Cities	\$0.1	\$0.5
<b>Recreational Marijuana TPT</b>	<b>\$4.6</b>	<b>\$22.0</b>
<u>Distribution:</u>		
General Fund	\$3.4	\$16.2
Counties	\$0.7	\$3.6
Cities	\$0.5	\$2.2
<b>Total State Marijuana Tax Collections</b>	<b>\$20.0</b>	<b>\$96.0</b>

\* Amounts may not add to total due to rounding



Table 5

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

	Current Month					FY 2025 YTD (Five Months)					
	Actual November 2024	Change From November 2023		Enacted Forecast		Actual November 2024	Change from November 2023		Enacted Forecast		
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent	
<b><u>Taxes</u></b>											
Sales and Use	\$665,761,849	\$14,892,609	2.3 %	(\$6,921,995)	(1.0) %	\$3,329,770,188	\$118,144,848	3.7 %	\$3,199,220	0.1 %	
Income - Individual	431,773,678	53,202,887	14.1	24,411,870	6.0	2,293,336,604	273,910,670	13.6	128,103,009	5.9	
- Corporate	(30,717,397)	(38,129,679)	--	(42,023,847)	--	529,620,613	50,488,596	10.5	55,375,291	11.7	
Property	10,172,429	(3,467,153)	(25.4)	945,360	10.2	20,811,362	4,267,327	25.8	8,080,888	63.5	
Luxury - Tobacco	1,157,270	(462,800)	(28.6)	(367,262)	(24.1)	6,996,209	(1,151,233)	(14.1)	(827,439)	(10.6)	
- Liquor	4,294,326	68,481	1.6	368,268	9.4	18,793,799	1,947,116	11.6	195,384	1.1	
Insurance Premium	1,109,220	(193,437)	(14.8)	(174,197)	(13.6)	249,199,030	34,072,024	15.8	18,598,139	8.1	
Other Taxes	1,091,348	132,358	13.8	187,234	20.7	6,791,471	1,858,766	37.7	1,981,684	41.2	
<b>Sub-Total Taxes</b>	<b>\$1,084,642,722</b>	<b>\$26,043,265</b>	<b>2.5 %</b>	<b>(\$23,574,570)</b>	<b>(2.1) %</b>	<b>\$6,455,319,276</b>	<b>\$483,538,114</b>	<b>8.1 %</b>	<b>\$214,706,177</b>	<b>3.4 %</b>	
<b><u>Other Revenue</u></b>											
Lottery	57,654,062	15,008,904	35.2	(6,971,813)	(10.8)	156,856,062	(14,096,796)	(8.2)	(17,343,688)	(10.0)	
Gaming	3,585,822	369,803	11.5	231,661	6.9	11,013,699	3,754,765	51.7	(826,793)	(7.0)	
License, Fees and Permits	5,473,187	173,053	3.3	262,473	5.0	24,944,974	1,931,847	8.4	1,248,290	5.3	
Interest	25,051,583	25,022,445	--	2,929,238	13.2	101,813,794	480,104	0.5	11,412,181	12.6	
Sales and Services	1,676,763	(115,664)	(6.5)	(283,338)	(14.5)	9,376,372	(3,303,905)	(26.1)	(2,630,125)	(21.9)	
Other Miscellaneous	3,758,586	1,490,132	65.7	633,674	20.3	21,081,014	7,682,793	57.3	6,270,067	42.3	
Medicaid Hospital Revenue	0	0	--	0	--	0	0	--	0	--	
Transfers and Reimbursements	23,727,542	18,844,402	385.9	22,122,284	--	26,693,945	11,819,940	79.5	17,948,413	205.2	
<b>Sub-Total Other Revenue</b>	<b>\$120,927,545</b>	<b>\$60,793,076</b>	<b>101.1 %</b>	<b>\$18,924,180</b>	<b>18.6 %</b>	<b>\$351,779,859</b>	<b>\$8,268,748</b>	<b>2.4 %</b>	<b>\$16,078,345</b>	<b>4.8 %</b>	
<b>TOTAL BASE REVENUE</b>	<b>\$1,205,570,267</b>	<b>\$86,836,341</b>	<b>7.8 %</b>	<b>(\$4,650,390)</b>	<b>(0.4) %</b>	<b>\$6,807,099,134</b>	<b>\$491,806,862</b>	<b>7.8 %</b>	<b>\$230,784,522</b>	<b>3.5 %</b>	
<b><u>Other Adjustments</u></b>											
Urban Revenue Sharing	(105,688,149)	24,713,501	(19.0)	(0)	0.0	(528,440,744)	123,567,504	(19.0)	(0)	0.0	
One-Time Transfers	0	0	--	0	--	3,472,950	3,472,950	--	0	0.0	
Income Tax Rebate	(500)	265,731,600	(100.0)	(500)	--	(9,750)	265,722,350	(100.0)	(9,750)	--	
<b>Sub-Total Other Adjustments</b>	<b>(105,688,649)</b>	<b>290,445,101</b>	<b>(73.3) %</b>	<b>(500)</b>	<b>0.0 %</b>	<b>(524,977,544)</b>	<b>392,762,804</b>	<b>(42.8) %</b>	<b>(9,750)</b>	<b>0.0 %</b>	
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$1,099,881,618</b>	<b>\$377,281,442</b>	<b>52.2 %</b>	<b>(\$4,650,890)</b>	<b>(0.4) %</b>	<b>\$6,282,121,591</b>	<b>\$884,569,665</b>	<b>16.4 %</b>	<b>\$230,774,772</b>	<b>3.8 %</b>	
<b><u>Non-General Funds</u></b>											
Highway User Revenue Fund	146,840,152	6,671,552	4.8 %	3,750,465	2.6 %	727,388,032	20,054,397	2.8 %	5,213,932	0.7 %	

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) second estimate of U.S. **Real Gross Domestic Product** (GDP) in the 3<sup>rd</sup> quarter of 2024 is a seasonally adjusted annualized growth rate of 2.8%. This amount is unchanged from the preliminary estimate produced by the BEA in October.

The **Consumer Confidence Index**, published by the Conference Board, rose 2.1 points to 111.7 in November, its highest level since July 2023. Views on the present situation and expectations for the future both improved during the month. Consumers expect inflation to slow down, jobs to become more plentiful, and for incomes to rise. Over the last 12 months, the index has increased by 10.6%.

The Conference Board's **U.S. Leading Economic Index** (LEI) fell to 99.5 in October, a decline of (0.4)% from the previous month. Weak level of manufacturing new orders was the biggest factor in the decline, along with increased unemployment claims and reduced building permits. According to the Conference Board's press release, the LEI portends "challenges to economic activity ahead", though the Conference Board acknowledges that some of the decline could stem from "possible temporary impacts of hurricanes". In the 6 months from April to October, the LEI decreased by (2.2)%, a greater reduction than the (2.0)% decline over the previous 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in November increased by 0.3% from the prior month on a seasonally adjusted basis. The largest contributor to the increase was shelter prices, followed by food prices. Energy prices also rose in November. Compared to the same month last year, consumer prices are up by 2.7% before seasonal adjustment. The Core CPI, which excludes food and energy, is up by 3.3% from a year ago.

ARIZONA

Housing

In October, Arizona had a 12-month total of 42,095 **single-family building permits** issued. This marks an increase of 0.9% above September's rolling total and an increase of 31.8% over the previous October's 12-month total.

Arizona's 12-month total of 18,600 **multi-family building permits** in October is (3.0)% below the prior month and (20.1)% below the 12-month period ending in October 2023.

The **median home price** in Maricopa County inched down to \$475,000 in November, a (0.6)% decrease from October's median sale price and identical to November 2023's median home price.

Tourism

**Phoenix Sky Harbor Airport Ridership** rose to 4.6 million in October, a figure up 17.5% from the prior month and 5.3% greater than October 2023 ridership.

In October, **revenue per available room** rose sharply again to \$117.09, representing a 30.8% increase over September's average revenue and a 5.4% hike from October 2023's figure.

**Hotel occupancy** was 70.6% in October, which is 8.0% above September's occupancy rate and 1.5% above that of 12 months prior.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state added 31,600 **nonfarm jobs** in November compared to October. In the 10-year period prior to the pandemic (2010-2019), the state had an average net gain of 28,800 jobs in November. Compared to the same month in the prior year, the state added 59,800 jobs in November, an increase of 1.8%. This was the first time since the recovery from the pandemic started in April 2021 that the year-over-year increase was below 2.0%.

The state's seasonally adjusted **unemployment rate** increased from 3.6% in October to 3.7% in November. The Arizona jobless rate was 4.2% in November 2023. The U.S. seasonally adjusted unemployment rose from 4.1% in October to 4.2% in November. The Arizona unemployment rate has remained below the US jobless rate since April this year.

OEO reported that a total of 3,095 **initial claims for unemployment insurance** were filed in Arizona in the week ending on December 7<sup>th</sup>. This represents a (12.7)% year-over-year decline in initial claims, with the week ending December 9, 2023 seeing 3,546 initial claims.



According to OEO, there were a total of 22,867 **continued claims for unemployment insurance** in Arizona for the week ending November 30<sup>th</sup>. This is 6.2% greater than last year's total of 21,542 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 December 1, 2024, the total **AHCCCS caseload** was 2.0 million members. Total monthly enrollment decreased (1.7)% from November and decreased (5.8)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (1.0)% in December compared to November, or (2.1)% compared to a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 876,632 – a decrease of (2.7)% from November and (10.6)% lower than last year.

For December 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.3%. At 72,012, this population is 4.4% higher than a year ago.

Based on information the **Department of Child Safety** provided for October 2024, reports of child maltreatment totaled 42,610 over the last 12 months, a decrease of (3.4)% from the prior year.

There were 8,997 children in out-of-home care as of October 2024, or (13.6)% less than in October 2023. Compared to the prior month, the out-of-home children population decreased by (0.3)%.

There were 9,430 individuals receiving **TANF Cash Assistance** in November 2024, representing a (2.1)% decline from October 2024. Year over year, the number of cash benefit recipients has decreased by (14.4)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 937,004 individuals receiving SNAP benefits in November 2024, representing a (0.4)% decline from October 2024. Year over year, the number of SNAP recipients has decreased by (0.9)%.

The Arizona Department of Correction's **Inmate Population** was 35,511 as of October 31, 2024. This was a 0.6% increase since September 30, 2024 and a 3.4% increase since October 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	November	3.7%	0.1%	(0.5)%
- Total Unemployment Rate (discouraged/underemployed)	3 <sup>rd</sup> Q 2024	7.2%	0.2%	0.4%
- Initial Unemployment Insurance Claims	Week Ending Dec 7	3,095	56.1%	(12.7)%
- Continued Unemployment Insurance Claims	Week Ending Nov 30	22,867	3.8%	6.2%
- Non-Farm Employment - Total	November	3,331,900	1.0%	1.8%
Manufacturing	November	194,500	1.3%	(0.3)%
Construction	November	218,000	(0.5)%	(0.4)%
- Average Hourly Earnings, Private Sector	November	\$33.40	(0.4)%	5.5%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	October	42,095	0.9%	31.8%
Multi-family		18,600	(3.0)%	(20.1)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	November	4,214	(11.5)%	14.0%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	November	\$475,000	(0.6)%	0.0%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	October	4,578,540	17.5%	5.3%
- State Park Visitors	October	248,245	23.8%	(4.4)%
- Revenue Per Available Hotel Room	October	\$117.09	30.8%	5.4%
- Arizona Hotel Occupancy Rate	October	70.6%	8.0%	1.5%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	2 <sup>nd</sup> Q 2024	\$489.4 billion	5.2%	5.5%
- 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	December 1st	2,014,657	(1.7)%	(5.8)%
Traditional Acute Care		1,066,013	(1.0)%	(2.1)%
Other Acute Care		876,632	(2.7)%	(10.6)%
Long-Term Care – Elderly & DD		72,012	0.3%	4.4%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	October	42,610	0.2%	(3.4)%
DCS Out-of-Home Children	October	8,997	(0.3)%	(13.6)%
Filled Caseworkers (1406 Budgeted)	October	1,291	(12)	(44)
- ADC Inmate Growth	October	35,511	0.6%	3.4%
- Department of Economic Security				
- TANF Cash Assistance Recipients	November	9,430	(2.1)%	(14.4)%
- SNAP (Food Stamps) Recipients	November	937,004	(0.4)%	(0.9)%
<b>United States</b>				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	3 <sup>rd</sup> Q, 2024 (2 <sup>nd</sup> Estimate)	\$23.4 trillion	2.8%	2.7%
- Consumer Confidence Index (1985 = 100)	November	111.7	1.9%	10.6%
- Leading Economic Index (2016 = 100)	October	99.5	(0.4)%	(4.1)%
- Consumer Price Index, (1982-84 = 100)	November	315.5	0.3%	2.7%



## JLBC Meeting Summary

At its **December 18, 2024** meeting, the Joint Legislative Budget Committee considered the following issues:

### Executive Session

**Attorney General – Consideration of Proposed Settlements Under Rule 14** – The Committee approved 4 Rick Management settlements pursuant to A.R.S. § 41-621(O) and Committee Rule 14.

**Secretary of State – Review of FY 2025 Election Services Line Item Transfer per A.R.S. § 38-431.03 (A)(9)** – An FY 2025 General Appropriations Act footnote requires JLBC review before transferring monies in or out of the Elections Services Line Item. The Committee gave a favorable review of the Secretary of State's proposed line-item transfer of \$338,100 for security costs.

### Executive Session (Consent Agenda)

**Arizona Department of Administration – Risk Management Annual Report** – Pursuant to Committee Rule 14, Section 4(A), the Arizona Department of Administration submitted its annual Risk Management Report regarding the status of pending litigation, information on settlements and judgments, and projected fund balances. The Committee gave a favorable review to the report.

### Regular Agenda

**AHCCCS/Department of Economic Security - Review of Capitation Rate Changes for Plan Year 2025** - Pursuant to an FY 2025 General Appropriation Act footnote, the State's Medicaid agencies must present their plans to the Committee for review prior to implementing any changes in capitation rates. In their requests, AHCCCS and DES are proposing capitation rate adjustments, which have already been implemented in October 2024. AHCCCS is proposing a rate increase of 3.6% across programs, which the JLBC estimates would cost \$31.7 million above the FY 2025 AHCCCS General Fund budget. DES Developmental Disability (DD) rates would increase by 11.2% above the original FY 2024 rates, which the JLBC estimates would cost \$76.0 million above the FY 2025 General Fund budget. A significant share of the DD rate increase appears to be due to substantial cost increases in the Parents as Paid Caregivers (PPCG) program. The Committee gave the proposed capitation rate increases an unfavorable review.

**Department of Environmental Quality - Solid Waste Program Fee Updates (Discussion only)** - Pursuant to A.R.S. § 41-1008, the Department of Environmental Quality (ADEQ) requested Committee review of 7 solid waste fee increases that exceed the rate of inflation. The proposed fee increases are those that exceed the 48.5% cumulative rate of inflation for the last 12 years, resulting in a \$489,600 of additional revenue increase for the Solid Waste Fee fund. As this item was for discussion only, there was no action taken by the Committee.

**Department of Public Safety - Review of the Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount** - Pursuant to A.R.S. § 41-172 (4)(G) and A.R.S. § 41-172 (4)(H), the Arizona Department of Public Safety (DPS) is required to submit for Committee review the entire FY 2025 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expending any monies. The Committee gave a favorable review to \$800,000 of the agency's expenditure plan to fund the Border Security and Law Enforcement Grants program. This amount excludes a proposed \$250,000 allocation to the Santa Cruz County Sheriff's Office.

### Consent Agenda

**Arizona Department of Administration/Automation Projects Fund - Review of Automation Projects for ADOA HRIS Modernization, AHCCCS MES Modernization, DPS Conceal Weapons Tracking System, and DHS A to Z Portal Participation** - A.R.S. § 41-714 requires Committee review prior to any monies being expended from the Automation Projects Fund (APF). ADOA submitted 4 projects for review: \$6.8 million for ADOA's Human Resources Information System (HRIS) Modernization, \$3.4 million for the Arizona Health Care Cost Containment System (AHCCCS) Medicaid Enterprise System (MES) Modernization, \$494,500 for the Department of Public Safety (DPS) Concealed Weapons Tracking System, and \$700,000 for the Department of Health Services (DHS) to prepare for participation in the A to Z Portal. The Committee gave a favorable review to ADOA's proposed expenditure plan.

**Arizona Department of Administration - Consider Approval of State Employee Travel Rate Adjustments** - A.R.S. § 38-624 (C) requires the Arizona Department of Administration (ADOA) to establish maximum reimbursement amounts for lodging, meal, and mileage expenses taking into consideration the amounts





established by the federal government, subject to approval by the JLBC. ADOA proposed an increase to the personal vehicle and privately-owned aircraft mileage reimbursement rate, meal and incidental expense per diem rates and maximum lodging rates to align with new federal rates. The Committee approved ADOA's proposed with the exception of the privately-owned aircraft mileage reimbursement rate.

**Department of Child Safety - Review of Line Item Transfers** - Pursuant to an FY 2025 General Appropriations Act footnote, the Committee is responsible for reviewing the transfer of monies between most Department of Child Safety (DCS) line items. The Committee gave a favorable review of DCS proposed transfers to realign funding between line items, as well as the transfer of \$651,600 of Federal Expenditure Authority to correctly implement an FY 2023 salary adjustment.

**Department of Economic Security - Review of Plan for the Arizona Training Program at Coolidge** - A.R.S. § 36-570 requires the Department of Economic Security (DES) to submit a report for review by the Joint Legislative Budget Committee (JLBC) on or before November 1 of each year on the department's plans for the Arizona Training Program at Coolidge (ATP-C) and associated group homes, including any plans to close the facilities. The Committee gave a favorable review of the agency's plan for the ATP-C, which includes continuing the renovation work to the intermediate care facilities. DES does not plan to close any facilities at the ATP-C.

## JCCR Meeting Summary

---

At its **December 18, 2024** meeting, the Joint Committee on Capital Review considered the following issues:

### Consent Agenda

**Arizona Department of Agriculture - Review of Rio Rico Building Purchase** – A.R.S. § 41-1252 requires Committee review prior to expenditure of monies appropriated for building renewal and capital projects. The Arizona Department of Agriculture (AZDA) requested review of its purchase of a new inspection facility at 141 Paseo De Yucatan Drive in Rio Rico for \$4.2 million. The Committee gave a favorable review of the request, which included requirements that AZDA: 1) provide quarterly status reports on the sale of its existing inspection facility; and 2) request Committee review of the expenditure plan for any monies generated from the sale of the property.

**Arizona Department of Education - Review of Federal Monies Report** - A.R.S. § 15-1052 requires Committee review of the Arizona Department of Education's (ADE) annual federal monies report. The Committee gave a favorable review of the report.

**JLBC Staff - Consider Approval of Index for Arizona Department of Administration - School Facilities Division Construction Costs** – A.R.S. § 41-5741D3(c) requires that the cost-per-square-foot factors used in the Arizona Department of Administration (ADOA) School Facilities Division (SFD) new school construction formula "shall be adjusted annually for construction market considerations based on an index identified or developed by the Joint Legislative Budget Committee (JLBC) as necessary but not less than once each year". The Committee approved a 3.88% adjustment in the cost-per-square-foot factors, which was based on the Rider Levett Bucknall (RLB) Phoenix construction cost index that has been used by the Committee since 2013.

**Arizona Department of Corrections - Review of FY 2024 HVAC Funding** – A.R.S. § 41-1252 requires Committee review prior to expenditure of monies appropriated for building renewal and capital projects. The Arizona Department of Corrections (ADC) requested review of \$9.8 million from its FY 2024 appropriation to replace evaporative cooling systems with air conditioning. The Committee gave a favorable review of the request.

**Arizona Exposition and State Fair Board - Review of State Fair Capital Projects** – A.R.S. § 41-1252 requires Committee review prior to expenditure of monies appropriated for building renewal and capital projects. The Arizona Exposition and State Fair Board (AESF) requested Committee review of \$2.8 million from the Arizona Exposition and State Fair Fund for major repairs and maintenance projects. The Committee gave a favorable review of the request.



**Arizona Department of Forestry and Fire Management - Review of Arizona Interagency Dispatch Center Project** – A.R.S. § 41-1252 requires Committee review prior to expenditure of monies appropriated for building renewal and capital projects. The Arizona Department of Forestry and Fire Management (DFFM) requested Committee review of \$4.2 million from the General Fund to construct a new Arizona Interagency Dispatch Center (AIDC). The Committee gave a favorable review of the request.

**Arizona State University - Review of Campus Renovation Projects** – A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requested Committee review of \$100.0 million in system revenue bond issuances for building and infrastructure improvements, and classroom and laboratory renovations across all campuses. The Committee gave a favorable review of the request with the standard university financing provisions.

## JCCR Meeting Follow-Up

**Arizona Department of Transportation – Report on Vehicle Fueling Facilities** – Pursuant to a provision from the November 2024 JCCR meeting, the Arizona Department of Transportation (ADOT) submitted a report on the projected beginning construction date and the projected completion date of 10 vehicle fueling facility projects. ADOT reports that construction for 7 of the facilities (Flagstaff, Needle Mountain, Kingman, Tucson, St. David, Willcox, and Three Points) is projected to begin in

June 2025 and be completed in December 2026. The remaining 3 facilities (Springerville, Holbrook, and Chambers) will begin construction in August 2025 and be completed in February 2027. Pursuant to the reporting provision, ADOT plans to provide updated information in their quarterly capital reports until the completion of the projects. (Jordan Johnston)

## Summary of Recent Agency Reports

**AHCCCS – Report on Emergency Department Utilization** – Pursuant to A.R.S. § 36-2903.11, AHCCCS reported on Arizona emergency department (ED) utilization. Currently there is no national standard for identifying whether an ED visit was the result of an emergency or non-emergency situation. Therefore, AHCCCS continues to analyze the state's Medicaid population using the American College of Emergency Physicians' coding, which assigns visits to 1 of 5 categories. Level I represents minor problems requiring minimal medical intervention, such as acute upper respiratory infection, removal of sutures, or cough. More severe conditions, such as severe burns or toxic ingestions, are classified as a Level V visit.

In FY 2023, total ED visits increased from FY 2022 by 70,800, or 6.7%, and cost a total of \$653.0 million. Compared to the prior year, this amount represents an increase of \$32.3 million, or 5.2%, in total payments for AHCCCS recipients receiving ED services. (Maggie Rocker)

**Arizona Commerce Authority – Report on Water Infrastructure Grants** – In the FY 2023 budget, the Legislature appropriated \$15.0 million for deposit into the Water Infrastructure and Commerce Grant Fund (WICGF).

In FY 2024, a further \$7.0 million was appropriated into the WICGF for total deposits of \$22.0 million. Pursuant to A.R.S. § 41-1510, the Arizona Commerce Authority (ACA) is required to submit an annual report including actual expenditures from the fund by project and an expenditure plan for all remaining monies in the fund by project.

ACA reports expending all \$22.0 million from this fund through November 30, 2024. Lucid Motors received the full amount in two installments, the first of which was a \$15.0 million grant issued in November 2023 and the second of which was a \$7.0 million grant issued in May 2024. The grants are for phases 1 and 2 of a project to design and construct a high-volume water transport and treatment system which will serve both Lucid Motors and an industrial area in western Pinal County. (Nate Belcher)

**Arizona Commerce Authority – Report on Small Business Program for Inmates** – Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Commerce Authority (ACA) submitted its report on the small business program for inmates. The FY 2024 budget appropriated \$500,000 from the General Fund to ACA for a one-time incubator program to assist former inmates and inmates near the end of their prison sentences with setting up small businesses.



ACA reports that they selected the Arizona Small Business Association (ASBA) to oversee the program in April 2024. Since then, ASBA has partnered with the Department of Corrections to schedule and plan the program, which ASBA anticipates will begin in the fourth quarter of calendar year 2024. The program will consist of monthly 5-day workshops at each of the following state prison complexes: ASPC-Perryville and ASPC-Phoenix West. Each workshop is expected to consist of 15 to 20 inmates, with the workshops designed to teach participating inmates skills relevant to establishing and maintaining a business once they are released.

While the workshops have not yet started, ASBA has both developed the curriculum and a plan to track the number of participants, future employment/entrepreneurship results, and recidivism rates of participants as required by the FY 2024 General Appropriation Act footnote. ASBA will survey participants before the workshop, between completing the workshop and their release, and after their release to track these outcomes. Participants will also be able to apply for scholarships and laptops as part of the program's post-release professional development. (Nate Belcher)

**Department of Economic Security – Report on Cost Effectiveness Study Expenditures** – Pursuant to an FY 2025 General Appropriation Act footnote, the Department of Economic Security (DES) reported its expenditures from the Cost Effectiveness Study (CES) in FY 2024. The CES reflects a federal requirement for Arizona’s Medicaid program that the net cost of home and community-based services (HCBS) for a Division of Developmental Disabilities (DDD) client may not exceed the net cost of institutional services for that client. If CES cost thresholds are exceeded, the state covers the amount over the threshold with state-only funds.

In FY 2024, an average of 263 individuals per month had costs of care that exceeded CES thresholds, an increase of 72 individuals above FY 2023. The aggregate amount above the thresholds covered with state-only funds was \$20.8 million. Of this amount, 252 individuals per month received services in a group home setting at a total cost to CES of \$20.1 million, and 11 individuals per month received services in their own home at a total cost to CES of \$703,600. Of the total CES spending, \$2.3 million was from the Special Administration Fund in the CES and JOBS line items and \$7.2 million was from the General Fund in the CES line item. DES reports an outstanding need of \$11.3 million to fully cover FY 2024 CES costs, but it has not yet identified a source of funding. (Chandler Coiner)

**Department of Education – Override Report** – Pursuant to A.R.S. § 15-249.04, the Arizona Department of Education (ADE) has reported FY 2025 data on school district budget overrides. Overrides permit school districts to generate and spend additional monies from local property taxes if approved by voters.

The ADE report for FY 2025 indicates that 88 districts have Maintenance and Operation (M&O) overrides pursuant to A.R.S. § 15-481, 29 have “District Additional Assistance” overrides pursuant to A.R.S. § 15-481, and 1 district has a Special Program override pursuant to A.R.S. § 15-482. Districts are budgeting \$812.5 million for overrides in FY 2025, including \$687.4 million for M&O overrides, \$122.1 million for District Additional Assistance overrides, and \$3.0 million for Special Program overrides. (Patrick Moran)

**Department of Education – Report on Teacher Salaries** – Pursuant to A.R.S. § 15-189.05C and 15-903I the Arizona Department of Education (ADE) recently submitted a report on changes in average teacher salaries reported by individual school districts and charter schools for FY 2025. ADE's reported average changes are not weighted by the size of the district or charter.

ADE indicates that school districts reported a (0.5)% decrease in their average teacher salaries for FY 2025 and charter schools reported a 1.9% increase. The statewide average reported increase for districts and charters combined was 1.0%. The cumulative total increase since FY 2021 is 10.7% among school districts, 14.5% among charters, and 13.1% statewide. (Patrick Moran)

**Department of Education – Report on Broadband Expansion Fund** – Pursuant to A.R.S. § 15-249.07, the Arizona Department of Education (ADE) must report semi-annually on the status of broadband connectivity construction projects that ADE has certified to receive state matching contributions. Since FY 2018, a cumulative total of \$13.5 million of state funds have been allocated to broadband projects in school districts and public libraries that are eligible for federal E-rate funds. State funds are anticipated to generate up to a 9:1 match from E-Rate funds for the projects.

ADE reports that through December 2024, the department approved projects that are completed, in process, or awaiting federal approval totaling \$125.7 million, including \$10.0 million in state funds. The projects have served 241,751 students. An additional \$3.5 million remains unspent, of which ADE states \$3.0 million is available for new projects. (Patrick Moran)



**Department of Education – Reports on Empowerment Scholarship Accounts** – Pursuant to A.R.S. § 15-2406, the Arizona Department of Education (ADE) reported data for the first quarter of FY 2025 on the Empowerment Scholarship Account (ESA) program:

- There were 79,593 total enrollees in the program, including 58,962 universal ESA enrollees.
- Of the students grades 1-12 newly entering the universal ESA program, 4,537, or 57%, were enrolled in a public school immediately preceding their enrollment in the ESA program. The percentage for FY 2024 was 47%.
- 8% of ESA students were kindergartners or preschoolers with disabilities, 70% were in grades 1-8, and 22% were in grades 9-12.
- There were 225 ESA students who were English Language Learners and 14,131 students with disabilities.
- ESA enrollees incurred \$126.3 million of expenses in the first quarter of FY 2025, including \$81.6 million for private school tuition, \$16.4 million for tutoring and teaching services, \$8.7 million for tuition or fees for online learning programs, and \$19.6 million for all other expenses.

The report also delineates all ESA awards by formula allocation and by zip code.

Pursuant to A.R.S. § 15-2403H, ADE is separately required to provide a report estimating total current year ESA costs on or before September 1 and November 1 each year. In ADE's November 2024 submission, the department reported it will cost an estimated \$873.0 million to fund Empowerment Scholarship Accounts (ESAs) in FY 2025. ADE's analysis assumes that enrollment in the program will reach a peak of 91,275 students by the end of FY 2025. (Gordon Robertson)

**Department of Environmental Quality – Report on Use of Indirect Cost Recovery Fund** – Pursuant to an FY 2025 General Appropriations Act footnote, the Department of Environmental Quality (DEQ) provided its report on the intended use of Indirect Cost Fund monies in excess of \$18.8 million in FY 2025.

Revenue for the Indirect Cost Fund comes from the application of a United States Environmental Protection Agency (EPA) approved formula to each fund.

DEQ estimates that FY 2025 monies in the fund, including the beginning balance, will total \$28.0 million; of this amount, DEQ estimates \$23.2 million will be expended in FY 2025, or \$4.4 million above the \$18.8 million appropriated figure. Monies in the fund are used for departmentwide administrative personnel and overhead costs that are not directly allocated to the budget of the contributing programs. (Maggie Rocker)

**Legislative Council – State Monument and Memorial Repair Fund Report** – Pursuant to A.R.S. § 41-1365, Legislative Council submitted a report on monies deposited to the State Monument and Memorial Repair Fund and how monies in the fund were used in the preceding fiscal year. The FY 2024 ending fund balance was \$238,700, which is designated for the benefit of specific monuments and memorials as displayed in Table 7. There were no expenditures from the fund in FY 2024. (Morgan Dorcheus)

<u>Memorial</u>	<u>Amount</u>
Father Albert Braun Memorial	\$1,000
Arizona Law Enforcement Canine Memorial	300
Bill of Rights Memorial	36,100
Ernest W. McFarland Memorial	42,800
Fallen Firefighter and Emergency Medical Technician Memorial	115,400
Gold Star Families Memorial	6,300
Arizona Silent Service Memorial	14,200
Frances Willard Munds Suffrage Memorial	<u>22,600</u>
<b>FY 2024 Ending Balance</b>	<b>\$238,700</b>

**Arizona Board of Regents/Arizona Community Colleges - Report on Articulation** – Pursuant to A.R.S. § 15-1824, the Arizona Board of Regents (ABOR) and the community colleges are required to submit an annual report by December 15 of their progress on both articulation and meeting statewide postsecondary education needs.

Progress in implementing the transfer model and support systems in the 2023-2024 academic year include:

- 7,396 community college students transferred to the public university system.
- 50% of new transfer students from Arizona community colleges, or 3,698 students, entered the university system with 60 or more credits.
- 1,251 Arizona community college courses have direct equivalencies at all 3 Arizona public universities.



- 136 new university freshmen received an associate degree from an Arizona Community College prior to entry.
- 40,925 students were registered in dual enrollment courses at 302 Arizona high schools.

(Grace Timpany)

**Arizona State University – Report on University Campuses**

– Pursuant to A.R.S. § 15-1601 Arizona State University (ASU) reported required financial and operational information for each of the university’s campuses.

- Total capital expenditures in FY 2023 and FY 2024 (in millions):

<b>ASU Capital Expenditures by Campus (\$ in Millions)</b>		
	<b>FY 2023</b>	<b>FY 2024</b>
Tempe	\$204.2	\$290.3
Downtown	5.2	8.7
West	4.3	16.2
East	1.1	9.6
Multiple Campuses	9.9	14.3
<b>TOTAL</b>	<b>\$224.7</b>	<b>\$339.1</b>

- 21<sup>st</sup> day Full-time Equivalent (FTE) student and a head count of students enrolled in one or more courses by campus:

<b>ASU 21<sup>st</sup> Day Enrollment</b>		
	<b>FTEs</b>	<b>Headcount</b>
Tempe	87,886	117,829
Downtown	25,208	46,345
West	13,522	31,568
East	10,050	21,697
<b>TOTAL</b>	<b>136,666</b>	<b>217,439</b>

- Revenues: \$1.27 billion, including \$408.6 million from General Fund and \$857.0 million in appropriated tuition revenue (ASU excluded all non-appropriated revenues, including the non-appropriated share of tuition revenues, from the reported amounts). ASU did not allocate this amount by campus.
- ASU is also required to report any long-term capital or expansion plans for each campus. The university included its one- and three-year Annual Capital Plans, which include construction of the McCain Center on the Tempe campus, expansion of the Polytechnic campus student union, construction of a new ASU Health headquarter building, projects for building enhancements, and classroom and laboratory renovations across all campuses. (Grace Timpany)

