

Summary

May 2024 General Fund revenue collections were \$1.24 billion, which is an increase of 19.9% above May 2023.

May collections were significantly above forecast, generating a \$194 million gain above the JLBC January Baseline revenue forecast. The state's substantial May forecast gains were concentrated in the Individual Income Tax and Corporate Income Tax categories.

Individual Income Tax

Overall Individual Income Tax (IIT) collections during May were \$105 million above the January Baseline forecast. This overall gain was due to the state paying out significantly less in refunds than expected during May, which is a month where the Department of Revenue typically does the final processing of returns submitted in the spring tax filing season.

Given that May is the end of annual tax return processing, the state typically pays out a relatively modest level of refunds during the month. An exception to that pattern, however, was May 2023 where the state paid out a record level of refunds. This was likely due to widespread taxpayer over withholding – the state enacted tax reductions that began in Tax Year 2022 but did not change taxpayer withholding forms until later, generating a large amount of refunds in the spring 2023 tax filing season.

The Baseline revenue forecast assumed that May 2024 refund activity would trend towards long-term averages, but would still remain at elevated levels. Instead, the amount of refunds paid during May 2024 actually ended up falling below historical averages, thereby generating a forecast gain of \$154 million from lower refund activity.

This \$154 million gain from lower-than-expected refunds was offset by losses in withholding (\$18 million loss) and payments (\$31 million loss), resulting in the net gain of \$105 million for overall IIT.

Corporate Income Tax

Corporate Income Tax (CIT) collections in May posted an unusually high growth rate of 86.8% compared to May 2023, which resulted in a gain of \$48 million compared to the January Baseline forecast.

The high growth rate in May is even more surprising because May is typically a smaller collection month for the tax category, comprising approximately 5% of annual collections. Because we lack specific CIT tax filing data, we do not have information on potential causes of the large May forecast gain.

Sales Tax

May Sales Tax collections (which represent April sales activity) grew by 4.7% over the prior year and were \$18 million above the January Baseline forecast for the month. This May result is notable as the 4.7% increase is a return to a more moderate growth rate – previously the Sales Tax category has shown generally weak growth since January.

Year-to-Date Results

Year-to-date through May, FY 2024 General Fund revenues are now \$314 million above the January Baseline forecast. The recently enacted budget assumed that the state would end FY 2024 with revenue collections at a level of \$151 million above this forecast.

June is a significant revenue month, especially in terms of quarterly Individual and Corporate Income Tax payments. In addition, June will determine whether the enacted budget's K-12 and Medicaid formula spending projections are accurate. As a result, we will need the June revenue and spending data prior to determining the budget's financial status at the end of the fiscal year.

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May Revenues

Table 1			
General Fund Revenues (\$ in Millions)			
	FY 2024	Difference From	Difference
	Collections	Baseline Forecast	From FY 2023
May	\$ 1,238.0	\$ 194.3	\$ 205.7
Year-to-Date	\$ 12,987.2	\$ 314.2	\$ (831.7)

Sales Tax collections of \$670.0 million were 4.7% above May of last year and \$18.3 million above the Baseline forecast. On a year-over-year basis, May's 4.7% growth rate was an improvement over the prior 4 months and the best performance since December of last year. Year to date, sales tax revenue is up by 3.2% and is \$23.9 million above forecast.

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

Table 2		
Sales Tax Growth Rates Compared to Prior Year		
	May	YTD
Retail/Remote Seller ^{1/}	2.3%	3.3%
Contracting	10.1%	13.5%
Use Tax ^{2/}	7.7%	(26.0)%
Restaurant & Bar	3.3%	3.1%
Utilities ^{3/}	17.0%	22.4%

^{1/} Absent DOR's technical corrections in August and October of 2023, Retail/Remote Seller YTD growth would have been 2.2%.
^{2/} Absent DOR's technical corrections in August and October of 2023, Use Tax YTD growth would have been (11.0)%.
^{3/} Absent a large taxpayer refund of \$40 million issued in October 2022 (which artificially lowered the FY 2023 revenue base), Utilities YTD growth would have been 11.9%.

The combined Retail/Remote Seller category increased year-over-year by 2.3% in May. Retail sales excluding remote sellers (referred to as "standard" retail sales) increased by a modest 0.6% in May, whereas retail sales by Remote Sellers and Marketplace Facilitators increased by 16.0%, the highest year-over-year growth rate since September 2023. (Standard retail sales make up 90% of the combined Retail/Remote Seller category.)

Almost half of May's overall increase in sales tax collections came from two categories - Contracting and Utilities – which increased by 10.1% and 17.0%, respectively.

Individual Income Tax (IIT) net revenue in May was \$480.9 million, \$104.6 million greater than the Baseline forecast. This forecast gain was due to the level of refunds being far below what we anticipated. Year to date (YTD) through May, IIT collections have decreased by (8.1)% compared to the same period in FY 2023 but are \$181.7 million greater than the Baseline forecast.

Withholding revenue in May was \$439.3 million, a decrease of (6.2)% from last May and \$(18.2) million less than the Baseline forecast. The decline is primarily attributable to there being one fewer Monday in May 2024 relative to May 2023, which is the most important day of the week for processing withholding revenue. Wage and salary disbursements have continued increasing at both the national and state level, according to the latest data from the U.S. Bureau of Economic Analysis (BEA). YTD, withholding has declined by (6.4)% compared to the same period in FY 2023 and is \$27.1 million above the forecast.

May payment revenue was \$115.0 million, a decline of (30.9)% from the previous May and falling \$(31.6) million short of the Baseline forecast. This decrease is mostly due to reduced final payments, which are the result of lower income tax rates and capital gains revenue in tax year 2023. Since 2019, May has become an important month for individual income tax collections, comprising on average about 10% of the yearly total. Prior to 2019, May revenues made up about 1%-2% of the fiscal year total.

As shown in Table 3, year-to-date total payments are (26.3)% less than last year and are \$(68.5) million below the Baseline forecast.

Refunds in May were \$73.4 million, (77.0)% below the May 2023 level and representing a \$154.4 million forecast gain over the Baseline. The lower-than-anticipated refund level in May appears to be related to the processing of tax returns.



According to weekly processing data from the Department of Revenue (DOR), the number of refunds issued in May was about (66)% lower than the same month in 2023. This is unsurprising since there was an unanticipated increase of refunds issued in April. We think that refunds which typically would have been issued in the early part of May were instead issued in late April. YTD through May, refunds are (19.0)% lower than the same period last year, for a forecast gain of \$223.1 million. On average, May refunds make up approximately 5%-10% of the total amount of refunds in a fiscal year.

	<u>May</u>	<u>YTD</u>
Withholding	(6.2)%	(6.4)%
Estimated/Final Payments	(30.9)%	(26.3)%
Refunds	(77.0)%	(19.0)%

Corporate Income Tax (CIT) net collections in May were \$98.4 million, an 86.8% increase from the previous May and \$47.7 million above the Baseline forecast. Collections in May typically make up about 5% of the fiscal year total. YTD through May, net CIT revenue has decreased (4.2)% but is \$65.1 million above the Baseline forecast.

Insurance Premium Tax (IPT) revenue was \$64.6 million in May, an increase of 16.2% compared to the same month in the prior year and \$15.9 million above the Baseline forecast. Fiscal year to date, IPT revenue is up by 10.0% and is \$50.3 million above forecast. The higher-than-expected revenue growth may be due to significant premium increases across several types of insurance during calendar year 2023. These increases would have begun to appear as IPT collections beginning in March 2024.

The amount of **Tobacco Tax** deposited into the General Fund in May was \$1.7 million, which is 32.9% above May 2023 collections and \$0.2 million above the Baseline forecast. Year to date, General Fund tobacco tax revenues total \$17.8 million, which is 4.6% above the comparable period in FY 2023 and \$0.1 million above forecast.

Liquor Tax revenue deposited into the General Fund in May was \$5.7 million, which marks a 21.9% increase over May 2023's deposits and is \$0.9 million above the Baseline forecast. Year to date, General Fund deposits from liquor tax collections total \$41.1 million, which is a 2.2% increase from the comparable period in FY 2023 and \$(0.8) million below forecast.

The **Lottery Commission** reported that total ticket sales in May were \$119.3 million. This amount is \$0.4 million, or 0.3% greater than in May 2023.

Highway User Revenue Fund (HURF) collections of \$147.4 million in May were 9.3% above the amount collected in May 2023 and \$8.2 million above forecast. Year to date, HURF collections are \$1.62 billion, 2.8% above the prior year and \$(10.6) million below forecast.

The state collected \$15.5 million in dedicated **Marijuana Excise Taxes** in May, representing a (11.4)% decrease from May 2023 revenues, which were the highest on record. 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 \$5.4 million in May.

(Table 4 details May 2024 Marijuana tax collections).

	<u>May</u>	<u>YTD</u>
Marijuana Excise Tax	\$15.5	\$162.2
Medical Marijuana TPT*	\$1.1	\$14.9
<u>Distribution:</u>		
General Fund	\$0.8	\$11.0
Counties	\$0.2	\$2.4
Cities	\$0.1	\$1.5
Recreational Marijuana TPT*	\$4.3	\$47.5
<u>Distribution:</u>		
General Fund	\$3.1	\$35.1
Counties	\$0.7	\$7.7
Cities	\$0.4	\$4.8
Total State Marijuana Tax Collections	\$20.9	\$224.7

* Amounts may not add to total due to rounding



Table 5

General Fund Revenue: Change from Previous Year and Baseline Forecast May 2024

	Current Month					FY 2024 YTD (Eleven Months)				
	Actual May 2024	Change From May 2023		Baseline Forecast		Actual May 2024	Change from May 2023		Baseline Forecast	
		Amount	Percent	Amount	Percent		Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$670,040,977	\$29,779,348	4.7 %	\$18,262,306	2.8 %	\$7,264,195,726	\$222,698,708	3.2 %	\$23,940,364	0.3 %
Income - Individual	480,880,920	165,320,729	52.4	104,596,627	27.8	4,390,404,753	(389,078,825)	(8.1)	181,665,517	4.3
- Corporate	98,404,193	45,728,781	86.8	47,706,191	94.1	1,478,164,278	(65,408,500)	(4.2)	65,095,226	4.6
Property	5,922,619	731,051	14.1	3,706,522	167.3	26,206,285	3,309,386	14.5	4,739,608	22.1
Luxury - Tobacco	1,703,815	422,174	32.9	187,155	12.3	17,760,459	788,795	4.6	124,454	0.7
- Liquor	5,745,538	1,030,888	21.9	911,598	18.9	41,138,929	884,948	2.2	(818,084)	(1.9)
Insurance Premium	64,596,377	9,025,072	16.2	15,885,369	32.6	667,206,627	60,929,417	10.0	50,270,295	8.1
Other Taxes	1,006,256	(1,014,141)	(50.2)	(246,854)	(19.7)	16,279,812	(1,157,297)	(6.6)	(2,550,237)	(13.5)
Sub-Total Taxes	\$1,328,300,695	\$251,023,901	23.3 %	\$191,008,915	16.8 %	\$13,901,356,869	(\$167,033,368)	(1.2) %	\$322,467,144	2.4 %
<u>Other Revenue</u>										
Lottery	0	0	--	0	--	222,285,158	46,473,185	26.4	0	0.0
Gaming	2,209,205	463,845	26.6	(550,725)	(20.0)	26,657,906	(13,010,314)	(32.8)	(2,633,515)	(9.0)
License, Fees and Permits	3,809,398	697,955	22.4	1,025,679	36.8	47,976,823	8,962,867	23.0	5,630,383	13.3
Interest	26,134,784	(8,232,158)	(24.0)	1,518,885	6.2	307,327,241	23,524,154	8.3	(12,551,724)	(3.9)
Sales and Services	2,602,339	(1,242,369)	(32.3)	(520,324)	(16.7)	28,352,272	(2,819,147)	(9.0)	(3,031,498)	(9.7)
Other Miscellaneous	3,470,529	3,237,287	--	2,565,841	283.6	24,573,571	10,505,880	74.7	(5,404,038)	(18.0)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	1,979,773	(1,981,213)	(50.0)	(619,109)	(23.8)	136,585,883	30,370,603	28.6	10,270,855	8.1
Sub-Total Other Revenue	\$40,206,029	(\$7,056,652)	(14.9) %	\$3,420,246	9.3 %	\$793,758,854	\$104,007,229	15.1 %	(\$7,719,538)	(1.0) %
TOTAL BASE REVENUE	\$1,368,506,724	\$243,967,248	21.7 %	\$194,429,161	16.6 %	\$14,695,115,723	(\$63,026,139)	(0.4) %	\$314,747,606	2.2 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(130,401,650)	(38,155,093)	41.4	0	0.0	(1,434,418,145)	(419,706,025)	41.4	0	0.0
One-Time Transfers	0	0	--	0	--	0	(75,462,096)	--	0	--
Income Tax Rebate	(91,242)	(91,242)	--	(91,242)	--	(273,538,200)	(273,538,200)	--	(581,850)	0.2
Sub-Total Other Adjustments	(130,492,892)	(38,246,336)	41.5 %	(91,242)	0.1 %	(1,707,956,345)	(768,706,321)	81.8 %	(581,850)	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,238,013,832	\$205,720,913	19.9 %	\$194,337,919	18.6 %	\$12,987,159,378	(\$831,732,460)	(6.0) %	\$314,165,756	2.5 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	147,362,284	12,590,289	9.3 %	8,232,979	5.9 %	1,618,010,611	43,499,403	2.8 %	(10,558,801)	(0.6) %

Monthly Indicators

NATIONAL

The Bureau of Economic Analysis' (BEA) second estimate of U.S. **Real Gross Domestic Product (GDP)** in the 1st quarter of 2024 is a seasonally adjusted annualized growth rate of 1.3%. This estimate was revised downward from their advance estimate of 1.6%.

The Conference Board's **Consumer Confidence Index** increased to 102.0 in May, an increase of 4.5 points from the revised April level. This is the first month of growth for the index since January. Consumers grew more optimistic about the present and future economic situation. According to survey respondents, business conditions are improving, and more consumers are planning on making major purchases over the next six months. However, jobs were reported as less plentiful and inflation concerns rose to their highest level since December 2023. Year-over-year, the consumer confidence index has decreased (0.5)%.

The **U.S. Leading Economic Index (LEI)**, published by the Conference Board, decreased by (0.6) points to 101.8 in April. Worsening consumer sentiment, fewer manufacturing new orders, and reduced building permits all contributed to the decline in the index. According to the Conference Board's press release, this "confirms that softer economic conditions lay ahead". The LEI fell by (1.9)% over the 6-month period between October 2023 and April 2024, a slower rate of decrease from the (3.5)% decline over the prior 6-month period.

The U.S. Bureau of Labor Statistics' **Consumer Price Index (CPI)** in May was unchanged from the previous month on a seasonally adjusted basis. Compared to the same month last year, consumer prices are up by 3.3% before seasonal adjustment. Food and shelter prices increased while energy prices declined, led by a nearly (4.0)% drop in gasoline prices. The Core CPI, which excludes food and energy, is up by 3.4% from a year ago.

ARIZONA

Housing

In April, Arizona reached a 12-month total of 40,170 **single-family building permits** issued. This marks an increase of 3.0% above March's rolling total and an increase of 37.4% over April 2023's 12-month total.

Arizona's 12-month total of 21,041 **multi-family building permits** in April is (0.3)% below March's total and (16.4)% below the same 12-month period ending in April 2023.

The **median home price** in Maricopa County fell slightly to \$484,500 in May, representing a (1.1)% decrease from the median sale price in March and a 4.2% increase over the median home price in May 2023.

Tourism

Phoenix Sky Harbor Airport Ridership fell to 4.5 million in April, marking a (10.6)% decrease from March's record figure and a 6.3% increase over last April's ridership.

Hotel occupancy was 73.7% in April, which is (2.9)% below March's occupancy rate and 2.9% above that of April 2023.

State park visitation totaled 334,154 in April, which is (9.6)% fewer visitors than March and (2.9)% fewer visitors than in April 2023.

Employment

According to the latest employment report released by the Arizona Office of Economic Opportunity (OEO), the state lost (10,300) **nonfarm jobs** in May compared to April. Job losses on a month-over-month basis are common in May, as schools close for the summer and winter visitors return to their home states. Prior to the pandemic, nonfarm employment recorded an average net loss of (6,700) jobs in May (2010-2019). Compared to a year prior, the state added 63,900 jobs in May, an increase of 2.0%.

The state's seasonally adjusted **unemployment rate** decreased from 3.6% in April to 3.4% in May. This marked the 5th consecutive month-over-month decline of the state's jobless rate. The U.S. seasonally adjusted unemployment rate increased to 4.0% in May from 3.9% in April. The last time Arizona's jobless rate was (0.6)% lower than the U.S. unemployment rate was in June 2021.

OEO reported that a total of 4,127 **initial claims for unemployment insurance** were filed in Arizona in the week ending on June 1st. This represents a 3.1% year-over-year increase in initial claims, with the week ending June 3, 2023 seeing 4,002 initial claims.

According to OEO, there were a total of 29,005 **continued claims for unemployment insurance** in Arizona for the week ending on May 25th. This is 6.7% greater than last year's total of 27,186 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 June 1, 2024, the total **AHCCCS caseload** was 2.14 million members. Total monthly enrollment decreased (0.3)% from May and decreased (6.9)% compared to a year ago.

Parent and child enrollment in the Traditional population decreased by (0.2)% in June, or (6.3)% lower than a year ago. Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 973,486 – a decrease of (0.4)% from May, or (8.1)% lower than last year.

For June 2024, the Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population increased by 0.4%. At 70,343, this population is 3.1% higher than a year ago.

Based on information the **Department of Child Safety** provided for April 2024, reports of child maltreatment totaled 43,416 over the last 12 months, an increase of 1.0% from the prior year.

There were 9,627 children in out-of-home care as of April 2024, or (14.0)% less than in April 2023. Compared to the prior month, the out-of-home children population declined by (0.9)%.

There were 10,870 individuals receiving **TANF** Cash Assistance in May 2024, representing a 0.9% increase from April 2024. Year over year, the number of cash benefit recipients has decreased by (3.2)%.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. There were 952,296 individuals receiving SNAP benefits in May 2024, representing a 0.7% increase from April 2024. Year over year, the number of SNAP recipients has increased by 3.2%.

The Arizona Department of Correction's **Inmate Population** was 35,149 as of May 31, 2024. This was a 0.6% increase since April 30, 2024 and a 2.9% increase since May 2024.



Table 6

MONTHLY INDICATORS				
Indicator	Time Period	Current Value	Change From Prior Period	Change From Prior Year
Arizona				
<u>Employment</u>				
- Seasonally Adjusted Unemployment Rate	May	3.4%	(0.2)%	(0.3)%
- Total Unemployment Rate (discouraged/underemployed)	1 st Q 2024	7.2%	(0.1)%	0.7%
- Initial Unemployment Insurance Claims	Week Ending June 1	4,127	(2.2)%	3.1%
- Continued Unemployment Insurance Claims	Week Ending May 25	29,005	2.0%	6.7%
- Non-Farm Employment - Total	May	3,254,100	(0.3)%	2.0%
Manufacturing	May	194,000	0.8%	0.1%
Construction	May	215,800	(0.2)%	1.8%
- Average Hourly Earnings, Private Sector	April	\$33.11	2.1%	2.9%
<u>Building</u>				
- Building Permits (12 month rolling sum)				
Single-family	April	40,170	3.0%	37.4%
Multi-family		21,041	(0.3)%	(16.4)%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	May	6,065	9.1%	(6.5)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	May	\$484,500	(1.1)%	4.2%
<u>Tourism</u>				
- Phoenix Sky Harbor Air Passengers	April	4,526,096	(10.6)%	6.3%
- State Park Visitors	April	334,154	(9.6)%	(2.9)%
- Revenue Per Available Hotel Room	April	\$135.54	(15.5)%	11.2%
- Arizona Hotel Occupancy Rate	April	73.7%	(2.9)%	2.9%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	4 th Q 2023	\$464.2 billion	4.0%	1.3%
- Arizona Population, U.S. Census	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	May 2015/Nov 2019	Stable/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	June 1st	2,136,500	(0.3)%	(6.9)%
Traditional Acute Care		1,092,700	(0.2)%	(6.3)%
Other Acute Care		973,500	(0.4)%	(8.1)%
Long-Term Care – Elderly & DD		70,300	0.4%	3.1%
- Department of Child Safety (DCS)				
Reports of Child Maltreatment (12-month total)	April	43,416	(0.3)%	1.0%
DCS Out-of-Home Children	April	9,627	(0.9)%	(14.0)%
Filled Caseworkers (1,406 Budgeted)	April	1,288	(3)	(5)
- ADC Inmate Growth	May	35,149	0.6%	2.9%
- Department of Economic Security				
- TANF Cash Assistance Recipients	May	10,870	0.9%	(3.2)%
- SNAP (Food Stamps) Recipients	May	952,296	0.7%	3.2%
United States				
- Gross Domestic Product (Chained 2017 dollars, SAAR)	1 st Q, 2024 2 nd Estimate)	\$22.7 trillion	1.3%	2.9%
- Consumer Confidence Index (1985 = 100)	May	102.0	4.6%	(0.5)%
- Leading Economic Index (2016 = 100)	April	101.8	(0.6)%	(5.2)%
- Consumer Price Index, (1982-84 = 100)	May	314.1	0.0%	3.3%



JCCR Meeting Follow-Up

Arizona State Parks Board – Report on Verde River Headwaters Land Acquisition – Pursuant to a provision from the December 2023 JCCR meeting, the Arizona State Parks Board (ASPB) submitted a report to the JLBC staff detailing the total cost of land acquisition for the Verde River Headwaters project, an expenditure plan for the \$1.0 million in development costs, and the anticipated total development costs of the park.

ASPB reports that the purchase of 719.5 acres of land in Yavapai County from the Trust for Public Land (TPL) cost \$7.5 million, with ASPB contributing \$6.0 million and Yavapai County contributing \$1.5 million. ASPB also paid a title company about \$19,000 for closing costs associated with the purchase.

ASPB anticipates that in addition to paying for fencing and signage around the property, the \$1.0 million in development costs will be used for cultural investigation, soil condition and water table evaluation, and other preliminary sitework.

ASPB did not provide the total anticipated cost of developing the park, citing the lack of definitive planning, public comment, and other preliminary work that would need to be done to gauge the total development costs. The Board did provide a rough timeline spanning several years and potential costs of up to \$165 million for construction of facilities typically included in state parks, but stated that the plan is volatile and dependent on a number of unknown factors. (Nate Belcher)

Summary of Recent Agency Reports

Arizona Health Care Cost Containment System – Report on the American Rescue Plan Act Spending Plan – Pursuant to Laws 2023, Chapter 133, the Arizona Health Care Cost Containment System (AHCCCS) is required to report quarterly on any changes to the agency’s Home and Community-Based Services (HCBS) spending plan for the implementation of the American Rescue Plan Act (ARPA) of 2021.

As of April 2024, AHCCCS projects its ARPA HCBS spending plan will total \$1.52 billion, which represents no change from its January 2024 quarterly report and an \$8.0 million increase from its original spending plan.



Arizona Western College – Report on Capital Projects – Pursuant to a provision from the April 2021 meeting of the Joint Committee on Capital Review, Arizona Western College (AWC) submitted an annual project status report of revenue bonds projects. AWC's allocation has changed since the Joint Committee on Capital Review originally reviewed this bond issuance in April 2021. These projects include:

- Residence Hall: Yuma/La Paz Community College District has issued purchase orders totaling \$25,184,096 and expended \$18,493,823. The building is 90% complete, with students expected to move in on August 9th.
- Students Experience Center Building: Yuma/La Paz Community College District has issued purchase orders and expended a total of \$20,489,486. The building is complete and occupied.
- Other Campus Improvement Projects: The district has expended \$2,219,606 on other campus improvement projects for roofing repairs and cooling towers, and has cancelled a previously planned pump station project. (Cameron Mortensen)

The largest allocations include \$1.2 billion for time-limited directed payments to providers for attracting and retaining healthcare workers, followed by \$74.5 million for grant awards targeting programmatic enhancements and infrastructure investments and \$71.0 million for incentive payments to HCBS providers.

To date, the agency has expended \$960.1 million on a Total Funds basis.

ARPA provided states a temporary 10% federal match increase for HCBS expenditures for the period beginning April 1, 2021 and ending March 31, 2022. States have until March 31, 2025, to fully expend funds. (Maggie Rocker)

Arizona Department of Education – Report on ESSER Expenditures – Pursuant to an FY 2023 General Appropriation Act footnote, the Arizona Department of Education (ADE) reported on expenditure of monies allocated to the Superintendent of Public Instruction from the federal Elementary and Secondary School Emergency Relief (ESSER) Fund through March 31, 2024. ADE reports that the department and Local Education Agencies (LEAs) (i.e. school districts and charter schools) have expended \$2.99 billion of ESSER monies through the third quarter of FY 2024, or an increase of \$211.6 million above the prior quarter. Given Arizona's total ESSER allocation of \$4.01 billion, there are \$1.02 billion of ESSER monies that remain unexpended.

The \$211.6 million of third quarter expenditures include the following amounts:

- \$186.8 million for direct allocations to LEAs. ADE is required to allocate a minimum of 90% of ESSER monies for direct distributions to school districts and charter schools.
- \$6.8 million for discretionary allocations by ADE.
- \$15.0 million is for programs to address learning loss.
- \$1.5 million is for afterschool programs.
- \$1.1 million is for summer enrichment programs.
- \$325,300 for ADE administrative expenses.

The final deadline for ESSER expenditures is September 30, 2024. (Patrick Moran)

Department of Education – Report on Estimated Cost of Empowerment Scholarship Accounts for FY 2025 – Pursuant to A.R.S. § 15-2403H the Arizona Department of Education (ADE) recently reported that it will cost an estimated \$864.4 million to fund Empowerment Scholarship Accounts (ESAs) for FY 2025. ADE's analysis assumes that enrollment in the program will reach 86,974 by the end of the first quarter of FY 2025 and will grow to 99,135 by the end of FY 2025. In comparison to ADE's projections, enrollment in the ESA program as of June 17, 2024 was 75,020. (Patrick Moran)

Department of Education – Report on Empowerment Scholarship Accounts – Pursuant to A.R.S. § 15-2406, the Arizona Department of Education (ADE) reported data for the third quarter of FY 2024 on the Empowerment Scholarship Account (ESA) program:

- There were 74,966 total enrollees in the program, including 56,196 universal ESA enrollees.
- Of the students grades 1-12 newly entering the universal ESA program, 11,845, or 61%, were enrolled in a public school immediately preceding their enrollment in the ESA program. The percentage for FY 2023 was 21%.

- 9% of ESA students were kindergartners or preschoolers with disabilities, 70% were in grades 1-8, and 21% were in grades 9-12.
- There were 235 ESA students who were English Language Learners and 13,216 students with disabilities.
- ESA enrollees incurred \$118.9 million of expenses, including \$74.1 million for private school tuition, \$11.0 million for tutoring and teaching services, \$9.3 million for supplemental materials, and \$24.5 million for all other expenses.

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

Department of Economic Security – Report on Cost Effectiveness Study Rates for Developmental Disabilities Programs – Pursuant to A.R.S. § 36-2960, the Department of Economic Security (DES) provided its annual report of the cost-effectiveness study (CES) rate for persons receiving services from the Division of Developmental Disabilities (DDD). The CES reflects a federal requirement for Arizona's Medicaid program that the net cost of home and community-based services (HCBS) for a DDD client enrolled in the Arizona Long Term Care System (ALTCS) may not exceed the net cost of institutional services for that client.

Table 7 below displays the CES for each DDD institutional setting. The FY 2025 CES ranges from approximately \$735 per day (\$268,275 in annual costs) for clients that would be placed in an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) to \$1,597 daily (\$582,905 annually) for individuals that would be placed in a nursing home with the most intensive level of supervision. The FY 2024 budget continued to appropriate \$7.2 million from the General Fund and \$1.2 million from the Special Administration Fund in FY 2024 for ALTCS clients with service costs exceeding the CES rate. (Chandler Coiner)

<u>Institutional Setting</u>	<u>FY 2025 Daily Rate</u>
ICF/IID ^{1/}	\$735
Medical/Nursing Level II	\$892
Medical/Nursing Level III	\$1,004
Medical/Nursing Level IV	\$1,597
Behavioral Health	\$1,130

^{1/} Intermediate Care Facility for Individuals with Intellectual Disabilities

