

JLBC - Monthly Fiscal Highlights

November 2021

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**"In comparison
to the October
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This report has been
prepared for the Arizona
Legislature by the Joint
Legislative Budget
Committee Staff on
November 19, 2021.

Summary

General Fund collections during October 2021 were \$1.17 billion, which is a 19.3% increase above October 2020. Beginning with this *Monthly Fiscal Highlights*, our office will begin to benchmark the state's revenue collections against the October FAC forecast until the JLBC Baseline is released in January.

In comparison to the October FAC revenue forecast, October collections were \$100 million above forecast. Continuing a trend from prior months, the state's largest revenue categories (Sales Tax, Individual and Corporate Income taxes) had robust growth and posted substantial forecast gains.

Sales Tax

The Sales Tax revenue category continued its streak of double-digit growth in October, increasing by 14.8%. The forecast gain was \$31 million.

In terms of specific Sales Tax classifications, prior month trends have also continued with strong growth in retail/remote online sales and the service-based sectors are growing above their pre-pandemic levels.

One notable change is the contracting classification, which posted moderate growth in October after generally poor performance in the first 3 months of FY 2022. (See the *Sales Tax* section below for more information on the revenue category).

Individual Income Tax

The state's total Individual Income Tax (IIT) collections increased by 19.0% and were \$52 million above the October FAC forecast. The October IIT gains were helped by strong withholding growth (9.1% increase) and a record level of October payment activity (which occurs for taxpayers with a six-month filing extension from the standard April deadline).

Corporate Income Tax

The Corporate Income Tax (CIT) category had another month of very high revenue growth in October, increasing by 104.3% above the prior year. Although because October is a smaller month for CIT collections, this growth rate generated a more modest forecast gain of \$15 million above the October FAC forecast. This level of CIT collections is the highest on record for October.

Year-to-Date Results

Year-to-date through October, excluding Urban Revenue Sharing and fund transfers, FY 2022 General Fund revenues are 5.3% above the prior year.

This percentage growth in year-to-date revenues is impacted by the state's 2020 income tax deferral from April 15 to July 15, which caused the July 2020 revenue base (in early FY 2021) to be artificially higher. After adjusting for the deferral, FY 2022 year-to-date revenues are 18.9% above the prior year.

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October Revenues

Table 1

General Fund Revenues (\$ in Millions)			
	<u>FY 2022 Collections</u>	<u>Difference From October FAC Forecast</u>	<u>Difference From FY 2021</u>
October	\$ 1,170.7	\$ 99.7	\$ 189.1
Year-to-Date	\$ 4,851.0	\$ 99.7	\$ 275.3

Sales Tax collections of \$577.7 million were 14.8% above October of last year and \$31.1 million above the October FAC forecast. Through the first 4 months of FY 2022, sales tax revenue is up by 15.4%. Sales Tax collections have grown at double-digit rates in each of the last 8 months.

Table 2 provides more details on the 5 major sales tax categories as well as the smaller transient (hotel/motel) lodging and amusements classification. Categories that were significantly affected by the pandemic are now recovering at a rapid pace.

Additionally, in comparison to October 2019, all 5 major sales tax categories as well as lodging have increased. While October amusement tax revenue (such as movie theaters and concerts) was below the 2019 level by (15)%, this result is inconsistent with the category's recent trends and is likely the result of a technical timing issue.

While Contracting performed very well throughout the COVID-19 pandemic, posting double digit growth rates for several consecutive months, growth started to slow in March 2021. The category posted a 6.2% increase this month.

Table 2

Sales Tax Growth Rates Compared to Prior Year		
	<u>Oct</u>	<u>YTD</u>
Retail/Remote Seller	15.9%	15.5%
Contracting	6.2%	(1.1)%
Use	13.9%	14.3%
Restaurant & Bar	29.9%	33.8%
Utilities	(6.4)%	2.2%
Hotel/Motel Lodging	65.2%	67.8%
Amusements	106.8%	212.2%

Individual Income Tax (IIT) net collections in October were \$519.6 million, 19.0% more than the previous October and \$51.6 million above the October FAC forecast. Continued growth in payments and withholding collections were the primary drivers of this forecast gain. IIT collections year-to-date (YTD) have declined (9.3)% compared to the same period in FY 2021. However, when the impact of the 2020 tax filing deferral is taken into account, IIT is up 18.4% YTD.

Table 3

Individual Income Tax Growth Rates Compared to Prior Year		
	<u>October</u>	<u>YTD</u>
Withholding	9.1%	11.2%
Estimated/Final Payments	40.9%	(48.7)%
Refunds	3.1%	(39.1)%

October withholding revenue grew 9.1% compared to last October and had a forecast gain of \$15.7 million. This reflects rising personal income, including wage and salary disbursements. YTD withholding has grown 11.2%.

October payments increased by 40.9% over last year and were \$31.9 million over the October FAC forecast. October typically has elevated final payment collections as October 15 marks the due date for taxpayers with a six-month filing extension to file their tax return. This month had the highest total payment collections of any previous October, the next highest being October 2020. YTD payments have decreased (48.7)%, but after accounting for the impact of the tax-filing deferral, payments are up by 47.3% YTD.

Refunds were \$88.6million in October, 3.1% higher than October 2020 and \$(4.0) million under the October FAC forecast. YTD refunds are (39.1)% below FY 2021. Taking the deferral into account, YTD refunds are up 13.7%.

Corporate Income Tax net revenue was \$69.0 million in October, which was 104.3% above the October 2020 level and \$15.1 million above the October FAC forecast. October is a smaller collection month, typically representing around 5.5% of the fiscal year total. The level of net collections in October is the highest on record for this month.

Year to date, net collections through October are \$328.1 million, an increase of 34.7% over the same period in the prior year.

Insurance Premium Tax (IPT) revenue was \$9.5 million in October, which was (61.0)% below last year and \$3.1 million above the October FAC forecast. October IPT collections have varied widely over the last 5 years, ranging from \$1 million to over \$24 million. On average, October represents 1.4% of total yearly IPT collections.

October Revenues (Continued)

Year to date, IPT collections through October are \$194.6 million, which is an increase of 16.5% above the prior year.

As noted in previous months, the significant year to date growth in IPT collections is likely related to premium taxes levied on the state's Medicaid program.

The amount of **Tobacco Tax** deposited into the General Fund in October was \$1.8 million, which is 5.7% above the amount collected in October 2020. October collections were essentially the same amount as projected under the October FAC forecast. Year to date, General Fund tobacco tax revenue is \$6.8 million, which is a decrease of (7.4)% below the prior year.

Liquor tax collections deposited into the General Fund in October were \$3.5 million. This is a 49.5% increase over the same month in the prior. October collections were \$0.5 million above the October FAC forecast. Year to date, General Fund liquor tax collections are \$14.2 million, which is a year-over-year increase of 14.9%.

The **Lottery Commission** reported that total ticket sales in October were \$108.6 million. This amount is \$6.7 million, or 6.6%, above October 2020. Year to date, ticket sales are \$432.5 million, which is (2.9)% below the prior year.

Highway User Revenue Fund (HURF) collections of \$138.2 million in October were 1.8% above the amount collected in October 2020 and \$(4.2) million below forecast. Year to date, HURF collections have increased by 5.2% compared to the same period in the prior year and are \$6.1 million above forecast.

The state receives **marijuana tax** revenues from three different sources: 1) the 16% Recreational Marijuana Excise Tax; 2) Sales Tax applied to Recreational Marijuana purchases; and 3) Sales Tax applied to Medical Marijuana purchases. The excise tax is distributed according to the Proposition 207 formula, while the sales tax revenues are allocated to both the state General Fund and local governments under the existing distribution formula for the retail classification (see Table 4).

The state collected \$9.2 million in dedicated marijuana excise taxes in October and \$39.3 million year-to-date.

The General Fund share of both medical and recreational TPT was \$4.4 million in October and \$17.8 million year-to-date.

Table 4

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

	<u>October</u>	<u>YTD</u>
Marijuana Excise Tax	\$9.2	\$39.3
Medical Marijuana TPT	\$3.2	\$13.7
<u>Distribution:</u>		
General Fund	\$2.4	\$10.1
Counties	\$0.5	\$2.2
Cities	\$0.3	\$1.4
Recreational Marijuana TPT	\$2.7	\$10.5
<u>Distribution:</u>		
General Fund	\$2.0	\$7.7
Counties	\$0.4	\$1.7
Cities	\$0.3	\$1.1
Total State Marijuana Tax Collections	\$15.1	\$63.5

Due to delays in reporting final September revenues for various revenues sources, DOR has made **technical adjustments** to prior month collection figures. For September, DOR has decreased the amount of prior General Fund revenue collections by \$(0.3) million, and the adjustment has been included in the reported year-to-date results.

Table 5

General Fund Revenue: Change from Previous Year and October FAC Forecast October 2021

	Current Month					FY 2022 YTD (Four Months)				
		Change From					Change from			
	Actual	October 2020		October FAC Forecast		Actual	October 2020		October FAC Forecast	
	October 2021	Amount	Percent	Amount	Percent	October 2021	Amount	Percent	Amount	Percent
<u>Taxes</u>										
Sales and Use	\$577,665,970	\$74,487,327	14.8 %	\$31,094,732	5.7 %	\$2,269,946,510	\$303,122,768	15.4 %	\$31,094,732	1.4 %
Income - Individual	519,601,287	83,002,994	19.0	51,560,452	11.0	2,142,221,875	(220,928,475)	(9.3)	51,560,452	2.5
- Corporate	69,045,633	35,257,602	104.3	15,096,282	28.0	328,139,059	84,581,802	34.7	15,096,282	4.8
Property	5,001,194	1,546,426	44.8	644,318	14.8	6,724,199	1,995,103	42.2	644,318	10.6
Luxury - Tobacco	1,782,419	96,273	5.7	123	0.0	6,841,573	(546,539)	(7.4)	123	0.0
- Liquor	3,494,155	1,156,953	49.5	479,227	15.9	14,165,552	1,841,180	14.9	479,227	3.5
Insurance Premium	9,486,660	(14,819,720)	(61.0)	3,053,456	47.5	194,573,828	27,561,341	16.5	3,053,456	1.6
Other Taxes	994,848	303,944	44.0	119,853	13.7	3,412,685	(638,918)	(15.8)	119,853	3.6
Sub-Total Taxes	\$1,187,072,166	\$181,031,798	18.0 %	\$102,048,443	9.4 %	\$4,966,025,281	\$196,988,261	4.1 %	\$102,048,443	2.1 %
<u>Other Revenue</u>										
Lottery	34,623,350	2,029,275	6.2	(1,959,250)	(5.4)	74,623,350	42,029,275	128.9	(1,959,250)	(2.6)
Gaming	0	0	--	0	--	0	0	--	0	--
License, Fees and Permits	4,157,209	905,009	27.8	200,079	5.1	13,504,928	104,069	0.8	200,079	1.5
Interest	5,557	2,798	101.4	(2,443)	(30.5)	16,921,256	16,915,123	--	(2,443)	(0.0)
Sales and Services	2,442,431	(583,767)	(19.3)	16,690	0.7	8,949,447	379,409	4.4	16,690	0.2
Other Miscellaneous	3,145,025	102,344	3.4	(215,613)	(6.4)	12,356,636	4,151,302	50.6	(215,613)	(1.7)
Disproportionate Share	0	0	--	0	--	0	0	--	0	--
Transfers and Reimbursements	2,193,899	1,648,116	302.0	(420,806)	(16.1)	10,811,466	(2,821,933)	(20.7)	(420,806)	(3.7)
Sub-Total Other Revenue	\$46,567,471	\$4,103,775	9.7 %	(\$2,381,344)	(4.9) %	\$137,167,084	\$60,757,245	79.5 %	(\$2,381,344)	(1.7) %
TOTAL BASE REVENUE	\$1,233,639,637	\$185,135,573	17.7 %	\$99,667,099	8.8 %	\$5,103,192,365	\$257,745,505	5.3 %	\$99,667,099	2.0 %
<u>Other Adjustments</u>										
Urban Revenue Sharing	(62,962,789)	6,078,283	(8.8)	0	0.0	(252,197,020)	23,967,266	(8.7)	0	0.0
One-Time Transfers	0	0	--	0	--	0	0	--	0	--
Public Safety Transfers	0	(2,122,109)	--	0	--	0	(6,366,327)	--	0	--
Sub-Total Other Adjustments	(62,962,789)	3,956,173	(5.9) %	0	0.0 %	(252,197,020)	17,600,938	(6.5) %	0	0.0 %
TOTAL GENERAL FUND REVENUE	\$1,170,676,848	\$189,091,746	19.3 %	\$99,667,099	9.3 %	\$4,850,995,345	\$275,346,444	6.0 %	\$99,667,099	2.1 %
<u>Non-General Funds</u>										
Highway User Revenue Fund	138,238,672	2,430,441	1.8 %	(4,212,997)	(3.0) %	565,810,204	28,003,851	5.2 %	6,050,496	1.1 %

Monthly Indicators

NATIONAL

The U.S. Bureau of Economic Analysis' (BEA) advance estimate for the 3rd quarter annualized growth rate of **U.S. Real Gross Domestic Product (GDP)** is 2.0%. This is the 5th consecutive quarter with a positive growth rate, though it is the lowest growth rate since the second quarter of 2020. The BEA attributes this lower growth primarily to reduced personal consumption expenditures, both in goods and services.

The **Consumer Confidence Index**, published by the Conference Board, rose 3.6% in October, the first month of growth since June. Consumers were optimistic about the labor market, buying conditions, and income growth over the next six months.

The Conference Board's **U.S. Leading Economic Index (LEI)** increased by 0.2% in September. Improvements of the interest rate spread, credit, and manufacturing orders offset declines in building permits, consumer expectations, and manufacturing hours. In the six-month period ending in September, the LEI increased 5.4%, which was an improvement over the 3.4% increase in the prior six-month period.

The U.S. Bureau of Labor Statistics **Consumer Price Index (CPI)** rose by 0.9% in October. After seasonal adjustment, prices are 6.2% higher than in October 2020, the largest 12-month increase since November 1990. The gain was broad-based across sectors. Prices rose 4.8% for energy and 0.9% for food this month, while the index for used cars and trucks gained 2.5% and the index for new vehicles increased by 1.4%.

ARIZONA

Single-family housing growth is slowing. In September, Arizona's 12-month total of **single-family building permits** was 47,895. This was a reduction of (1.7)% from August but 26.1% above September 2020's 12-month total. September was the 16th consecutive month of double-digit year-over-year growth.

In September, Arizona's 12-month total of 17,049 **multi-family building permits** was 13.7% more than for the same 12-month period in 2020. Multi-family building permits increased by 22.0% for the same 12-month period for the nation.

Tourism and Restaurants

In September, **revenue per available room** rose to \$78.97, an increase of 7.6% over August's figure and an increase of 59.6% over September 2020.

Hotel occupancy was 62.7% in September, which represents a 8.9% increase over August. This figure is 21.6% higher than in September 2020.

Phoenix Sky Harbor Airport Ridership was 3.3 million in September, more than double the ridership of September 2020, indicating a travel industry recovery from the COVID-19 pandemic.

According to data reported by OpenTable, on November 13, **daily restaurant reservations** were 22.3% above 2019 reservations on the comparable date. Despite the recovery of restaurant sector demand, a low supply of employees is currently negatively affecting the industry.

Employment

According to the latest employment report released by the Office of Economic Opportunity (OEO), the state gained 30,400 **nonfarm jobs** in October compared to the prior month. Historically, nonfarm employment has averaged a gain of 29,000 jobs in October (2011-2020). The private sector recorded a gain of 28,500 jobs over the month. Historically, the private sector has averaged a gain of 26,200 jobs in October.

Compared to the same month in the prior year, the state added 138,500 nonfarm jobs in October, which represents a year-over-year increase of 4.8%. All 11 of the major categories recorded job gains over the year, except for Information, which recorded no change. The largest job gains were seen in Leisure & Hospitality (+50,100), Trade, Transportation & Utilities (+30,900) and Professional & Business Services (+26,400).

The state's seasonally adjusted **unemployment rate** decreased to 5.2% in October from 5.7% in September. The U.S. seasonally adjusted unemployment rate decreased from 4.8% in September to 4.6% in October.

OEO reported that a total of 2,588 **initial claims for unemployment insurance** were filed in Arizona in the week ending on November 13th. (This figure excludes the claims under the Pandemic Unemployment Assistance (PUA) program). For the same week in the prior year, 6,285 initial claims were filed. Initial Claims peaked at 132,428 on April 4th, 2020 as a result of the COVID-19 Pandemic and began to decrease throughout the year. By way of comparison, the average number of weekly initial claims in 2019 was 3,912.

According to OEO, for the week ending on November 6th, there were a total of 16,644 **continued claims for unemployment insurance** in Arizona. A year ago this time, the continued claims were 95,164. In comparison

Monthly Indicators (Continued)

to initial claims, continued claims did not peak until August 1, 2020 at 232,497 continued claims. The average number of weekly continued claims in 2019 was 22,613.

State Agency Data

As of November 1, 2021, the total **AHCCCS caseload** was 2.25 million members. Total monthly enrollment increased 0.6% in November over October and increased 9.8% compared to a year ago. Parent and child enrollment in the Traditional population increased by 0.9% in November or 6.9% higher than a year ago.

Other Acute Care enrollment, including Prop 204 Childless Adults, Other Prop 204, Adult Expansion, and KidsCare, was 995,186 in October – an increase of 0.3% over October and 14.4% above last year. For November 2021, Elderly, Physically Disabled and Developmental Disabilities Long-Term Care population growth increased by 0.2%. At 65,410, this population is (0.8)% lower than a year ago.

There were 12,372 **TANF Cash Assistance recipients** in the state in September, representing a (2.2)% monthly caseload decrease from August. The year-over-year number of TANF Cash Assistance recipients has decreased by (21.8)%. The statutory lifetime limit on cash assistance is 24 months.

The **Supplemental Nutrition Assistance Program (SNAP)**, formerly known as Food Stamps, provides assistance to low-income households to purchase food. In September, 829,502 people received food stamp assistance in the state, representing a (4.9)% decrease from August caseloads. Compared to September 2020, the level of food stamp participation has decreased by (7.1)%.

The Arizona Department of Correction's **inmate population** was 34,633 as of October 31, 2021. This was a decrease of (2.3)% since September 30, 2021 and a (10.0)% decrease since October 2020.

Based on information the Department of Child Safety provided for September 2021, **reports of child maltreatment** totaled 45,019 over the last 12 months, an increase of 3.2% over the prior year. There were 14,825 **children in out-of-home care** as of September 2021, or 4.5% more than in September 2020. Compared to the prior month, the number of out-of-home children decreased by (2.3)%.

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	Oct	5.2%	(0.5)%	(1.6)%
- Total Unemployment Rate (discouraged/underemployed)	3 rd Q 2021	10.1%	(1.6)%	(2.5)%
- Initial Unemployment Insurance Claims	Week Ending Nov.13	2,588	(5.8)%	(58.8)%
- Continued Unemployment Insurance Claims	Week Ending Nov.6	16,644	(11.8)%	(82.5)%
- Non-Farm Employment - Total	Oct	3,013,100	1.0%	4.8%
Manufacturing	Oct	181,000	0.4%	3.4%
Construction	Oct	177,400	0.3%	1.4%
- Average Hourly Earnings, Private Sector	Oct	\$28.70	1.2%	3.8%
<u>Building</u>				
- Single-Family Building Permits (12 months rolling sum)	September	47,895	(1.7)%	26.1%
Multi-family	September	17,049	4.8%	13.7%
- Maricopa County/Other, Single-Family Home Sales (ARMLS)	September	6,958	(1.7)%	(8.7)%
- Maricopa County/Other, Single-Family Median Home Price (ARMLS)	September	\$425,000	0.0%	25.0%
- Maricopa Pending Foreclosures	September	808	(3.5)%	(37.3)%
<u>Tourism and Restaurants</u>				
- Phoenix Sky Harbor Air Passengers	September	3,293,728	(3.1)%	108.7%
- State Park Visitors	August	206,821	(26.7)%	(6.3)%
- Revenue Per Available Hotel Room	September	\$78.97	7.6%	59.6%
- Arizona Hotel Occupancy Rate	September	62.7%	8.9%	21.6%
- Arizona OpenTable Reservations – % Change from 2019	November 13	N/A	N/A	22.3%
<u>General Measures</u>				
- Arizona Personal Income, SAAR	2 nd Q 2021	\$379.5 billion	(7.4)%	(1.5)%
- Arizona Population	April 2020	7,151,502	N/A	N/A
- 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	Negative/Stable	N/A	N/A
<u>Agency Measures</u>				
- AHCCCS Recipients	November 1st	2,251,500	0.6%	9.8%
Traditional Acute Care		1,190,900	0.9%	6.9%
Other Acute Care		995,200	0.3%	14.4%
Long-Term Care – Elderly & DD		65,400	0.2%	(0.8)%
- Department of Child Safety (DCS)				
Annual Reports of Child Maltreatment (12-month total)	November	45,019	0.4%	3.2%
DCS Out-of-Home Children	November	14,825	(2.3)%	4.5%
Filled Caseworkers (1406 Budgeted)	November	1,242	20	(93)
- ADC Inmate Growth	October	34,643	(2.3)%	(10.0)%
- Department of Economic Security				
- TANF Cash Assistance Recipients	September	12,372	(2.2)%	(21.8)%
- SNAP (Food Stamps) Recipients	September	829,502	(4.9)%	(7.1)%
United States				
- Gross Domestic Product (Chained 2012 dollars, SAAR)	3 rd Q, 2021 (1 st Estimate)	\$19.5 trillion	2.0%	4.9%
- Consumer Confidence Index (1985 = 100)	October	113.8	3.6%	12.8%
- Leading Economic Index (2016 = 100)	September	117.5	0.2%	9.6%
- Consumer Price Index, SA (1982-84 = 100)	October	276.7	0.9%	6.2%

JLBC/JCCR Meeting Follow-up

Department of Public Safety - Report on GIITEM Subaccount Update – Pursuant to a provision from the July 2021 JLBC meeting, the Department of Public Safety (DPS) submitted an updated expenditure plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Subaccount.

The FY 2022 General Appropriations Act appropriated \$2.4 million from the GIITEM Subaccount, which is allocated to the following programs: Detention Liaison Officers (DLO), Border County Officers (BCO), Pima County Border Crimes Unit, and the Border Security and Law Enforcement Grants.

Under the original expenditure plan favorably reviewed in July 2021 by JLBC, the department planned to allocate \$463,900 to the DLO program and \$547,700 to the BCO program.

The updated expenditure plan proposes to allocate \$396,400 to the DLO program and \$600,000 to the BCO program, representing an overall decrease of \$(15,200). This decrease occurs due to statewide adjustments in the FY 2022 Appropriations Report, which was published in August 2021 after the July JLBC review. DPS reports that the shift in funding between the 2 programs is due to the addition of the Marana Police Department to the

BCO program after the Yuma Police Department had pulled out of the program plus additional salary and overtime revisions to the DLO program. (Jordan Johnston)

Department of Public Safety – Report on Remote Housing Units – Pursuant to a provision from the April 2020 JCCR meeting, the Department of Public Safety (DPS) submitted its biannual report on remote housing units, which includes the current status and construction timeline of the units. The FY 2020 Capital Outlay Bill appropriated \$2.4 million from the Board of Fingerprinting Fund to DPS for the construction of 6 to 8 remote housing units throughout the state.

DPS reported the FY 2020 appropriation has resulted in the completion of 8 modular homes by June 2021. The procurement process resulted in a single contractor bidding and DPS accepting this bid. Quotes from the contractor for the various units resulted in an average price per home of \$291,000 and a total cost of \$2.4 million (including \$25,800 allocated for asbestos abatement and \$46,100 allocated for contingencies). The 8 modular homes are located in the following areas: Dateland (1), Gila Bend (2), Gray Mountain (2), Quartzite (2), and Tusayan (1). With the completion of the project, this will be the final report. (Jordan Johnston)

Summary of Recent Agency Reports

Arizona Department of Administration – Report on the State Monument and Memorial Repair Fund – Pursuant to A.R.S § 41-1365, the Arizona Department of Administration (ADOA) submitted their annual report on monies deposited into the State Monument and Memorial Repair Fund. The fund consists of donations designated for the maintenance of specific monuments or memorials. Monies in the fund are subject to appropriation. The total FY 2021 balance in the fund is \$237,500 designated for 8 specific monuments or memorials. These amounts are unchanged from FY 2020. The amount includes:

- Father Albert Braun Memorial: \$1,000
- Arizona Law Enforcement Canine Memorial: \$300
- Earnest W. McFarland Monument: \$42,800
- Bill of Rights Monument: \$36,100
- Fallen Firefighter and Emergency Medical Technician Memorial: \$115,400
- Enduring Freedom Memorial: \$21,400
- Gold Star Families Memorial: \$6,300
- Arizona Silent Service Memorial: \$14,200

There were no appropriated expenditures from the fund in FY 2021. The FY 2022 budget appropriated \$21,400 from the Enduring Freedom Memorial subaccount to repair the Enduring Freedom memorial. (Rebecca Perrera)

Arizona Department of Administration – Report on Administrative Adjustments – Pursuant to A.R.S § 35-191, the Arizona Department of Administration (ADOA) submitted their report on administrative adjustments. A.R.S § 35-191 allows administrative adjustments for goods and services received after the end of the fiscal year if written documentation is provided by an agency and approved by ADOA.

Statute requires ADOA to report any approvals for goods or services ordered in one fiscal year but received beyond August 30 of the following fiscal year. For FY 2021, ADOA granted approval to the following agencies for purchases made prior to the end of the fiscal year but received after August 30, 2021:

- ADOA for building repairs (\$101,100)
- Board of Psychologist Examiners for laptops (\$8,300)
- Department of Public Safety for vehicles, vehicle equipment and labor (\$4,707,000), Personal Protective Equipment and lab supplies (\$22,600), and uniforms (\$4,400)

(Rebecca Perrera)

Summary of Recent Agency Reports (Continued)

Arizona Department of Administration – Report on State Personnel System – Pursuant to A.R.S. § 41-743, the Arizona Department of Administration (ADOA) submitted their annual report on the State Personnel System (SPS). The SPS includes all agencies in the Executive Branch excluding employees in the Department of Public Safety, Arizona State Schools for the Deaf and the Blind, Cotton Research Council, Peace Officer Standards Training Board, and the Arizona Board of Regents and state universities. ADOA reports that there were 33,080 SPS employees at the end of FY 2021, a decrease of (779) employees from FY 2020. ADOA reports that reduction was due to a return of pre-pandemic turnover and a tighter labor market. (The 33,080 employees is an increase of 83 employees from FY 2019.) The average salary in FY 2021 was \$50,704, a 4.6% increase from the prior year. This amount includes salary increases for select public safety and health and human services employees as implemented in the FY 2021 budget. The statewide employee turnover rate increased to 18.3%, from the FY 2020 level of 16%.

In addition, statute requires ADOA to provide an advisory recommendation for state employee salaries. However, ADOA makes no specific recommendation for employee salaries. (Rebecca Perrera)

Arizona Department of Administration – Automation Projects Fund Quarterly Report and Third-Party Reports – Pursuant to an FY 2022 General Appropriation Act footnote, the Arizona Department of Administration (ADOA) provided its first quarter FY 2022 update of all current projects funded through the Automation Projects Fund (APF). ADOA evaluates the health of each project on a quarterly basis and labels each as on track, at risk, or off track. Of the 12 active projects, ADOA has labeled 6 on track, 2 at risk and 4 not yet started.

Status of ITAC Projects

In its report, ADOA notes that 3 projects approved by the Information Technology Authorization Committee (ITAC) are on-hold or off-track due to schedule delays, cyber security certification, and vendor issues. Projects at risk include those at ADOA (Enterprise Email), Department of Economic Security (DES) (Developmental Disabilities HIPAA Transaction Code Set and Accounts Receivable Collections System), and the Judiciary (State Appellate Court CMS Replacement).

ITAC Third-Party Reports

Additionally, pursuant to A.R.S. § 18-104, any large-scale IT projects with a total cost greater than \$5 million must receive third-party analysis from an independent contracted vendor. The third-party vendor is required to review and provide guidance on the project and

submit quarterly reports on project progress. The Independent Verification and Validation (IVV) reports were submitted for the following projects: Business One-Stop (ADOA), Electronic Visit Verification project (AHCCCS), ATLAS Replacement (DES), and School Finance System replacement (Arizona Department of Education). The reports provided commentary on project progress that generally matched that of the quarterly APF reports from ASET. (Rebecca Perrera)

ADOA - School Facilities Division – Quarterly Report on Credit Enhancement Program – Pursuant to A.R.S. § 41-5858, the School Facilities Division (SFD) within the Arizona Department of Administration is required to submit quarterly reports on the Public School Credit Enhancement Program. The program is operated by the Governor's Office of Education. Since the last quarterly report in July 2021, no new charter operators have qualified for the program. As of September 30, 2021, 15 schools have been approved financing through the program – Academy of Math and Science (2 projects), Arizona Agribusiness and Equine Center, BASIS Schools (2 projects), Candeo Schools, Great Hearts Academies (3 projects), Highland Prep (2 schools), Legacy Traditional Schools, Paradise Schools, and Vista College Preparatory. The total outstanding principal amount is \$350.0 million. To date, there are no guaranteed financings for which the program has been required to disperse funds. The Credit Enhancement Fund balance is \$106.1 million and has a leverage ratio of 3.27(based only on the outstanding principal of issued financing). The statutory limit for the program's leverage ratio is 3.5. (Rebecca Perrera)

Attorney General – Quarterly Report on Child and Family Advocacy Center Fund Expenditures – Pursuant to A.R.S. § 41-191.11, the Attorney General (AG) submitted its quarterly report on expenditures from the Child and Family Advocacy Center Fund (CFAF), which funds nonprofit and government entities that serve victims of child abuse or investigate and prosecute their abusers.

Through the first quarter of FY 2022, the AG did not report any expenditures from the Consumer Protection - Consumer Fraud Revolving Fund. The fund has an unencumbered fund balance of \$100,000 as of September 30, 2021. Ryan Fleischman)

Attorney General – Quarterly Reports on Legal Settlements – The Attorney General (AG) submitted its statutorily-required quarterly reports on the receipts to and disbursements from the Consumer Protection - Consumer Fraud (CPCF) Revolving Fund, the Antitrust Enforcement Revolving Fund, and the Consumer Restitution and Remediation Revolving Fund (including its 2 subaccounts), as well as deposits made to the General Fund.

Summary of Recent Agency Reports (Continued)

In the first quarter of FY 2022, the AG deposited a total of \$138,000 into various consumer accounts. Of that amount, \$106,100 was deposited into the CPCF Revolving Fund, \$23,900 was deposited into the Consumer Restitution Subaccount, and \$8,000 was deposited into the Consumer Remediation Subaccount. The AG made no deposits into the Antitrust Enforcement Revolving Fund from settlements. In addition to the consumer account deposits, the AG made \$60,500 in deposits to the General Fund from settlements.

Deposits to the CPCF Revolving Fund

The AG deposited \$106,100 to the appropriated CPCF Revolving Fund, which may be used for consumer fraud education and investigation, costs associated with the Tobacco Master Settlement Agreement, or any other purpose permitted by statute. This amount resulted from small legal settlements and interest income. As of September 30, 2021, the fund had an unencumbered balance of \$39.2 million.

Deposits to Antitrust Enforcement Revolving Fund

The AG made no deposits into the appropriated Antitrust Enforcement Revolving Fund, which may be used for antitrust enforcement expenses, excluding attorney compensation. As of September 30, 2021, the fund had an unencumbered balance of \$1.8 million.

Deposits to the Consumer Restitution Subaccount

The AG deposited \$23,900 into the non-appropriated Consumer Restitution Subaccount to compensate specific entities for economic loss resulting from consumer fraud. This amount resulted from small legal settlements and interest income. As of September 30, 2021, the fund had an unencumbered balance of \$6.6 million. These funds are specifically earmarked for restitution payments.

Deposits to the Consumer Remediation Subaccount

The AG deposited \$8,000 into the partially-appropriated Consumer Remediation Subaccount, which is used to rectify violations of consumer protection laws. This amount resulted from interest income. As of September 30, 2021, the fund had an unencumbered balance of \$12.7 million.

Deposits to the General Fund

The AG deposited \$60,500 into the General Fund. This amount resulted from small legal settlements. (Ryan Fleischman)

Attorney General – Quarterly Report on Internet Crimes Against Children Enforcement Fund Expenditures

Pursuant to A.R.S. § 41-199, the Attorney General (AG) submitted its quarterly report on expenditures from the Internet Crimes Against Children (ICAC) Enforcement Fund and progress made towards ICAC goals. The ICAC Enforcement Fund receives an annual deposit of \$900,000 in revenues from lottery games that are sold from a vending machine in age restricted areas. Monies in the fund are utilized to support the ICAC Task Force, which is housed within the Phoenix Police Department and works with federal, state, and local law enforcement to investigate technology-facilitated sexual exploitation of children.

Through the first quarter of FY 2022, the AG received no revenues for deposit into the ICAC Enforcement Fund. A total of \$238,600 was expended from the fund balance in the first quarter of FY 2022 to help pay for the operating costs of the ICAC Task Force. As of September 30, 2021, the ICAC Enforcement Fund had a fund balance of \$1.9 million. (Ryan Fleischman)

Auditor General – Report on Phoenix Convention

Center Economic and Fiscal Impact – Pursuant to A.R.S. § 9-626, the Auditor General submitted its report on the economic and fiscal impact of the Phoenix Convention Center. The consulting firm HVS Convention, Sports and Entertainment Facilities Consulting (HVS) conducted the analysis under its contract with the Auditor General. The analysis estimates the additional tax revenues generated for the State of Arizona from regional and national conventions and trade shows held at the Phoenix Convention Center due to the expansion of the Center.

Statute requires the Auditor General to estimate annually how the increased amounts of General Fund revenues resulting from the Convention Center expansion compare to debt service payments made by the state since the project's calendar year (CY) 2009 completion. If the cumulative estimated revenue increase from the project fails to meet the state's cumulative debt service payments, the state is to reduce its payments to the City of Phoenix by the shortfall amount.

For the calendar year that ended on December 31, 2020, HVS estimated that increased event activity due to the Convention Center expansion generated \$7.2 million in additional tax revenues for the state, which is less than the \$24.0 million the state contributed in debt service during CY 2020 (FY 2021) for the Convention Center's expansion. Since its expansion, the Convention Center generated an estimated additional \$226.1 million in state tax revenues, which is greater than the

Summary of Recent Agency Reports (Continued)

\$195.4 million that the state distributed for the Convention Center debt service. Therefore, the analysis found that the state's debt service payment to the City of Phoenix will not be reduced in FY 2022. (Molly Murphy)

Arizona Commerce Authority – Annual Report on Arizona Competes Fund – Pursuant to A.R.S. § 41-1545.04, the Arizona Commerce Authority (ACA) provided its annual report on: 1) grants from the previous fiscal year and other projects currently funded from the Arizona Competes Fund, and 2) performance measures for the recipients including job creation, capital investment and average wages.

New FY 2021 Grants

ACA awarded grants from the Arizona Competes Fund totaling \$2,535,000 in FY 2021.

ACA awarded 3 new grants totaling \$1,000,000 for the purpose of expanding or retaining businesses in Arizona. These grants were awarded to the following recipients:

- Align Technology Inc. was awarded \$500,000.
- Viavi Solutions Inc. was awarded \$375,000.
- DOT Foods Inc. was awarded \$125,000.

Each recipient agreed, as part of the granting process, to meet certain metrics regarding job creation. Over the next 3 years, they plan to create a collective total of 443 new jobs, retain 205 existing jobs, provide average annual wages above the county median wage, make a collective capital investment of more than \$111.3 million, and pay for at least 65% of their employees' health insurance costs.

ACA also provides grants to small and rural businesses through 4 different programs, though only 2 of the programs awarded grants in FY 2021. The Arizona Innovation Challenge (AIC) awarded a total of \$1.2 million to 8 different companies to promote new technologies and small business growth. The Arizona Small Business Development Center Grant (AZSBDCG) gave \$335,000 to Maricopa County Community Colleges to "enhance economic development" through tracking and improving small business creation and expansion. No grants were awarded via the Rural Economic Development Grant (REDG) or via the Arizona COVID-19 Assistance Grant (AZCAG) in FY 2021.

Performance Measures

ACA awarded 47 grants totaling \$69.8 million from FY 2012 through FY 2021 for the purpose of expanding or

retaining business in Arizona. In addition, 5 grants were rescinded totaling \$6.5 million. Through FY 2021, these grantees created 18,253 jobs with average annual wages of \$85,284 and made capital investments totaling \$3.0 billion. This compares to commitments of 28,744 jobs created, average annual wages of \$67,229, and capital investments totaling \$3.7 billion. The grantees have 3 years to reach the agreed upon metrics from the time the grant is awarded. Grantees that did not achieve the agreed upon metrics were only funded for the job creation and capital investments that were completed.

In addition to the grants above, from FY 2012 through FY 2021, ACA made 132 REDG, AIC, AZBDCCG, and AZCAG grant awards totaling \$29.2 million for the purpose of supporting rural and small businesses. As of June 30, 2021, these grantees created 4,613 jobs and \$364.5 million in capital investment compared to commitments of 4,517 jobs and \$532.4 million in capital investment. The average annual wage of the jobs created was \$40,500. Only 1 AIC grant for \$250,000 was rescinded.

ACA reports that grants for expanding/retaining businesses in Arizona and grants made via the AIC program created 18,959 jobs. Of those jobs, the 2 largest categories of jobs were in finance and insurance (7,028 jobs) and manufacturing (6,453).

Fund Status

The Arizona Competes Fund typically receives a General Fund deposit of \$5.5 million and an additional deposit of \$3.5 million in lottery revenues. As of June 30, 2021, the Arizona Competes Fund had a balance of \$59.3 million, which includes balances reserved for grants which have not been completed. (Nate Belcher)

Arizona Department of Education – Report on K-12

Aggregate Expenditure Limit – Pursuant to A.R.S. § 15-911B, the Department of Education recently reported that currently budgeted expenditures for school districts collectively for FY 2022 are \$1.15 billion above the aggregate expenditure limitation (AEL) established for school districts in the State Constitution.

The State Constitution allows the Legislature to authorize school district spending above the AEL with a two-thirds majority vote in both the House of Representatives and Senate. A permanent increase in the AEL would require a voter-approved change to the State Constitution. (Patrick Moran)

Summary of Recent Agency Reports (Continued)

Department of Economic Security – Report on Federal COVID Child Care Monies – Pursuant to an FY 2022 General Appropriation Act footnote, the Department of Economic Security (DES) reported on the status of federal Child Care and Development Block Grant (CCDBG) monies provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Consolidated Appropriations Act (CAA); and the American Rescue Plan Act of 2021 (ARPA). The footnote also requires that DES report on the number of children supported by these federal COVID monies, the average monthly child care reimbursement rates, and the number of child care settings with a quality rating.

Of the \$88.0 million in discretionary CCDBG funding from the CARES Act for programs and initiatives, DES reports year-to-date expenditures of \$86.1 million. Of the \$620.8 million in discretionary CCDBG funding from the CAA and ARPA, DES reports year-to-date expenditures of \$11.7 million. The ARPA also provided an additional \$596.4 million in CCDBG stabilization funding. Of that amount, DES reports year-to-date expenditures of \$10.6 million.

The following programs and initiatives were implemented by DES as a result of the COVID pandemic, supported by federal CCDBG funding from COVID related legislation:

- The Arizona Enrichment Centers Scholarships Program (ended August 2020) served an average of 3,989 children each month at an average monthly reimbursement rate of \$856.91.
- The Essential Workers Child Care Relief Scholarship Program has served an average of 5,149 children each month at an average monthly reimbursement rate of \$624.85.
- Child Care for Returning Workers has served an average of 307 children each month at an average monthly reimbursement rate of \$423.28.
- Continued child care waitlist suspension supported by COVID funding has served an average of 16,165 children each month at an average monthly reimbursement rate of \$474.56.

DES reports that as of September 1, 2021 there are 1,010 providers enrolled in the Quality First Program. (Alexis Pagel)

Department of Economic Security – Report on Temporary Assistance for Needy Families (TANF) Grant Diversion Program – Pursuant to A.R.S. § 46-298, the Department of Economic Security (DES) provided the FY 2021 annual report on the TANF Grant Diversion Program. The program's purpose is to divert

applicants from long-term TANF cash assistance by offering immediate, one-time assistance to resolve a financial crisis. In FY 2021, 3,011 applicant households chose the grant diversion option and were diverted from long-term assistance, a decrease of (3,129) from FY 2020. A total of 1,995 households obtained employment within 90 days of receiving assistance under the diversion program during the 12-month period of April 2020 through March 2021. Through January 2021, the most recent month for which complete data is available, 147 of 2,100 households, or 7.0%, reapplied for long-term assistance within 180 days of their participation in the diversion program. Complete data for FY 2020 indicates 410 of the total 6,140 households receiving diversion payments, or 6.8%, reapplied within 180 days, a decrease from FY 2019's rate of 7.1%. (Alexis Pagel)

Board of Executive Clemency – Report on FY 2021 Caseload – Pursuant to a footnote in the FY 2022 General Appropriation Act, the board is required to submit a report on its FY 2021 caseload by November 1, 2021.

The board conducted 2,626 case hearings in FY 2021, as described below:

Phases 1 and 2 Commutation (265): After reviewing an inmate's request to have their sentence commuted, the board can decide to deny the request or allow the request to move to a Phase 2 Commutation hearing.

Pardon (11): The board may recommend that the Governor pardon an offender.

Absolute Discharge (5): The board can discharge a person from imprisonment or parole supervision prior to the sentence expiration date or prior to the expiration of parole.

Modification (0): The board can recommend to the Governor that an inmate's sentence be modified or commuted.

Reprieve (0): The board can make a recommendation to the Governor to delay or temporarily suspend the carrying out of an inmate's punishment.

Parole (334): These hearings only apply to offenders sentenced prior to 1994. The board may place these offenders on parole or deny their application for parole and return them to the Department of Corrections.

Revocation (1,564): These hearings are conducted when an offender has violated the terms of community supervision.

Summary of Recent Agency Reports (Continued)

Probable Cause (447): These hearings can be requested by an inmate prior to revocation proceedings to determine if there is probable cause to believe that the defendant violated the terms of community supervision. (Nicole Lovato)

JLBC Staff – County Flexible Revenue Report – The FY 2022 Revenue Budget Reconciliation Bill (BRB) (Laws 2021, Chapter 411) permits counties with a population under 250,000 persons according to the 2010 Census to use any source of county revenue for purposes other than the purpose of the revenue source to meet a county fiscal obligation for FY 2022, but limits this authority to no more than \$1.25 million used for purposes other than the purpose of the revenue source. The FY 2022 Revenue BRB requires counties to report on their use of this provision.

Of the 12 eligible counties, 5 reported using \$4.95 million of flexibility:

- Apache County: \$900,000 from the Library District, Junior College District, and Flood Control District to the Jail District for Jail District Operations. Apache County did not respond last year.
- Coconino County: \$1.25 million from the Jail District to the General Fund to pay down the Public Safety Personnel Retirement System (PSPRS) debt and pay for information technology needs for the Sheriff's Department. Coconino County utilized \$1.25 million last year.
- La Paz County: \$1.25 million from the Vehicle License Tax to the General Fund to pay down a General Fund shortfall. La Paz County utilized \$600,000 last year.
- Mohave County: \$1.25 million from the Landfill Fund, ERACE Fund, and Motor Pool Fund to the General Fund for capital facilities. Mohave County utilized \$1.0 million last year.
- Navajo County: \$300,000 from the Flood Control District and Library District to the General Fund for operating expenses. Navajo County utilized \$830,000 last year.

Last year, 6 eligible counties reported utilizing a total of \$5.43 million of flexibility.

The following 7 counties indicated that they are not utilizing this provision: Cochise, Gila, Graham, Greenlee Santa Cruz, Yavapai, and Yuma. (Ryan Fleischman)

Department of Revenue – Report on Annual Enforcement Goals – Pursuant to 2 General Appropriation Act footnotes, the Department of Revenue (DOR) is required to report on their FY 2022 revenue enforcement goals, provide an annual progress report to the JLBC on the effectiveness of the

department's overall enforcement and collections program for FY 2021, the amount of Transaction Privilege Tax (TPT) delinquent accounts, and the amount of fraud prevented by the private fraud prevention services.

In FY 2021, DOR's total enforcement goal was \$636.5 million but actual collections were \$820.1 million. DOR's FY 2022 goal for enforcement collections is \$816.2 million, which represents a decline of \$(3.9) million from actual FY 2021 enforcement collections.

DOR's enforcements goals include the following activities:

- Audit enforcement revenue includes revenue due to DOR's auditing of taxpayer returns and finding and licensing unlicensed businesses.
- Accounts Receivable revenue includes taxpayer accounts paid before they would have been moved to collections, which allows DOR's collectors to work on other accounts.
- For Collections revenue, after certain periods of time, unpaid taxpayer accounts are moved from Accounts Receivable to DOR's Collections section.

At the end of FY 2021, there were 446,674 delinquent TPT accounts, totaling \$449.1 million, of which 56.9% of these cases had been delinquent for less than 1 year, 27.2% between 1 and 4 years, and 15.9% for over 4 years.

The department reports that \$14.7 million in delinquent accounts for all tax types were written off as uncollectible in FY 2021.

Funds are used to contract with a vendor to provide investigative services to identify potentially fraudulent tax returns and prevent fraudulent refunds from being sent by the department. The department reports that the fraud prevention efforts stopped \$18.7 million in Individual Income Tax refunds and \$67.1 million in other invalid refunds being issued. (Benjamin Newcomb)

Department of Revenue/Department of Insurance and Financial Institutions – Report on Tax Credits

DOR – Income Tax Credits

Pursuant to A.R.S. § 43-224, the Arizona Department of Revenue submitted its annual report on the amounts of individual income and corporate income tax credits used during the prior fiscal year. The agency reported 3.0 million FY 2021 individual income credit claims totaling \$781.9 million. This is a dollar impact growth of 20.4% over the prior year. Of the total, the Income Taxes Paid to Other States and Countries Credit accounted

Summary of Recent Agency Reports (Continued)

for \$249.7 million, the Dependent Tax Credit for \$156.5 million, school tuition organization credits accounted for \$144.4 million, the charitable and foster care contributions credits accounted for \$116.0 million, and the Public-School Extracurricular Activity Fee Credit accounted for \$38.6 million. Use of other credits, including the Solar Energy Device Tax Credit, totaled \$49.6 million. The number of claims and dollar impact of credits are listed in Table 7 below.

Table 7

FY 2021 Individual Income Tax Credits (\$ in millions)

<u>Credits:</u>	<u># of Claims</u>	<u>Annual Cost</u>
Income Taxes Paid to Other States and Countries	90,635	\$249.7
Dependent Tax Credit	1,069,546	156.5
School Tuition Organizations	151,629	144.4
Contributions to Charitable and Foster Care Organizations	252,929	116.0
Public School Contributions	142,911	38.6
Prop 301 Sales Tax Credit	649,606	27.0
Other Credits ^{1/}	<u>642,113</u>	<u>49.6</u>
Total Value of Credits	2,999,369	\$781.9

^{1/} Due to taxpayer confidentiality, DOR did not report the number of claims or credit use for all "Other Credits"

The Department of Revenue reported that taxpayers used a total of \$127.9 million in corporate income tax credits in FY 2021, a dollar impact decrease of (2.5)% from the prior year. Of the total amount used, \$79.4 million was for research and development credits and \$20.3 million was for school tuition organization credits. Use of other credits, including credits for renewable energy production, totaled \$12.5 million in FY 2021. The number of claims and dollar impacts of credits are listed in Table 8.

Table 8

FY 2021 Corporate Income Tax Credits (\$ in millions)

<u>Credits:</u>	<u># of Claims</u>	<u>Annual Cost</u>
Research and Development	534	\$79.4
School Tuition Organizations	122	20.3
New Employment	46	15.7
Other Credits ^{1/}	<u>40</u>	<u>12.5</u>
Total Value of Credits	705	\$127.9

^{1/} Due to taxpayer confidentiality, DOR did not report the number of claims or credit use for all "Other Credits".

DOI – Insurance Premium Tax Credits

Pursuant to A.R.S. § 20-224(I), the Department of Insurance and Financial Institutions submitted its annual report on the amounts of insurance premium tax credits used in the previous fiscal year. The agency reports that a total of \$69.2 million in insurance premium tax credits were used in FY 2021. This is an increase of 7.6% over the prior year. Of this amount, \$50.9 million consists of credits earned for donations made by insurance companies to private school tuition organizations that provide scholarships to children of low-income families or to children with disabilities. The dollar impacts of the specific credits are listed in Table 9 below. (David Hoffer, Ben Newcomb)

Table 9

FY 2021 Insurance Premium Tax Credits (\$ in millions)

<u>Credits:</u>	<u>Annual Cost</u>
Private School Tuition Organizations	\$46.6
- Low Income Students ^{1/}	
New Employment	7.0
Health Insurance Premium ^{2/}	4.2
Private School Tuition Organizations	4.3
- Disabled/Displaced Students ^{3/}	
Insurance Guaranty Fund	<u>7.1</u>
Total Value of Credits	\$69.2

^{1/} The credit was capped at \$123.7 million in FY 2021 between corporate, individual income and insurance premium taxpayers.

^{2/} Credit is capped at \$5.0 million annually.

^{3/} Credit was capped at \$5.0 million in FY 2021 between corporate, individual income and insurance premium taxpayers.

Universities – Report on University Centers – In conjunction with an ongoing appropriation, the FY 2021 General Appropriation Act requires Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) to operate University Centers and report on each Center's 1) total funding; 2) faculty and courses; 3) student enrollment; and 4) community events, initiatives, and publications.

Arizona State University – The FY 2021 General Appropriation Act appropriated \$3.0 million to ASU to operate the School of Civic and Economic Thought and Leadership (SCETL). Along with a carry-forward balance of \$2.1 million and \$557,700 from other sources, SCETL had \$5.6 million in total available funds in FY 2021. ASU expects carry-forward balances to be spent by FY 2023.

Summary of Recent Agency Reports (Continued)

SCETL currently has 11 faculty members, offers 60 courses, and enrolled 922 undergraduate students in FY 2021. In addition to its B.A., B.S., M.A., and minor offerings, SCETL added an undergraduate certificate in Philosophy, Politics, and Economics in fall 2021. In prior years, SCETL has supported international internships and Global Intensive Experience courses. Due to COVID-19, the school expects to resume these activities in 2022. SCETL also coordinates the Civic Discourse Project, which presents forums, lectures, and panel discussions. The 2020-2021 series was focused on Race, Justice, and Leadership. In addition, SCETL will partner with the *Arizona Capitol Times* on its "Morning Scoop" series in 2022. SCETL houses 2 research centers, the Center for Political Thought and Leadership and the Center for the Study of Economic Liberty.

Northern Arizona University – The FY 2021 General Appropriation Act appropriated \$500,000 to NAU to operate the Economic Policy Institute (EPI). Along with \$380,600 in other sources, EPI reports \$880,600 in total available funds in FY 2021. EPI is staffed by 2 graduate student assistants and 4 student employees. NAU reports no formal student enrollment.

EPI focuses on regional and tribal economic development, technology policy, and student-centered activities. In FY 2021, it established the Center for Civic and Financial Leadership, hosted the Economic Outlook Conference, and conducted Tribal Entrepreneurship Training, Tribal Business Plan Competitions, Seven Generation Money Management sessions, and joint programming with the Hispanic Heritage Foundation. EPI publications include research on economic development strategies, the fiscal impacts of COVID-19 on county economies, food security in the region, and economic resilience surveys.

University of Arizona – The FY 2021 General Appropriation Act appropriated \$2.6 million to UA to operate the Center for the Philosophy of Freedom. Along with \$218,100 in other sources, UA reports \$2.8 million in total available funds in FY 2021.

The Center has 14 faculty members, offers 49 courses, and enrolled 1,363 undergraduate students and 116 graduate students. In addition to academic courses, the Center reports hosting community events such as large public lectures, informal lunch talks, and workshops. (Lydia Chew)

Department of Water Resources – Report on Interstate Water Banking – Pursuant to A.R.S. § 45-2473, the Department of Water Resources and the Arizona Water Banking Authority (AWBA) submitted a report accounting for all monies received through the Interstate Water Banking Agreement with the Southern Nevada Water Authority (SNWA).

The AWBA budget operates on a calendar year basis. As AWBA's Annual Plan of Operation in 2020 and 2021 did not include an interstate water banking component, interstate banking monies were not distributed or received during those years. (Micaela Larkin)

Arizona Economic Trends

November 2021

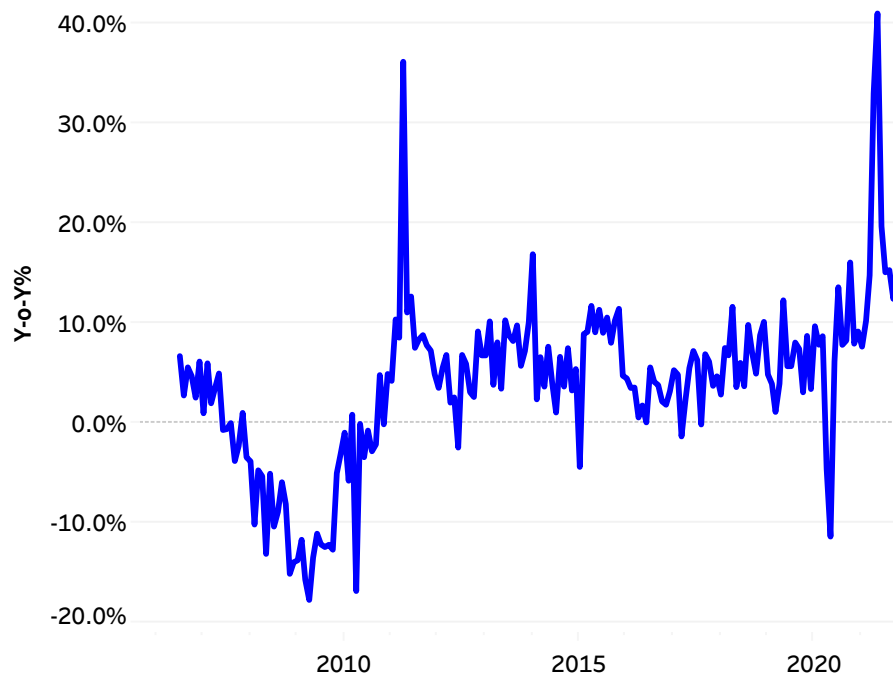
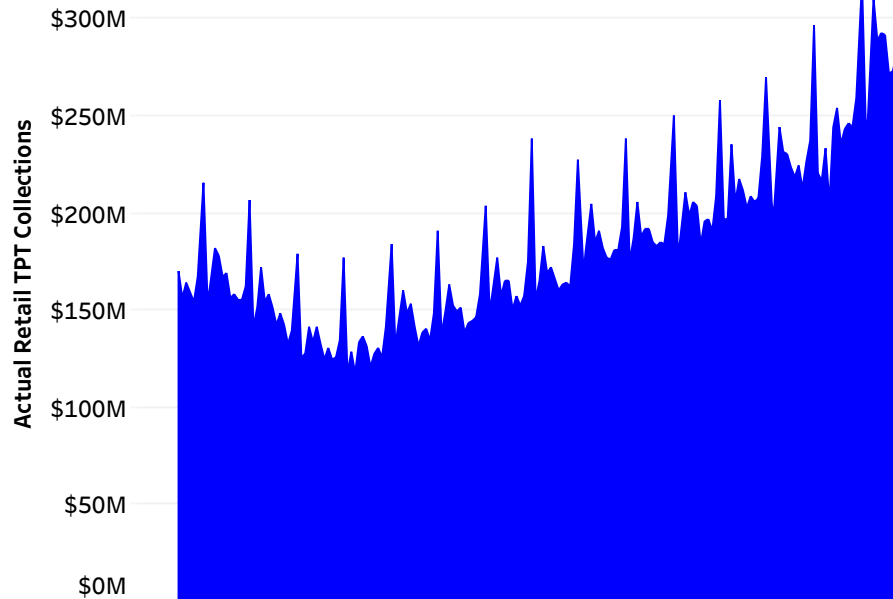
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Appendix A

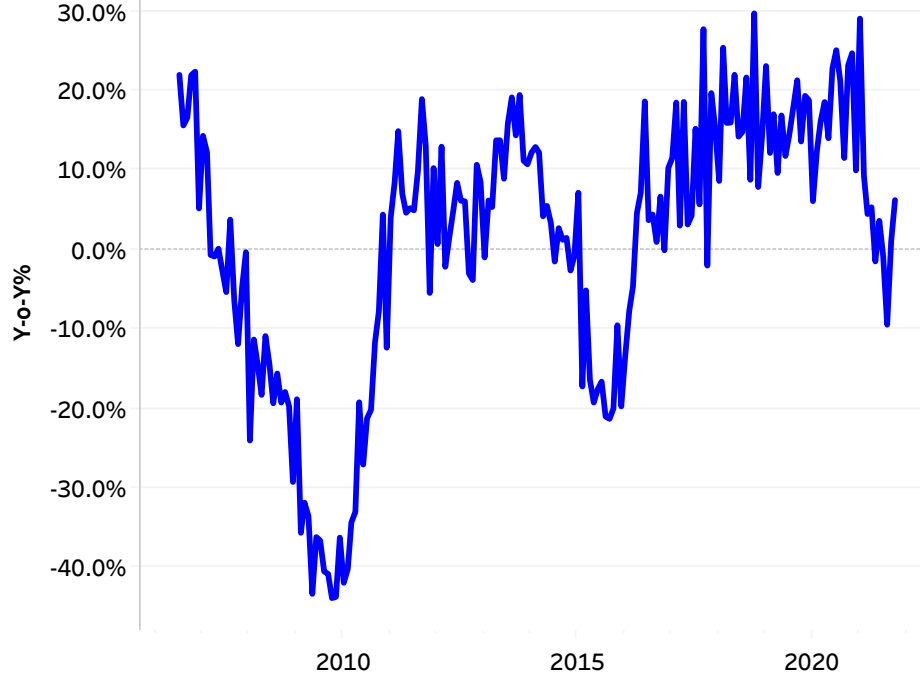
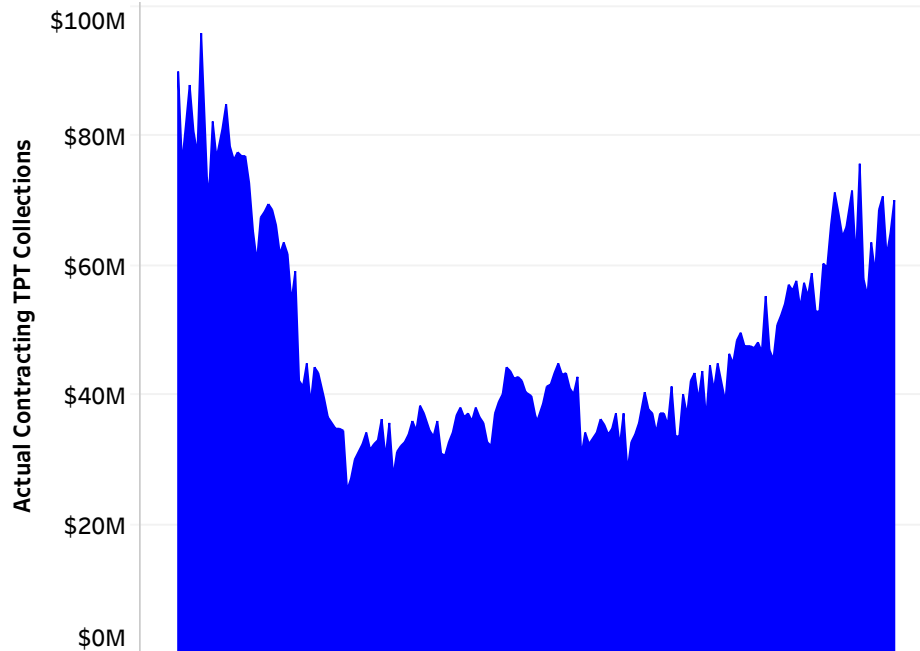
- 2.....State Sales Tax Collections – Retail Category
 - State Sales Tax Collections – Contracting Category
- 3.....Average Hourly Earnings – Private Sector
 - Total Non-Farm Employment
- 4..... Total Non-Farm vs Total Private Employment
 - Arizona Employment by Category
 - Residential Building Permits
 - Rolling 4-Week Withholding Total
- 5..... Initial Unemployment Insurance Weekly Claims
 - Continued Unemployment Insurance Weekly Claims
 - Unduplicated Unemployment Insurance Claimants
 - AHCCCS Recipients
- 6..... SNAP Recipients
 - HURF Revenue
 - Sky Harbor Total Passengers
 - Arizona Hotel Occupancy
- 7..... Arizona OpenTable Daily Reservations

[Link to Most Recent Arizona Economic Trends Tableau Dashboard](#)

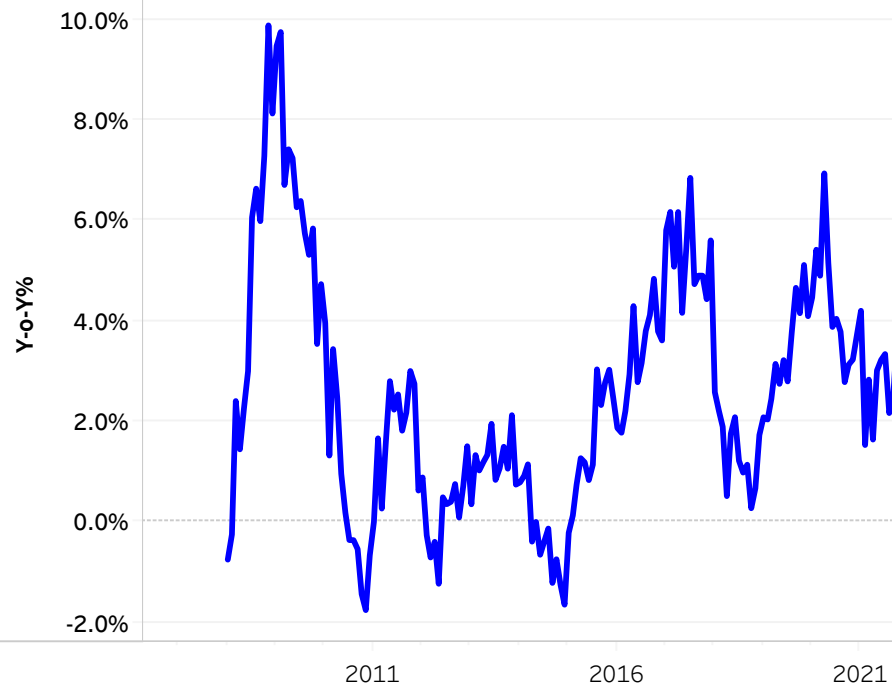
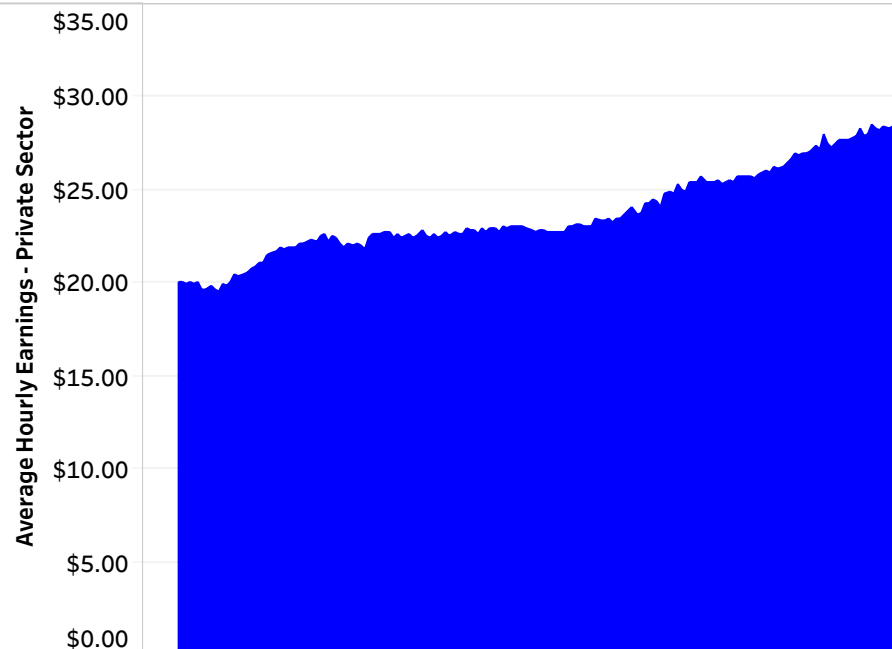
State Sales Tax Collections - Retail Category



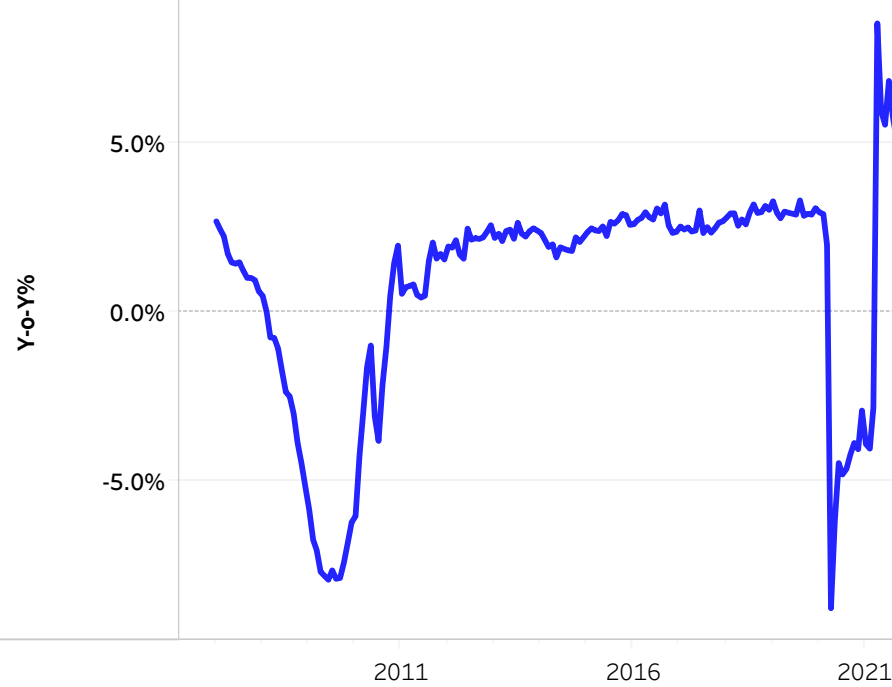
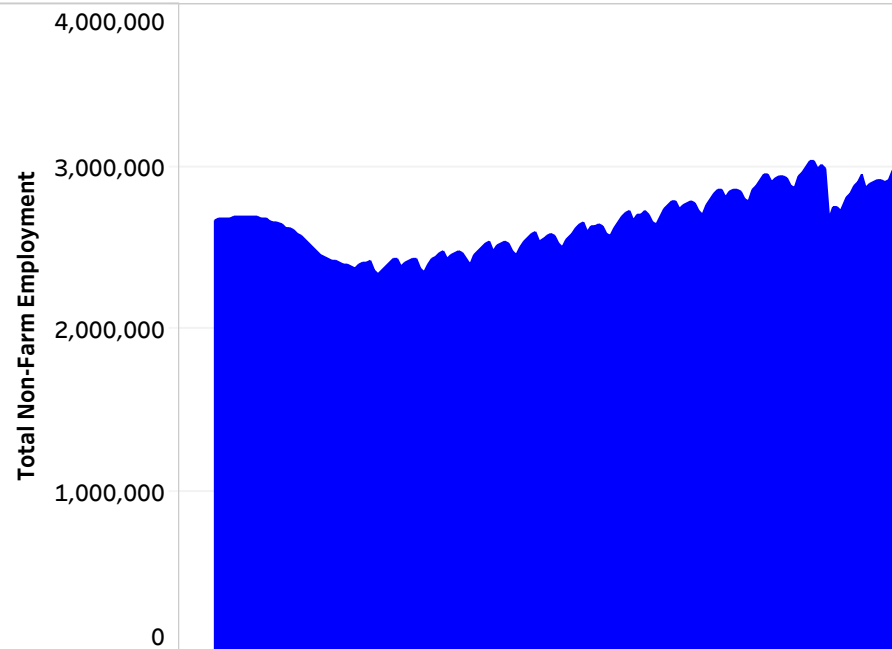
State Sales Tax Collections - Contracting Category



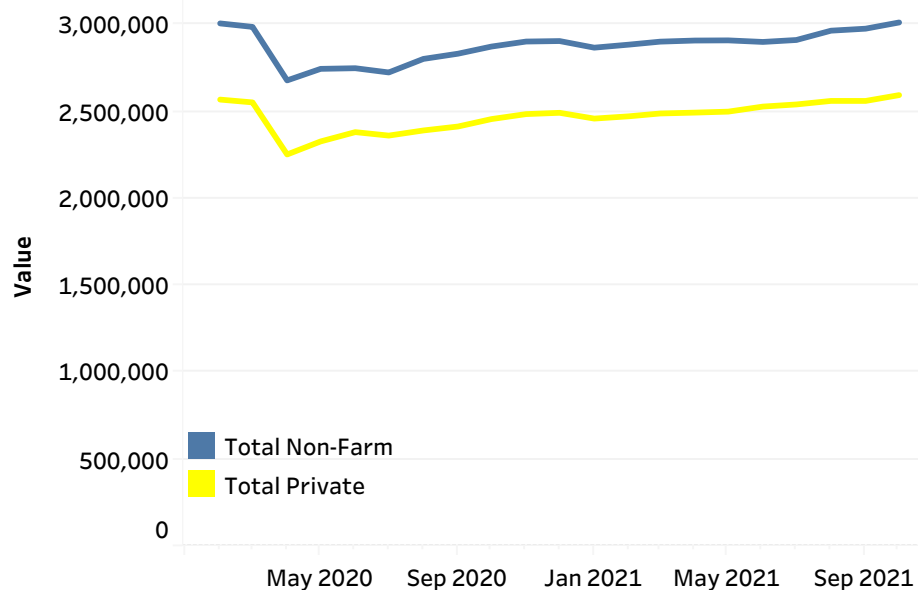
Average Hourly Earnings - Private Sector



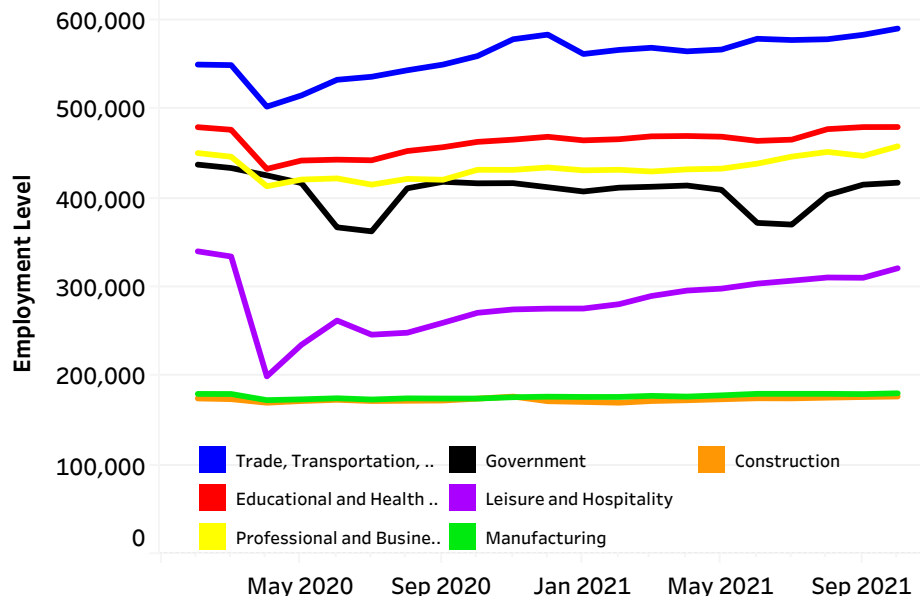
Total Non-Farm Employment



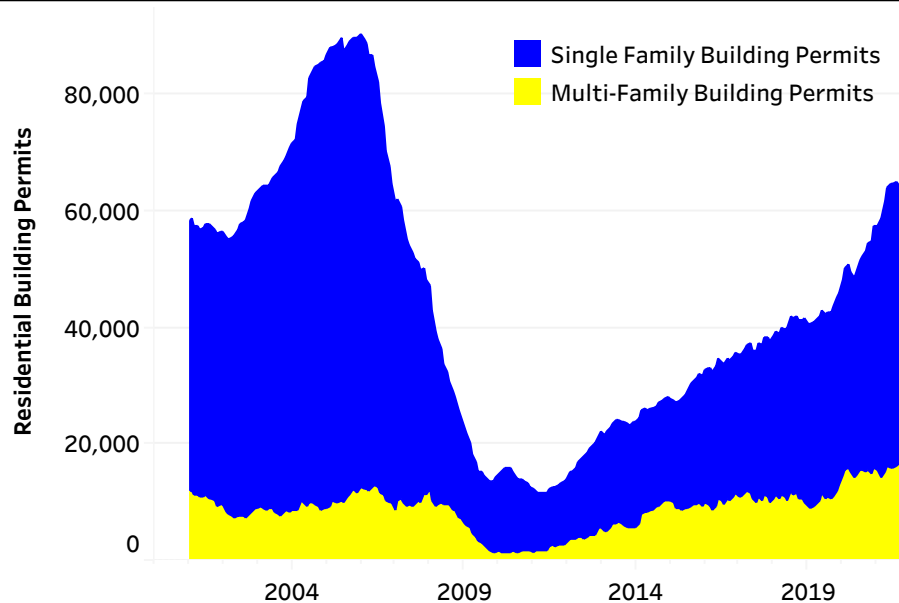
Arizona Total Non-Farm vs Total Private Employment



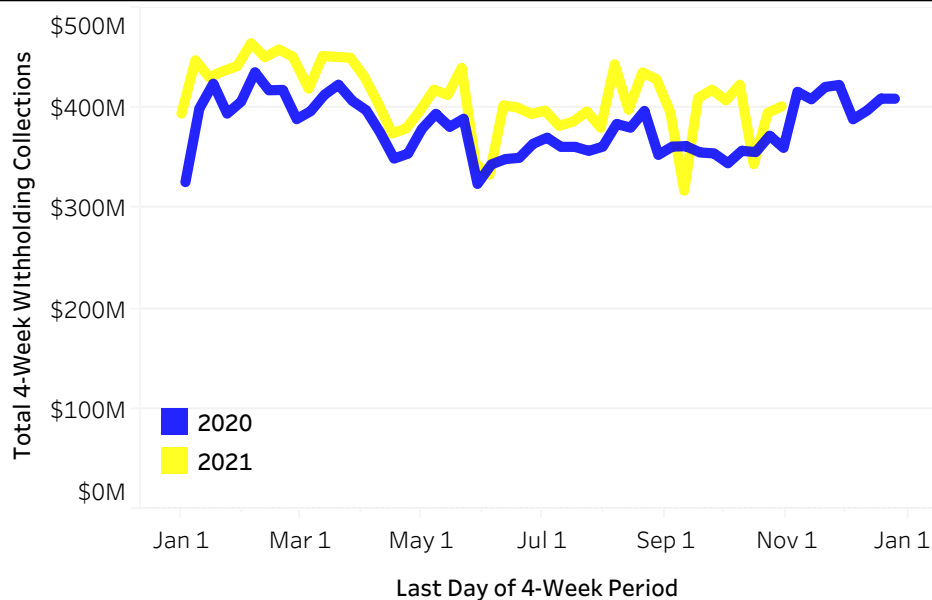
Arizona Employment by Category



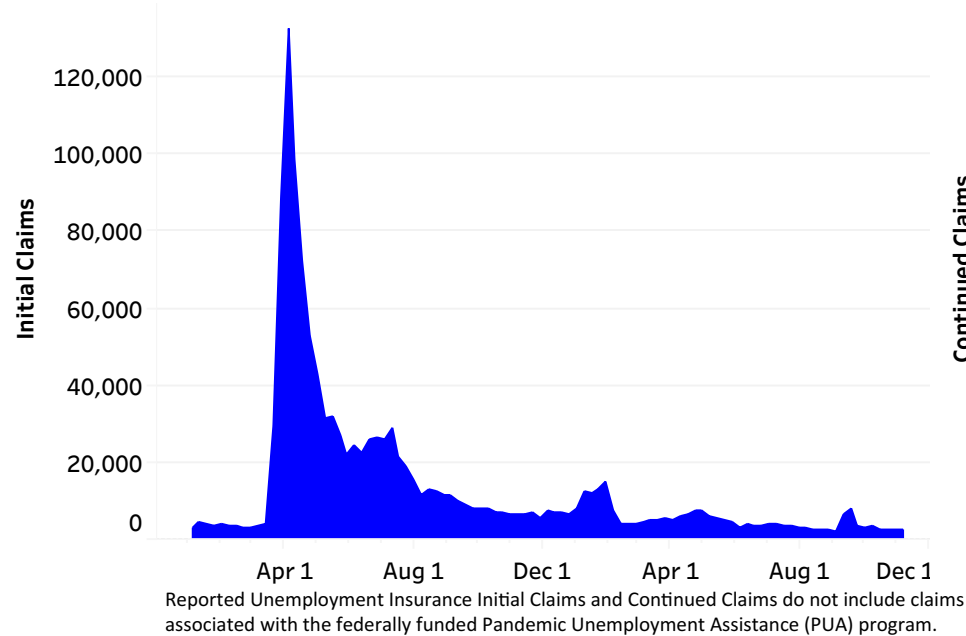
Residential Building Permits



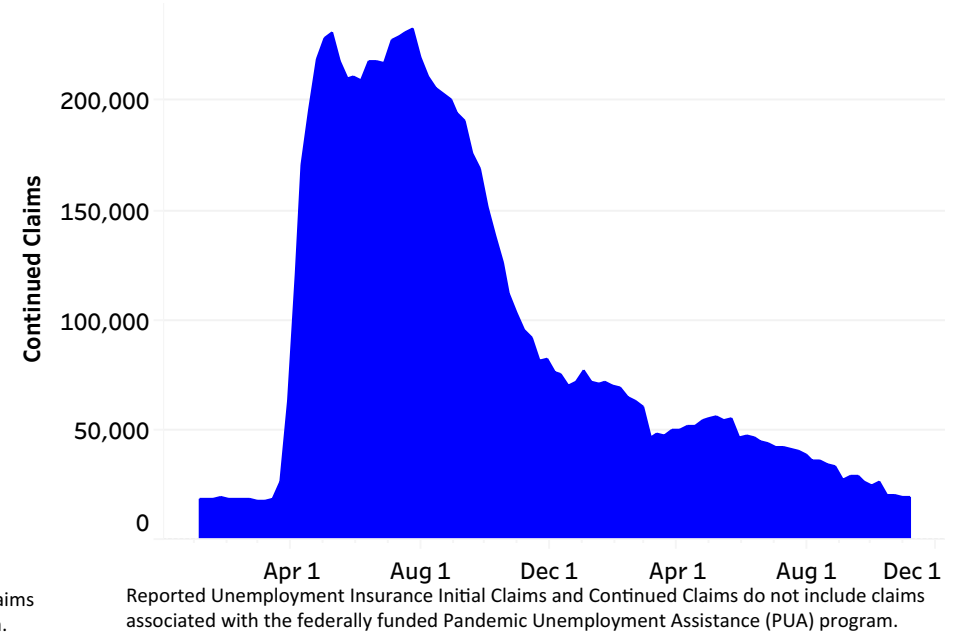
Rolling 4-Week Withholding Total



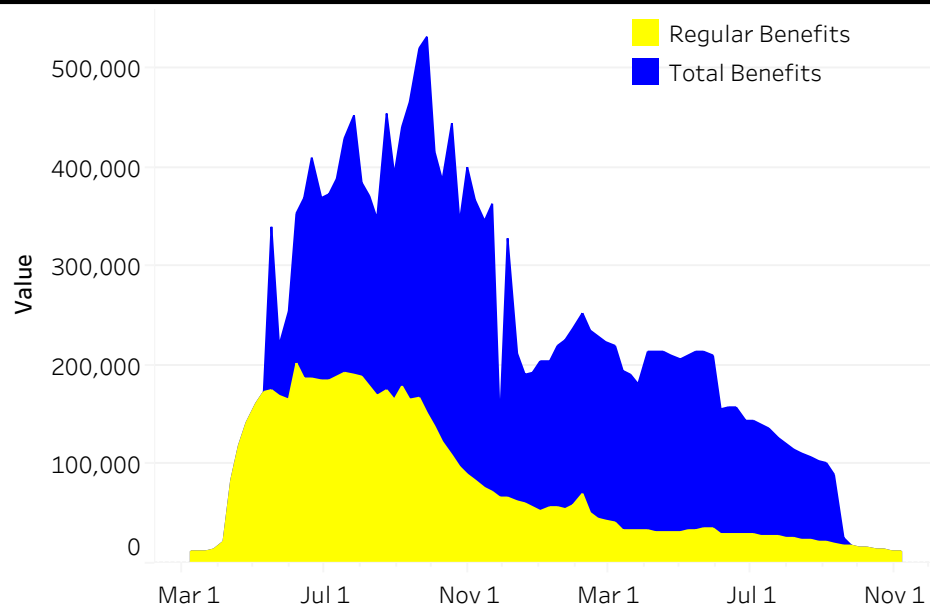
Initial Unemployment Insurance Weekly Claims



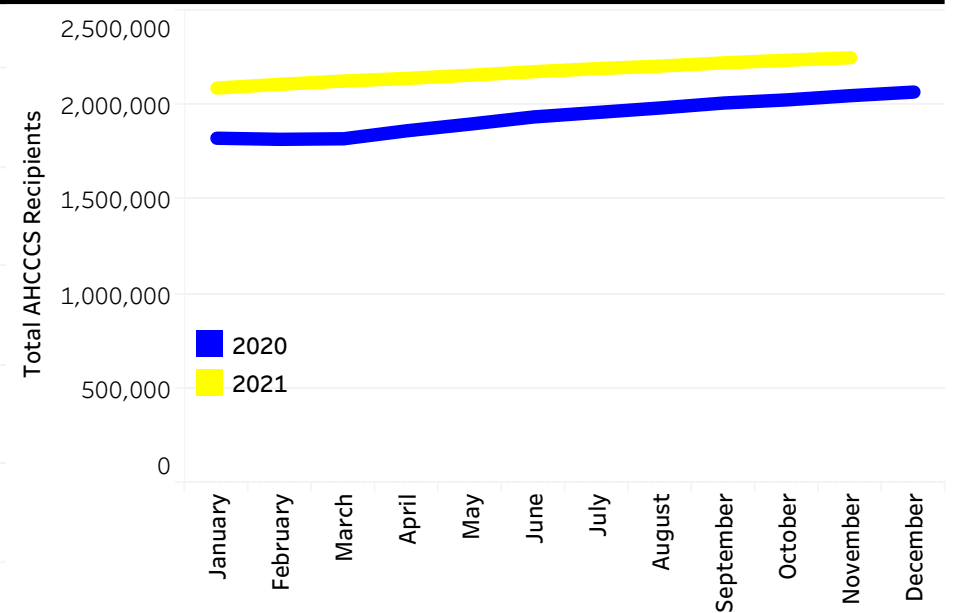
Continued Unemployment Insurance Weekly Claims



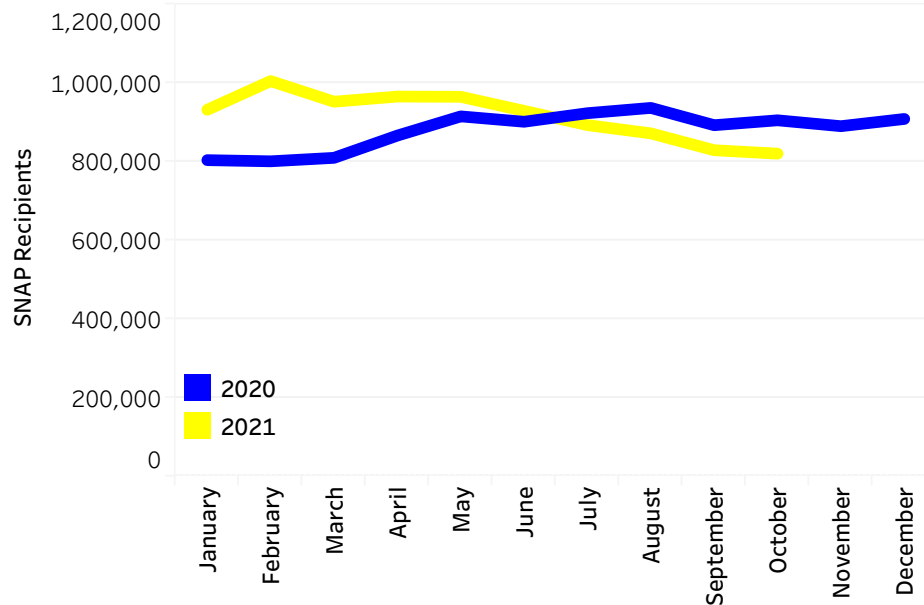
Unduplicated Unemployment Insurance Claimants



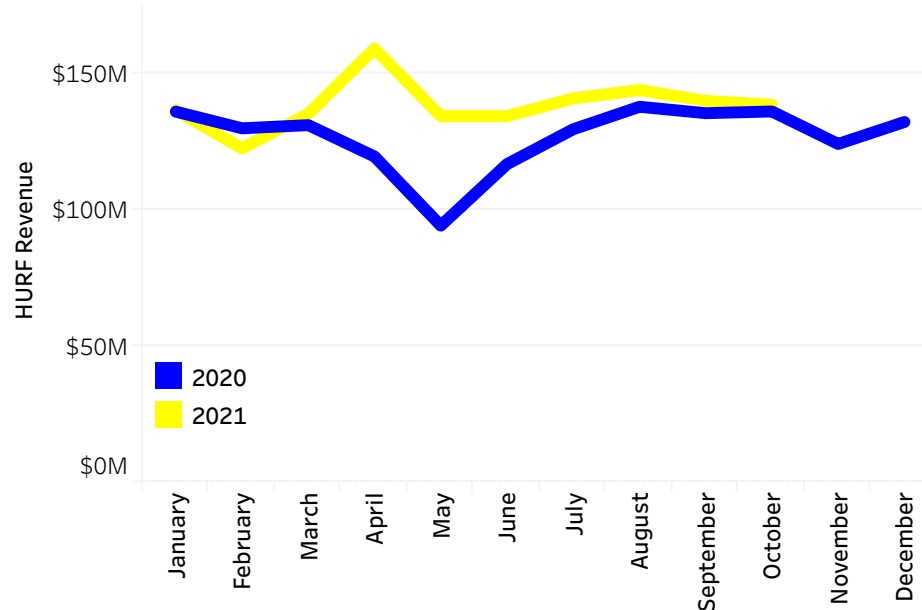
AHCCCS Recipients



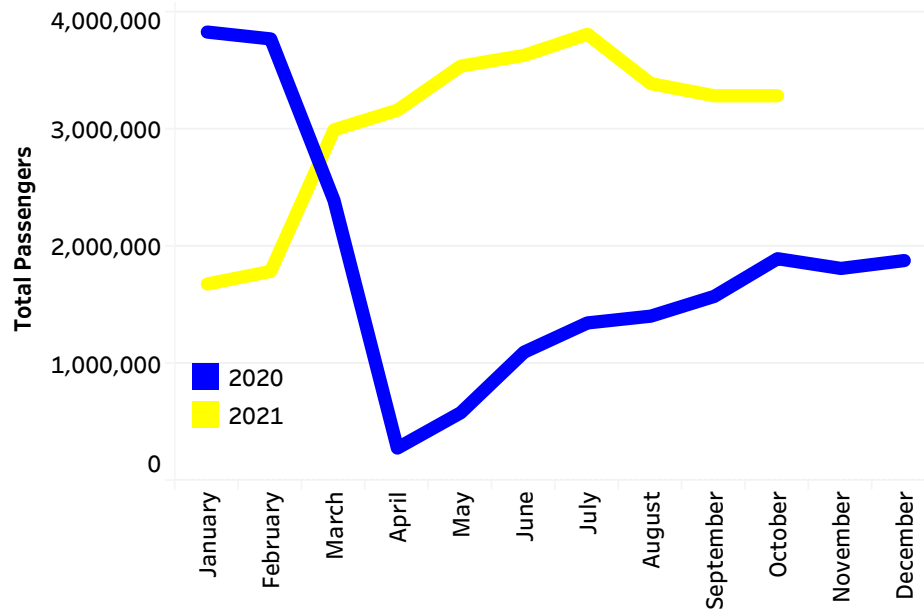
SNAP Recipients



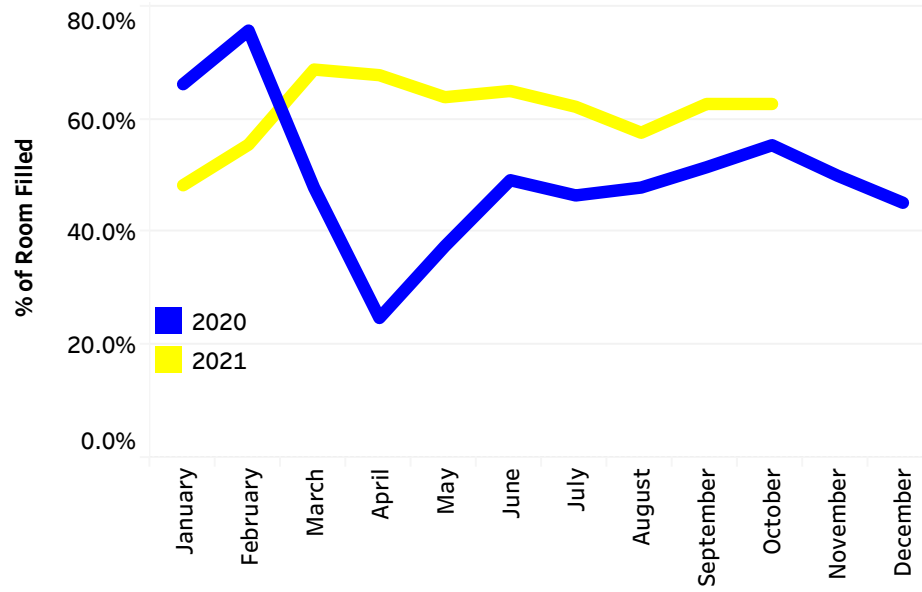
HURF Revenue



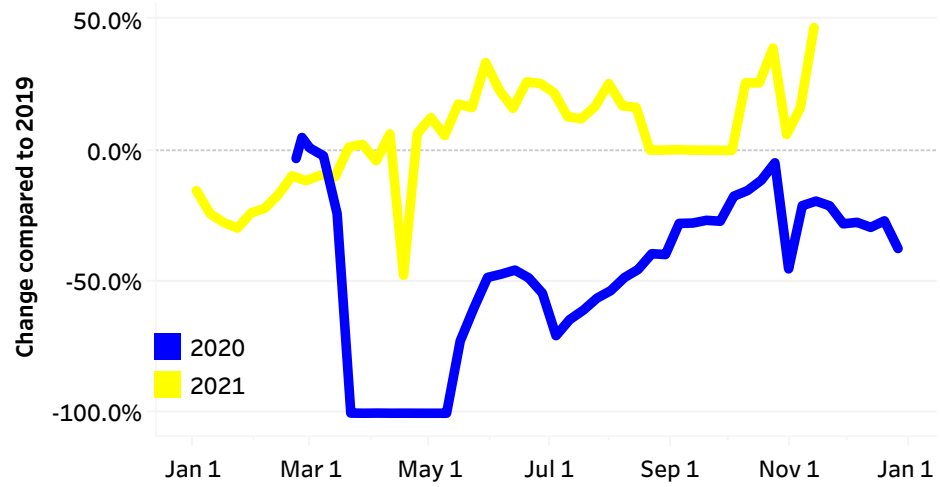
Sky Harbor Total Passengers



Arizona Hotel Occupancy



Arizona OpenTable Saturday Reservations



The 2021 OpenTable data displays the change in seated diners from 2019, rather than the year-over-year change from 2020.