

Arizona Economy & Budget

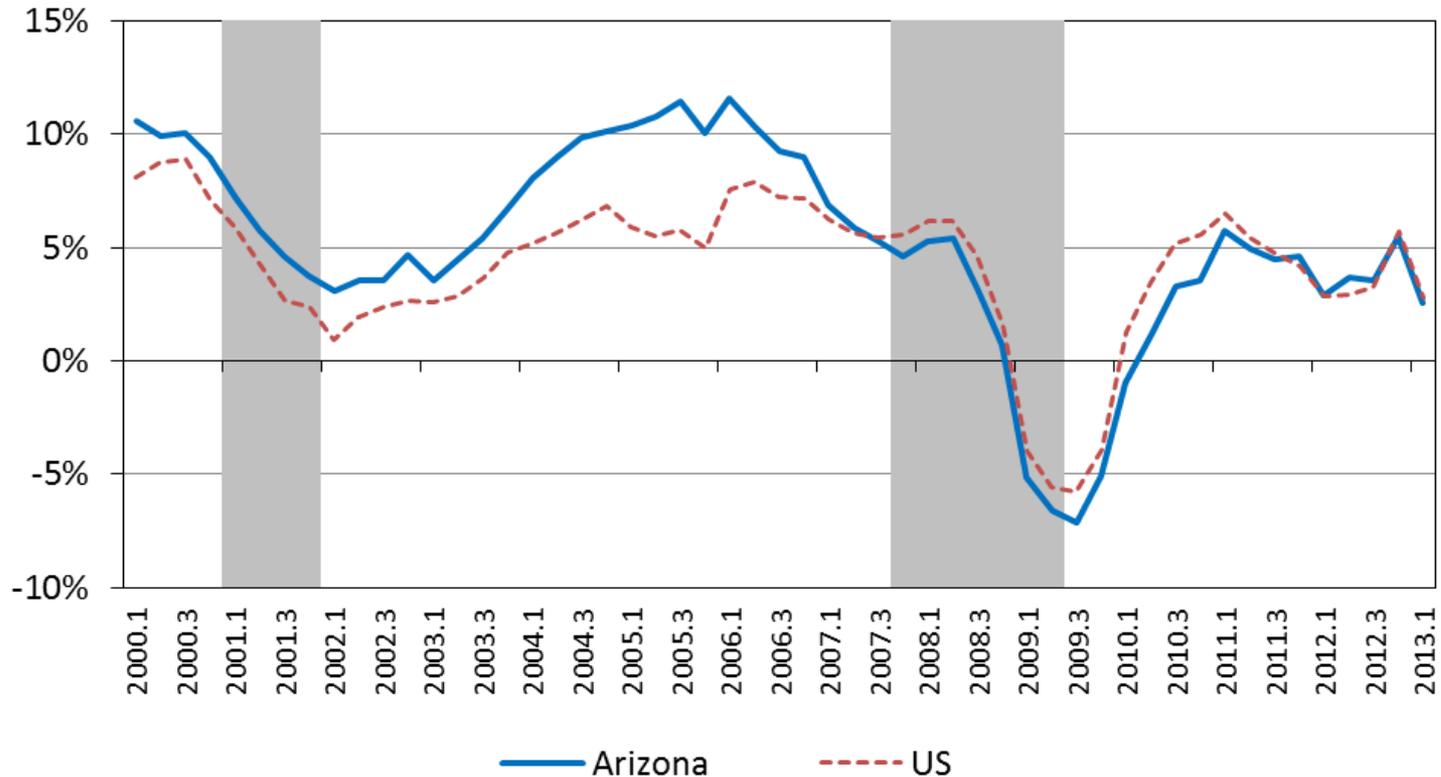
Arizona Tax Conference
September 26, 2013

Overview

- Economy
- Revenues
- Outlook
- Budget Issues

Economy

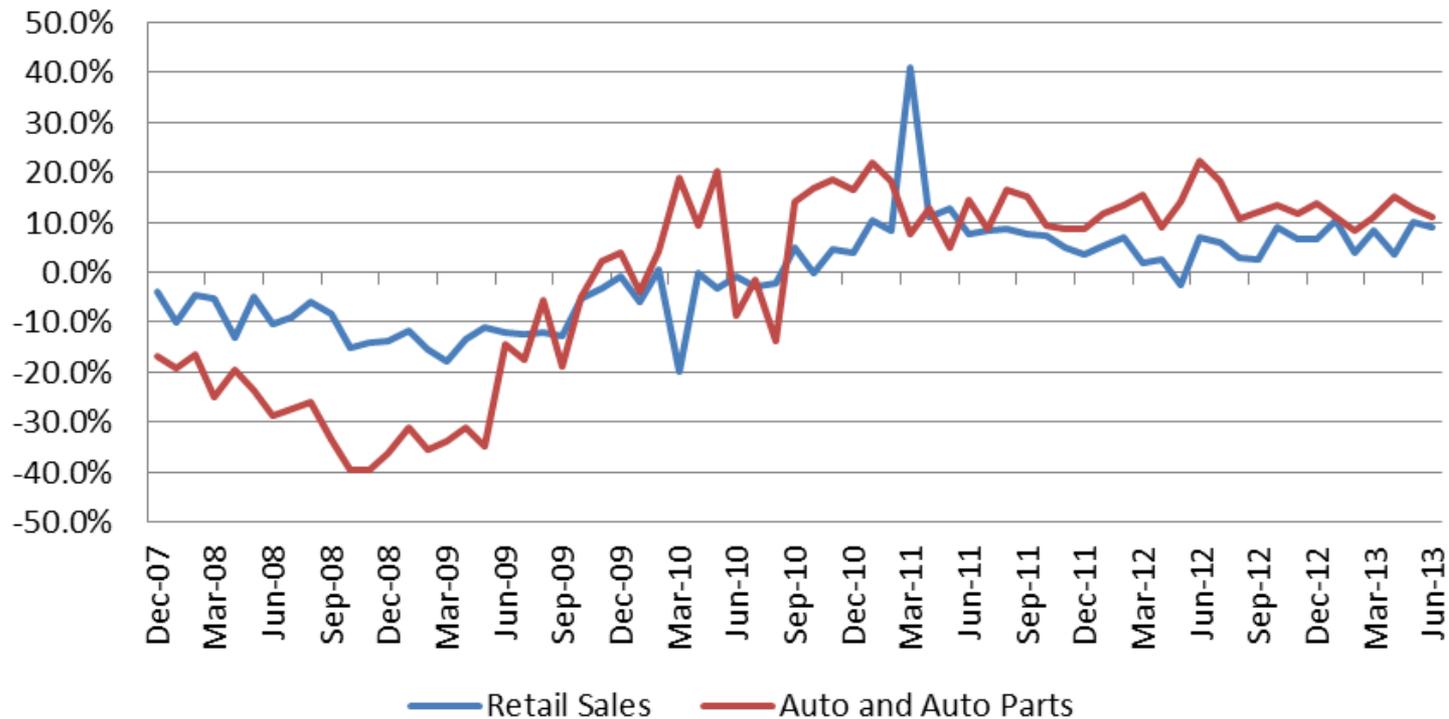
Arizona vs. US Quarterly Personal Income Growth



Source: Bureau of Economic Analysis

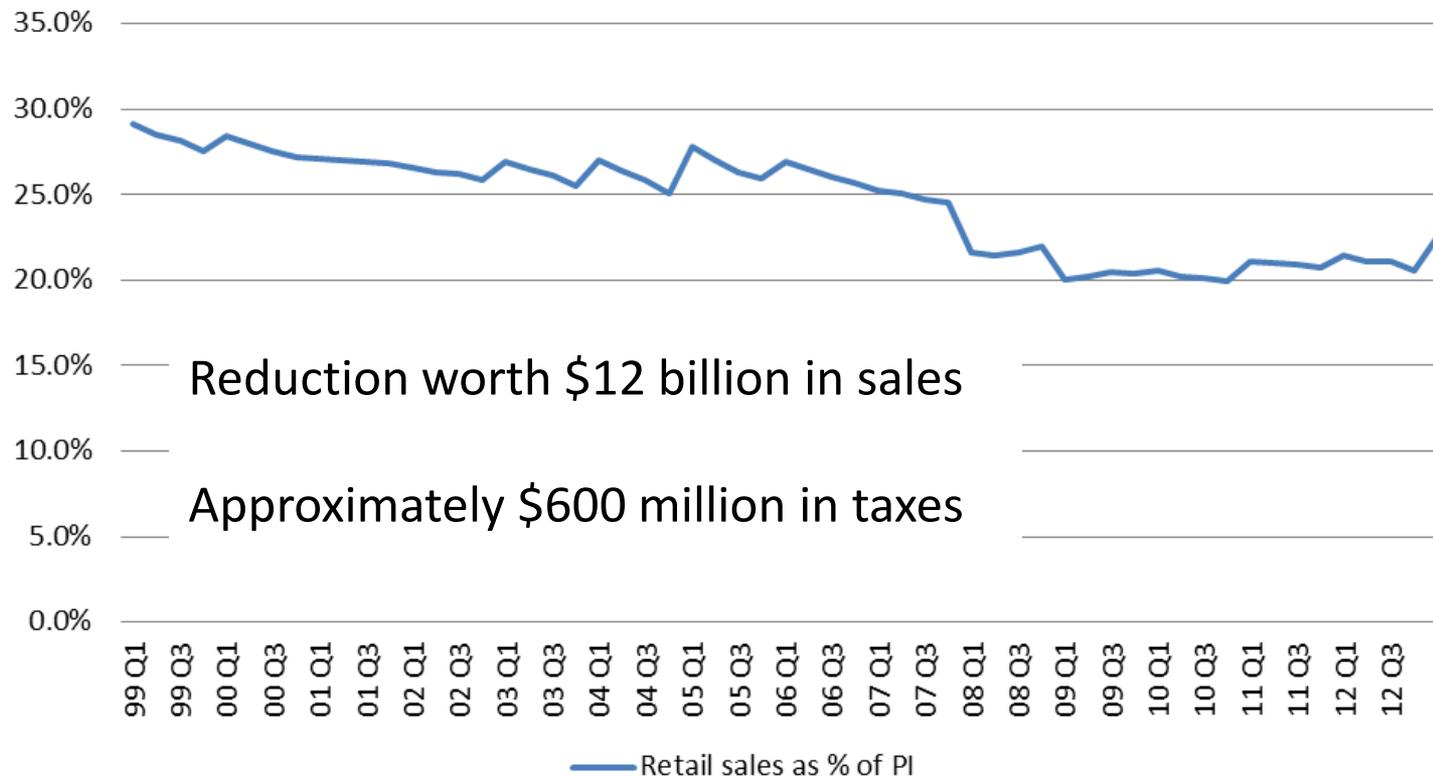
Economy

Retail Sales over-the-year Percentage Change



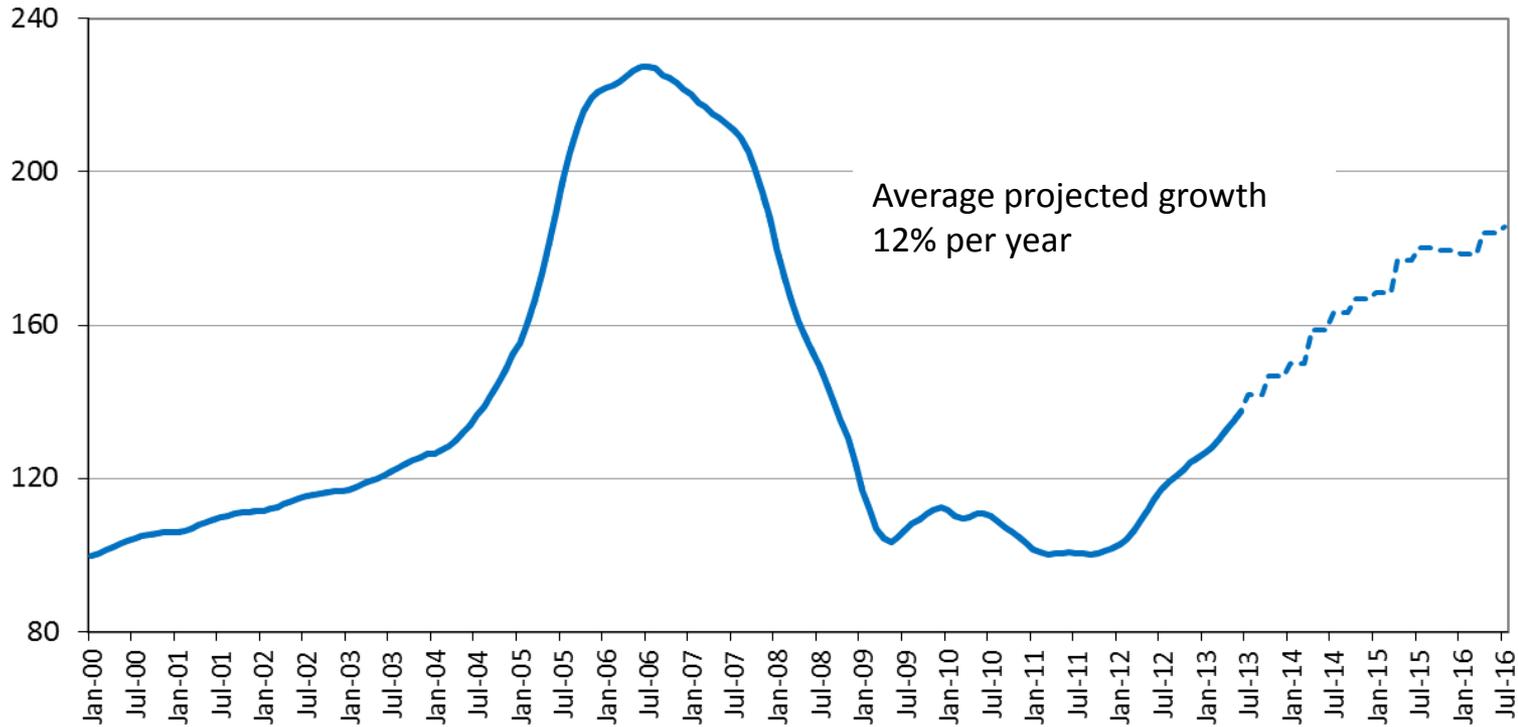
Economy – Retail as a Percent of PI

Retail sales as a Percent of PI



Housing Outlook

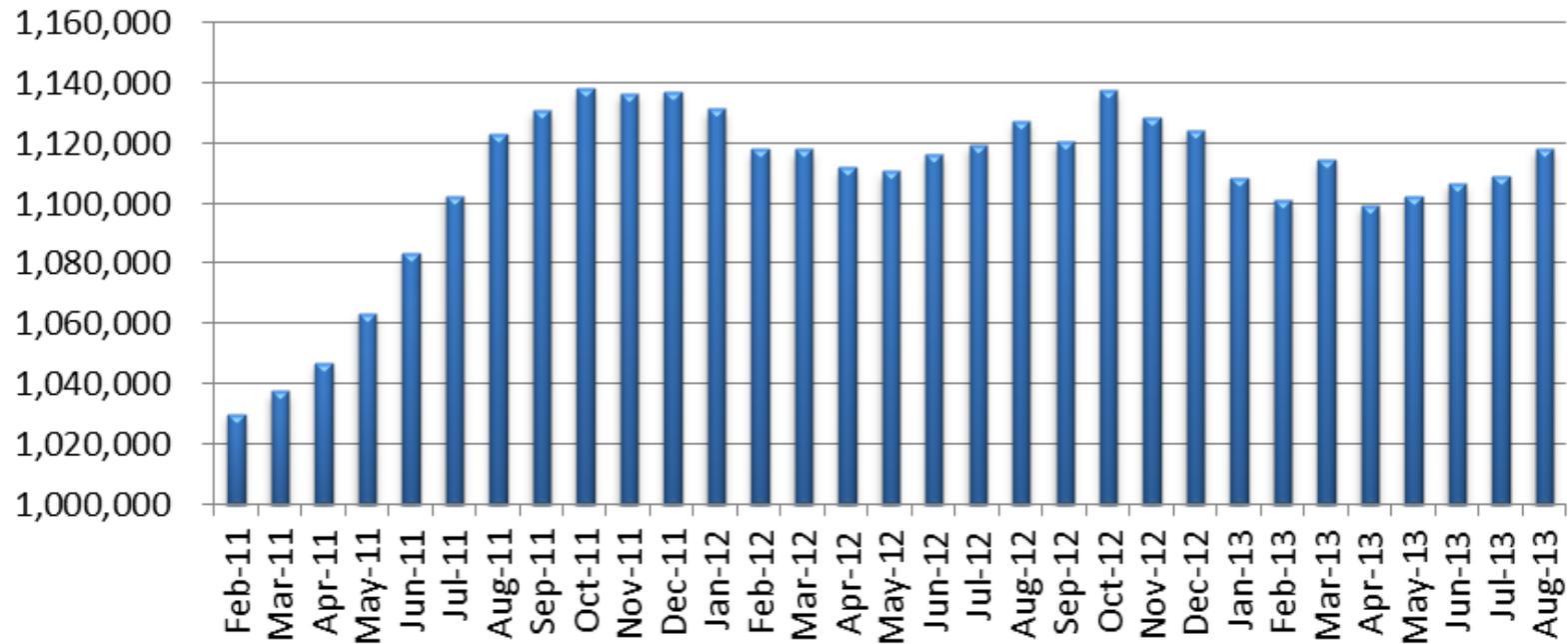
Case Shiller Index for Housing Price in Phoenix



Forecast: Global Insight

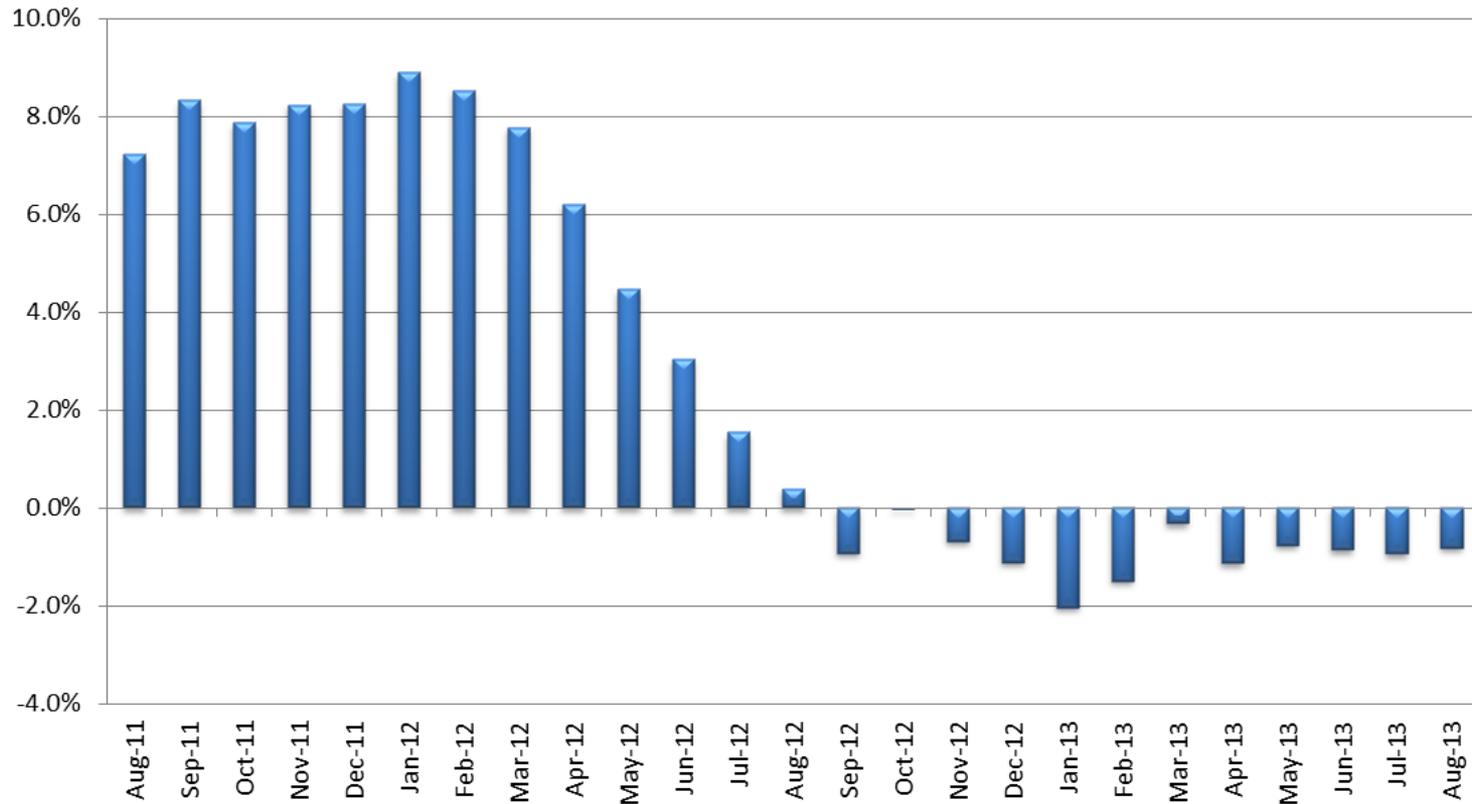
Economy

SNAP Enrollment

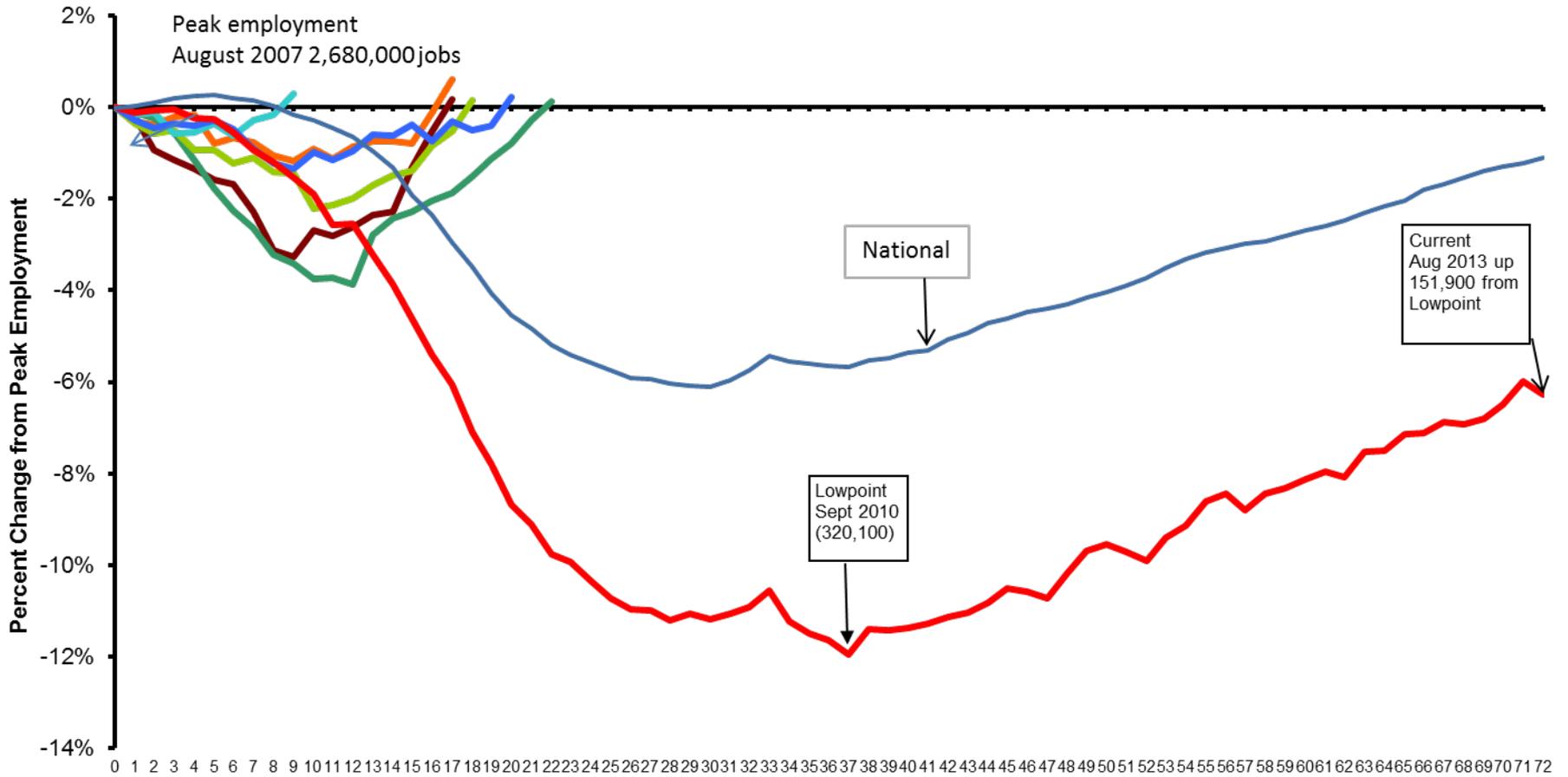


Economy

SNAP Enrollment – Year over Year



Arizona Job Loss Non-Farm Seasonally Adjusted

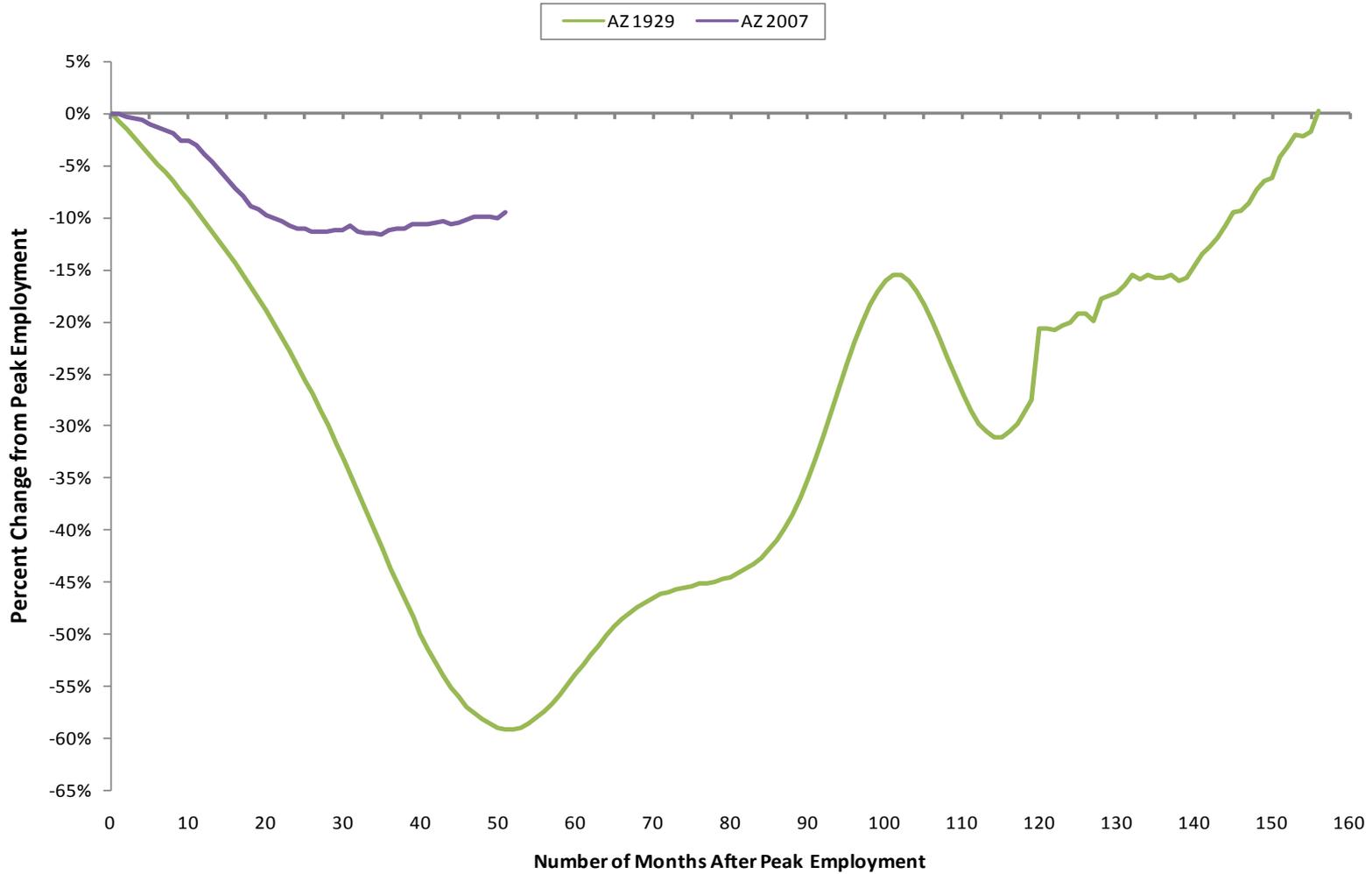


State data is published by AZ Employment and Population Statistics. Federal Data is from the US Department of Labor.

Number of Months After Peak Employment

AZ Depression vs. Recession

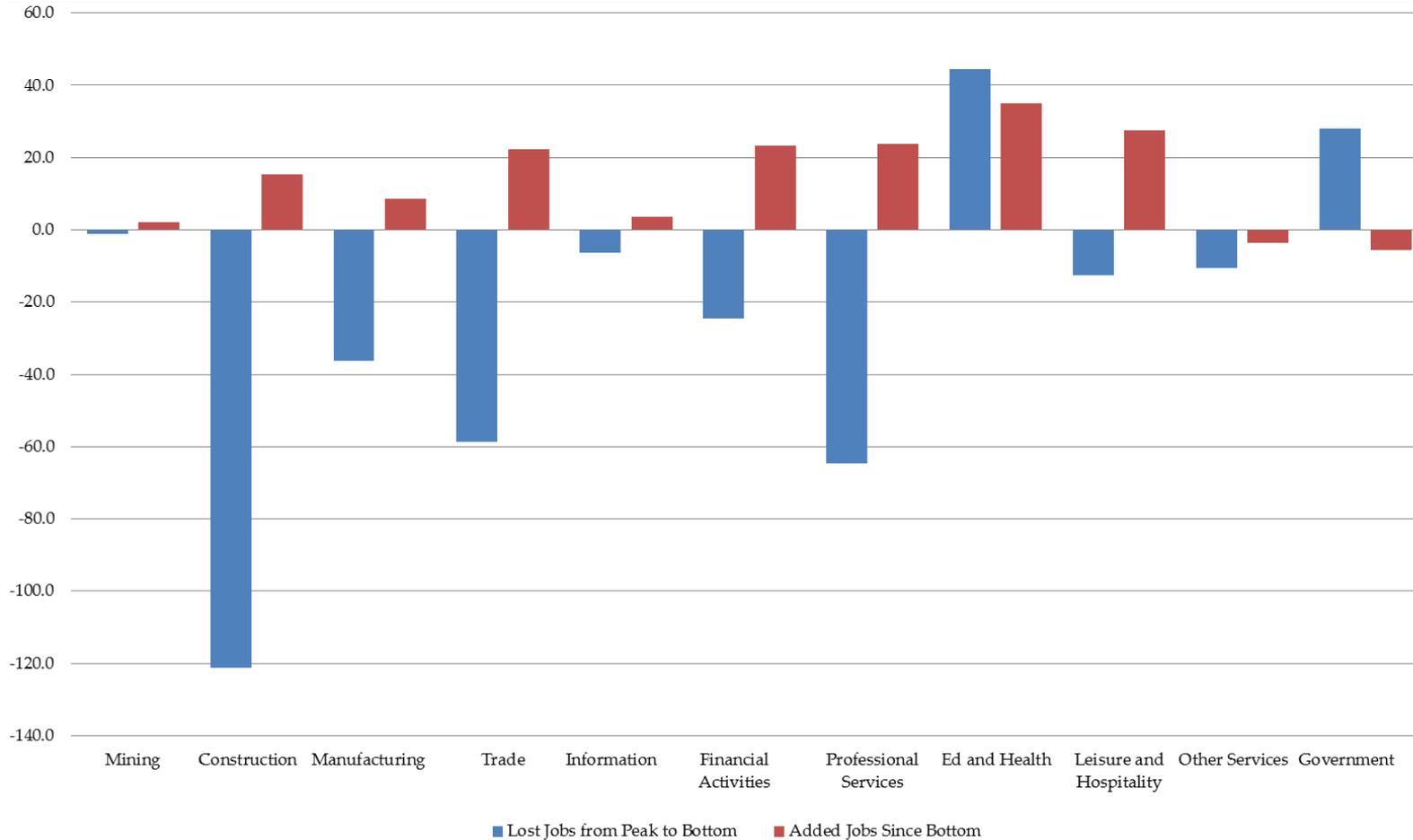
Number of Months needed to surpass a peak in employment



Job Growth

- July over July rankings, AZ was 4th in nation (Behind Utah, North Dakota, Georgia).
- Phoenix ranks fifth among major metropolitan areas (Behind Dallas, Tampa, Minneapolis, and Houston – 26 cities ranked)

Types of Jobs

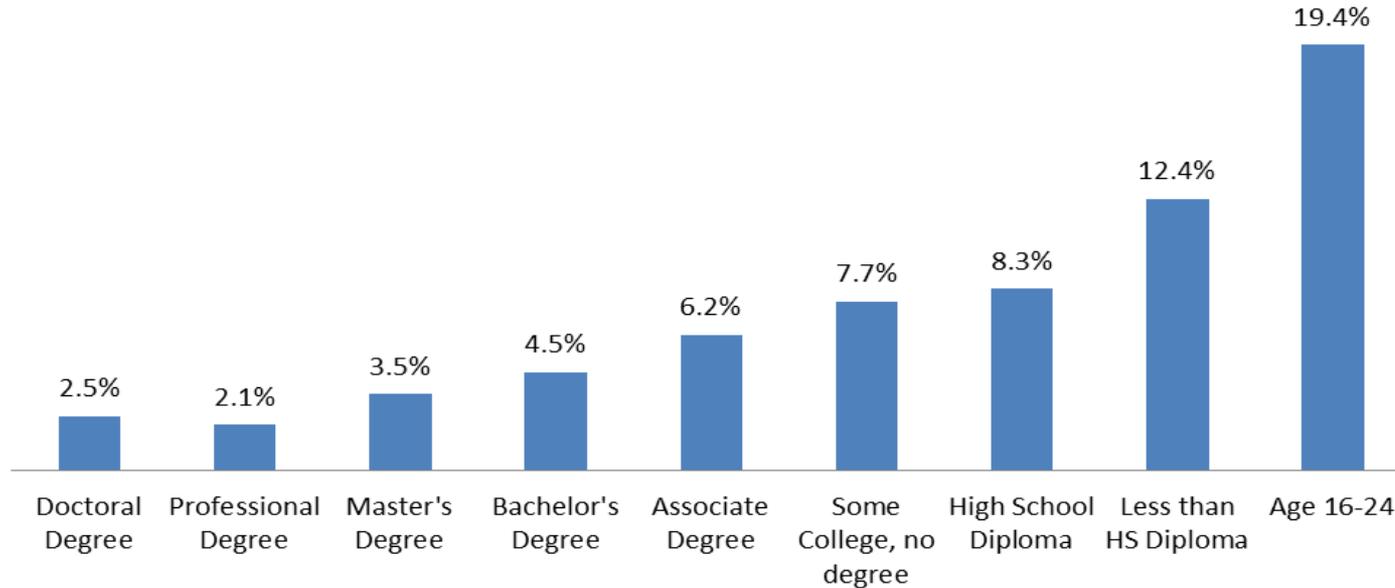


In Thousands

Unemployment by Education Level

Unemployment by Education Level

Education Level for Persons age 25 and Older



Source: U.S. Bureau of Labor Statistics

Multiplier Analysis: Jobs Created for Every Direct Job Added

Industry	Muliplier
Accomodations	0.63
Air Transportation	2.07
Chemical Manufacturing	3.73
Comercial Construction	0.83
Computer and other electronics Manufacturing	2.18
Electrical equipment and appliances	1.47
Fabricated Metal	1.1
Hospital	0.91
Mining	2.19
Nursing and residential care	0.36
Professional services	0.9
Telecommunication	2.06
Wholesale trade	1.21

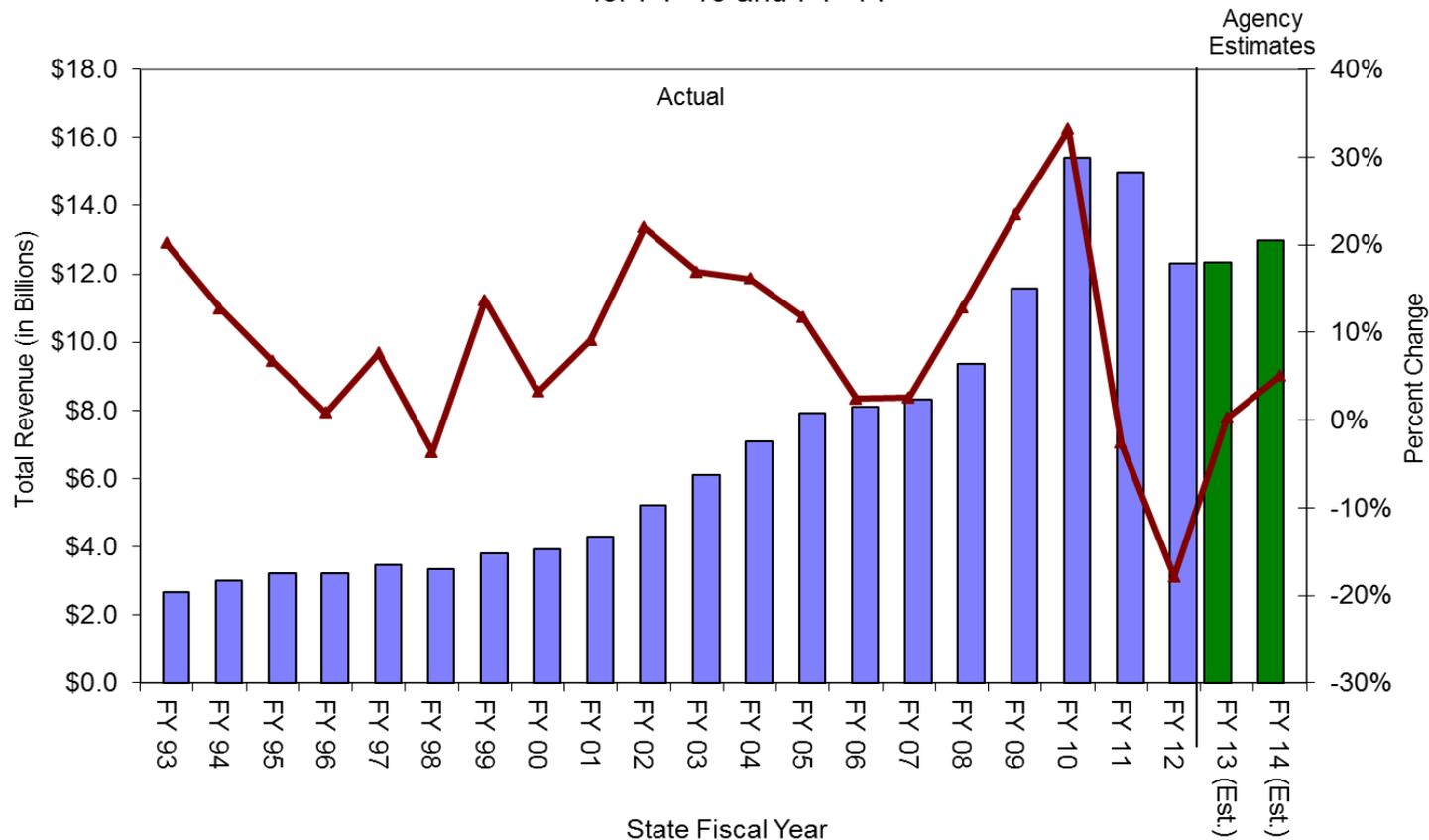
Elliott D. Pollack & Company, *The Job Recovery Package for the State of Arizona*, pg. 12

Economic Outlook

- Continue Long Recovery
- Global Insight places recession risk at 20%
 - Europe
 - Federal Spending

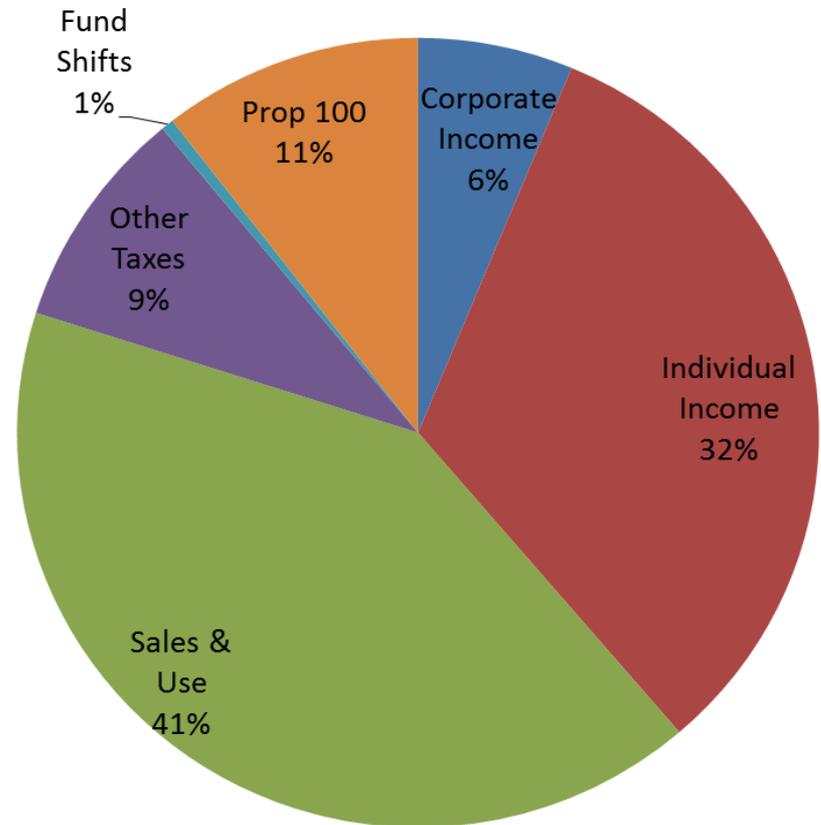
Arizona Federal Funding Cliff

Figure 1
Federal Funding Trend Including Estimates
for FY '13 and FY '14

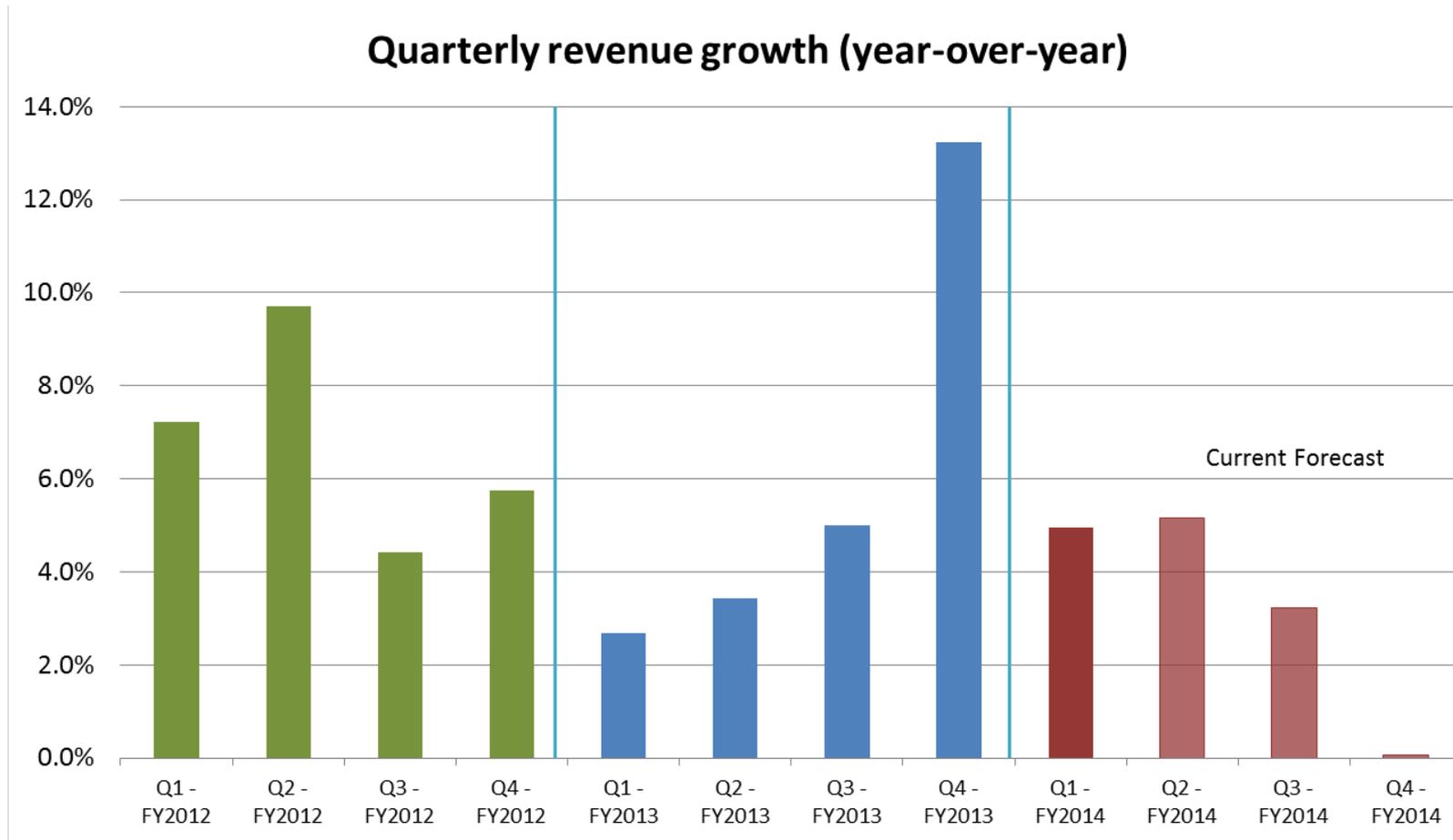


FY 2013 State Revenues

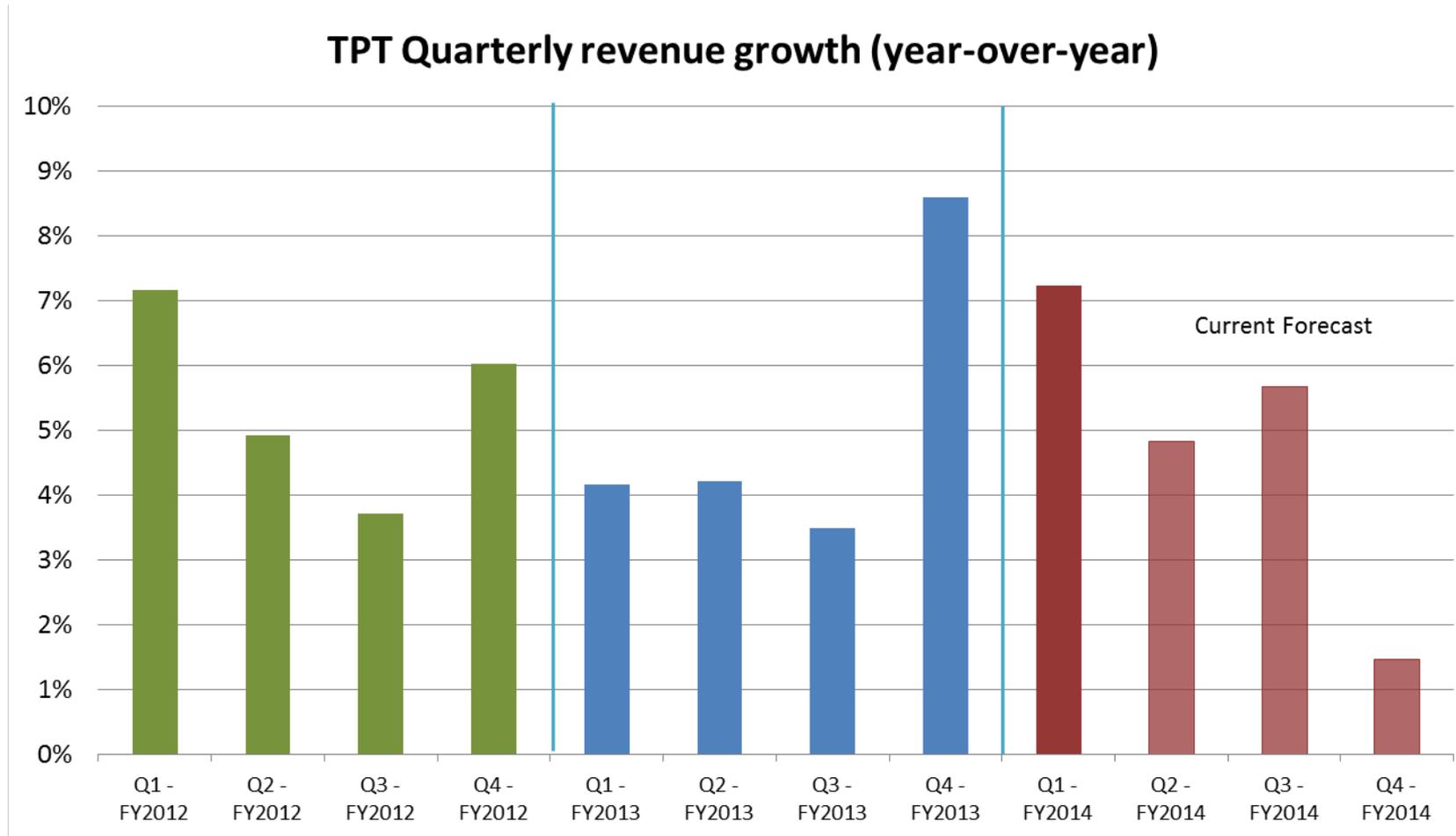
<u>Source</u>	<u>(Millions)</u>
Corporate Income	\$ 573
Individual Income	2,973
Sales and Use	3,775
Other Taxes	832
Fund Shifts	46
Prop. 100	962
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TOTAL	\$9,161



Revenues – Growth Rate by Quarter

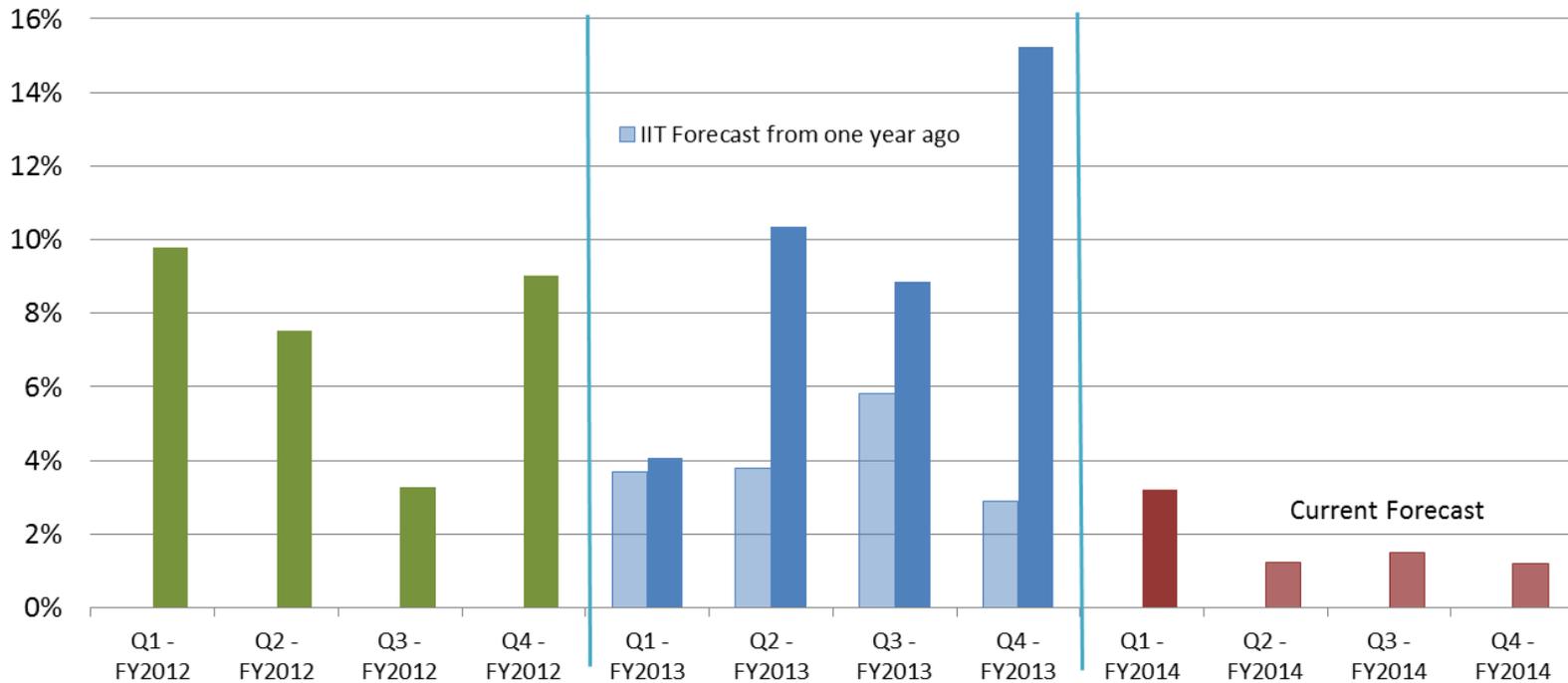


Revenues – Growth Rate by Quarter



Revenues – Growth Rate by Quarter

Individual Income Quarterly revenue growth
(year-over-year)

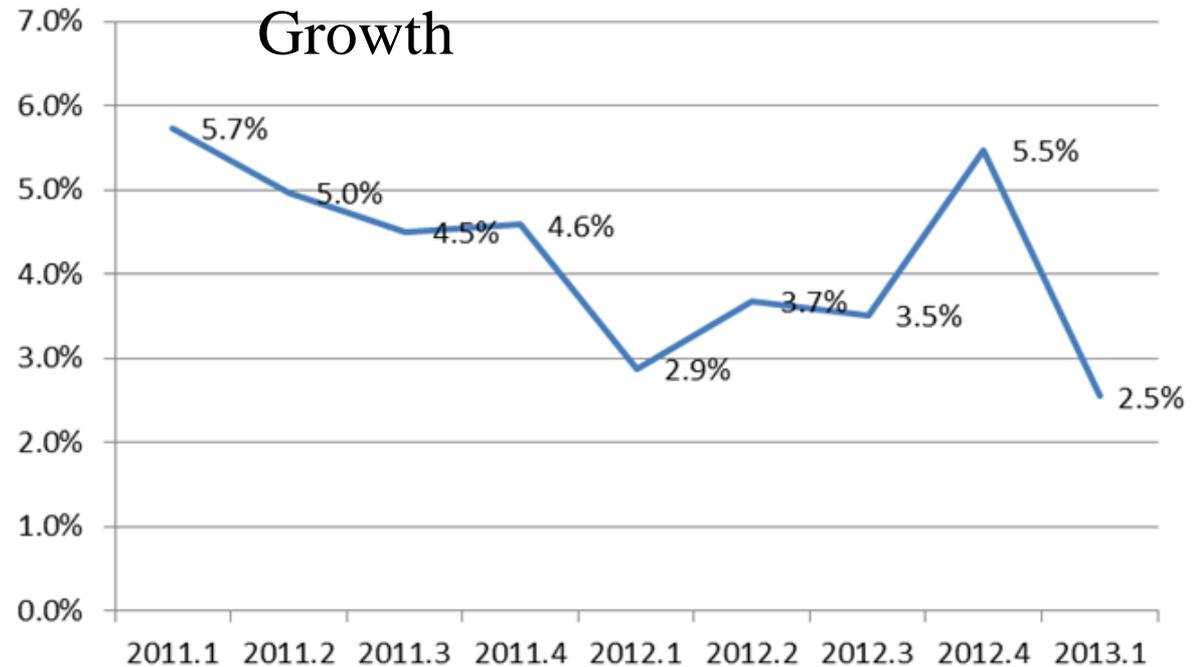


Individual Income

Withholding is only up 3.5%

Final Payments up 15.6%

Arizona Individual Income Growth

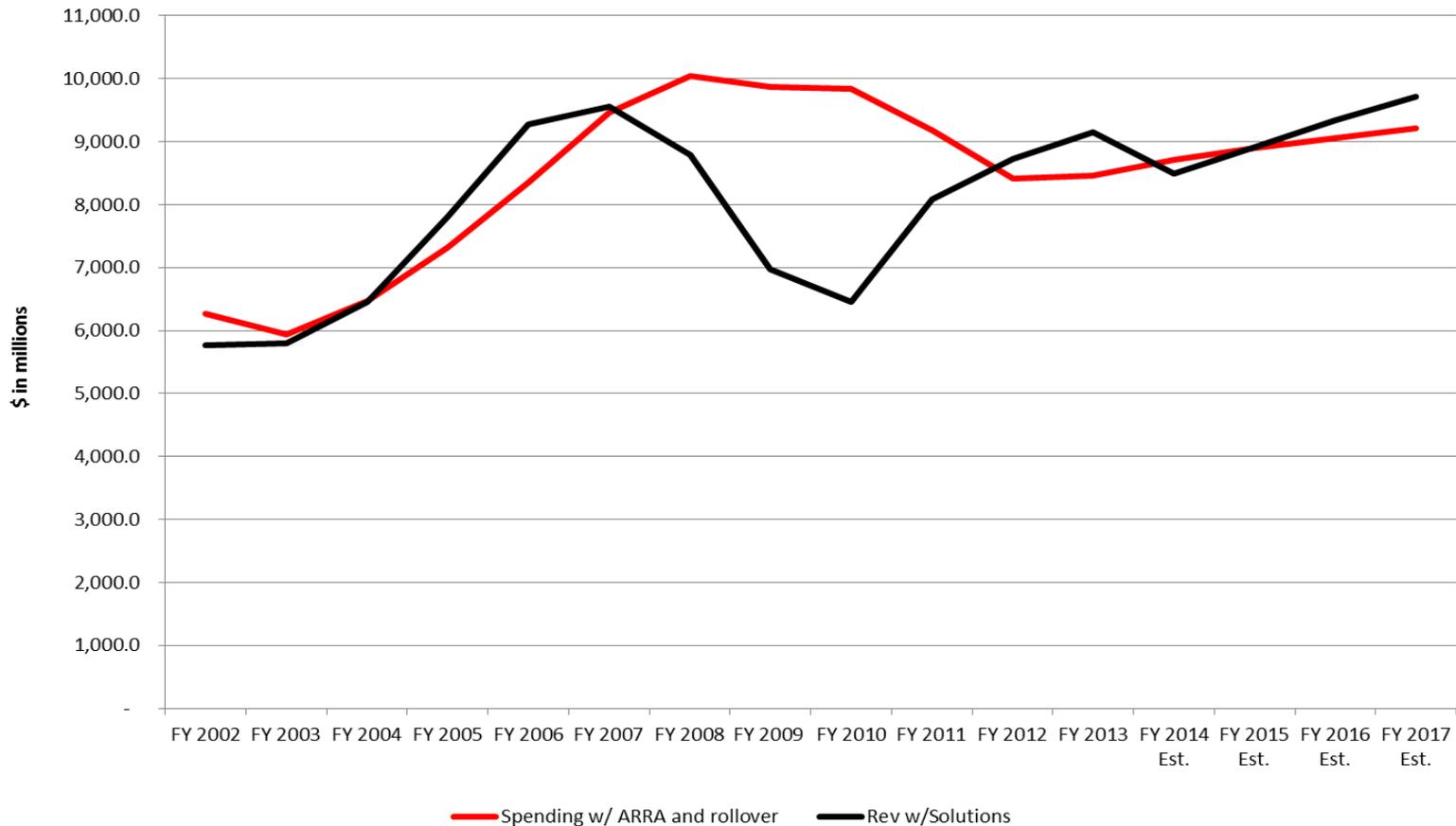


New Tax Changes

	FY 2014	FY 2015	FY 2016	FY 2017
2011 Competitiveness Package	\$35.10	\$139.67	\$225.87	\$323.17
Capital Gains Reductions	\$14.80	\$38.00	\$57.00	\$66.50
Other Changes	\$6.50	\$11.00	\$15.00	\$19.40
2013 Changes	\$37.24	\$14.14	\$18.74	\$19.74
Total	\$93.64	\$202.81	\$316.61	\$428.81

Budget: FY 2014 – FY 2017

Arizona General Fund Ongoing Expenditures and Revenues FY 2002-FY 2017



FY 2013 Ending Balance

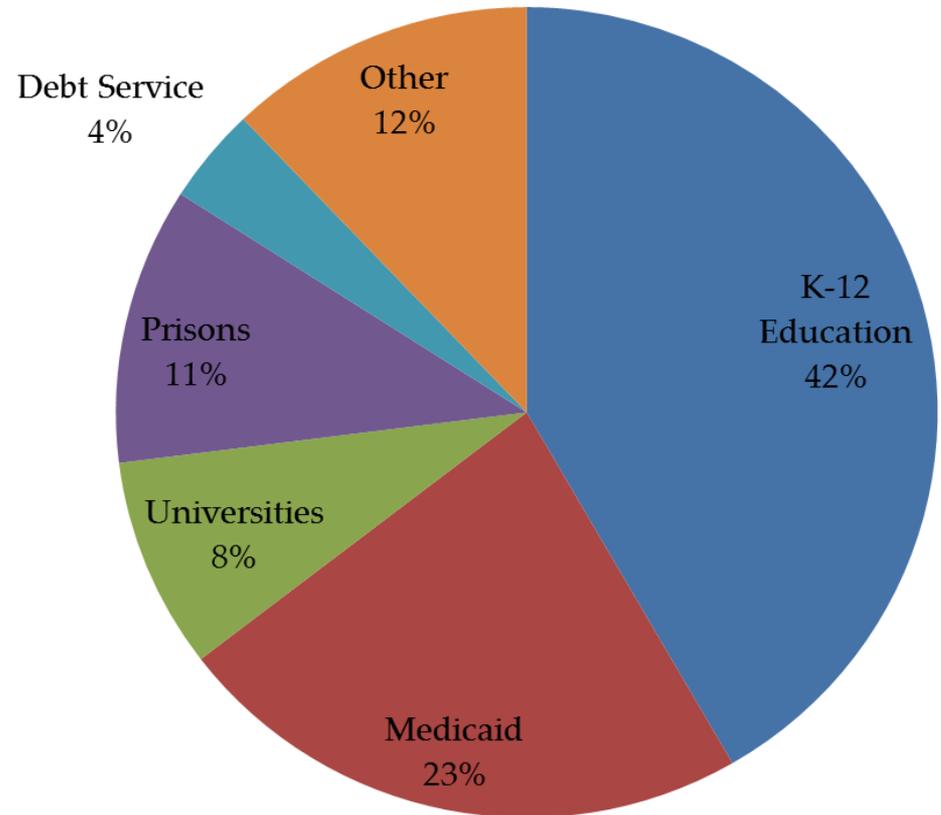
Fiscal Year	Ending Balance	Rainy Day Fund	Total
2009	(\$480.7)	\$2.7	(\$478.0)
2010	(\$5.7)	\$0.0	(\$5.7)
2011	\$3.2	\$0.0	\$3.2
2012	\$396.9	\$250.0	\$646.9
2013*	\$895.5	\$454.1	\$1,349.6

*Estimated

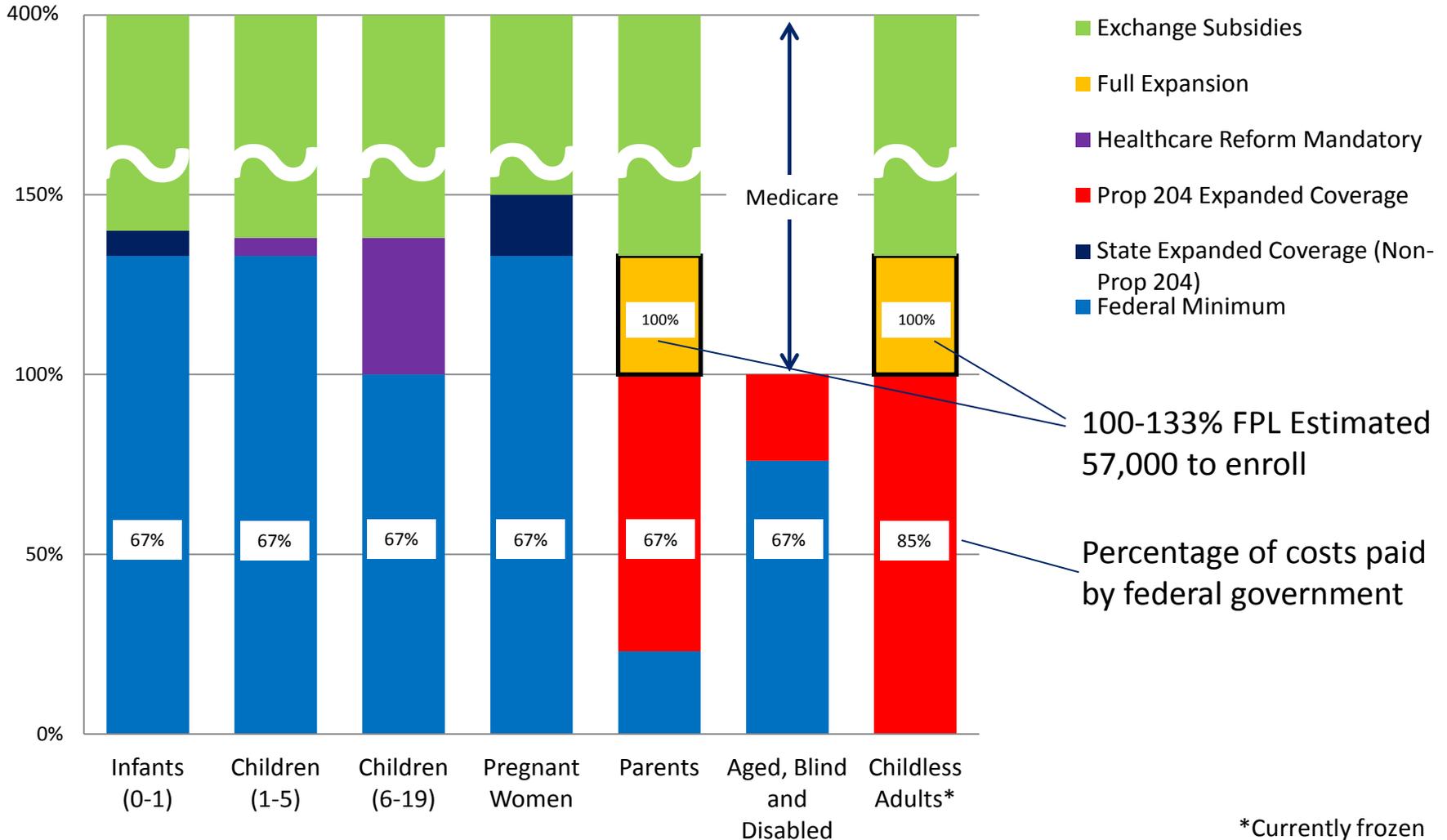
Budget Issues

FY 2014 Adopted Ongoing Expenditures

<u>Budget Unit</u>	<u>(Millions)</u>
Education (K-12)	\$ 3,637
Medicaid	2,002
Universities	736
Prisons	965
Debt Service	334
Other	1,058
TOTAL	8,732



Medicaid and ACA Populations

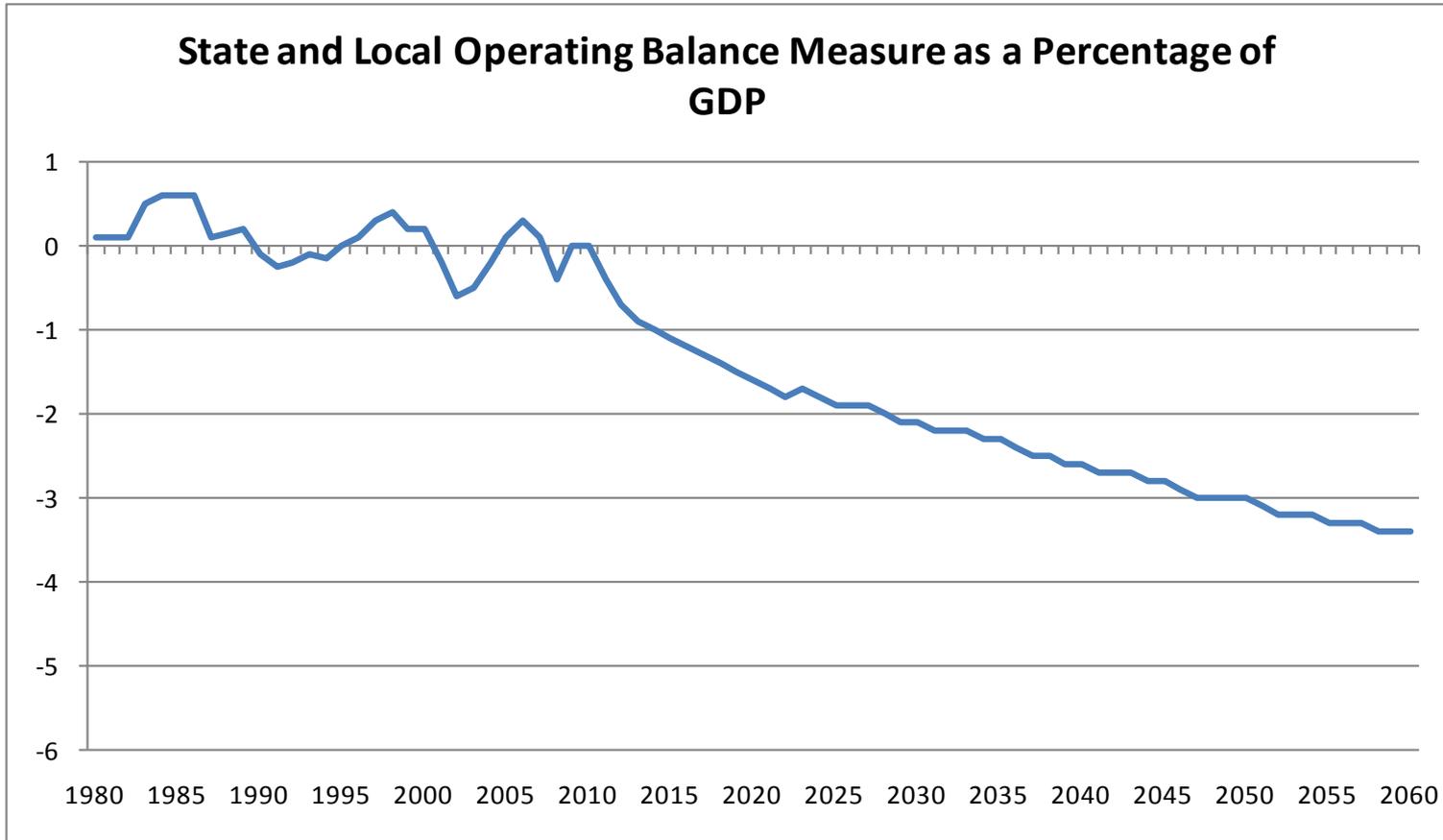


*Currently frozen

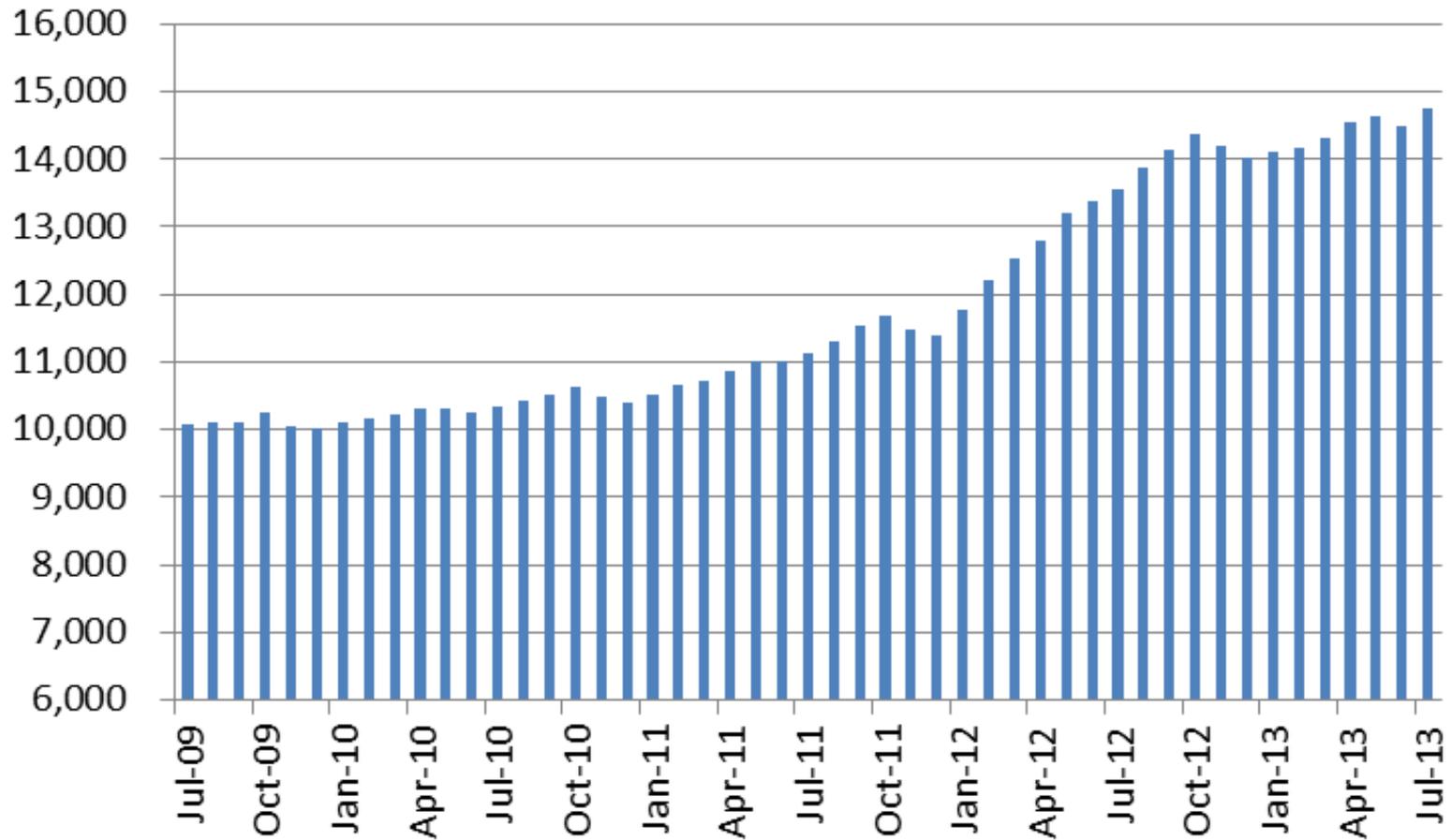
Medicaid Policy Options

Options	Lives covered	GF Impact (FY 14-16)	Federal Responsibility
Terminate Coverage 1-1-14	0 (63,000 lose coverage)	\$0	\$0
Governor's Proposal	300,000	\$(100) m savings	\$4.1 billion
Restore Prop. 204	240,000	\$1.3 billion	\$2.7 billion
Continued Freeze	63,000 & shrinking	\$807 m cost	\$0

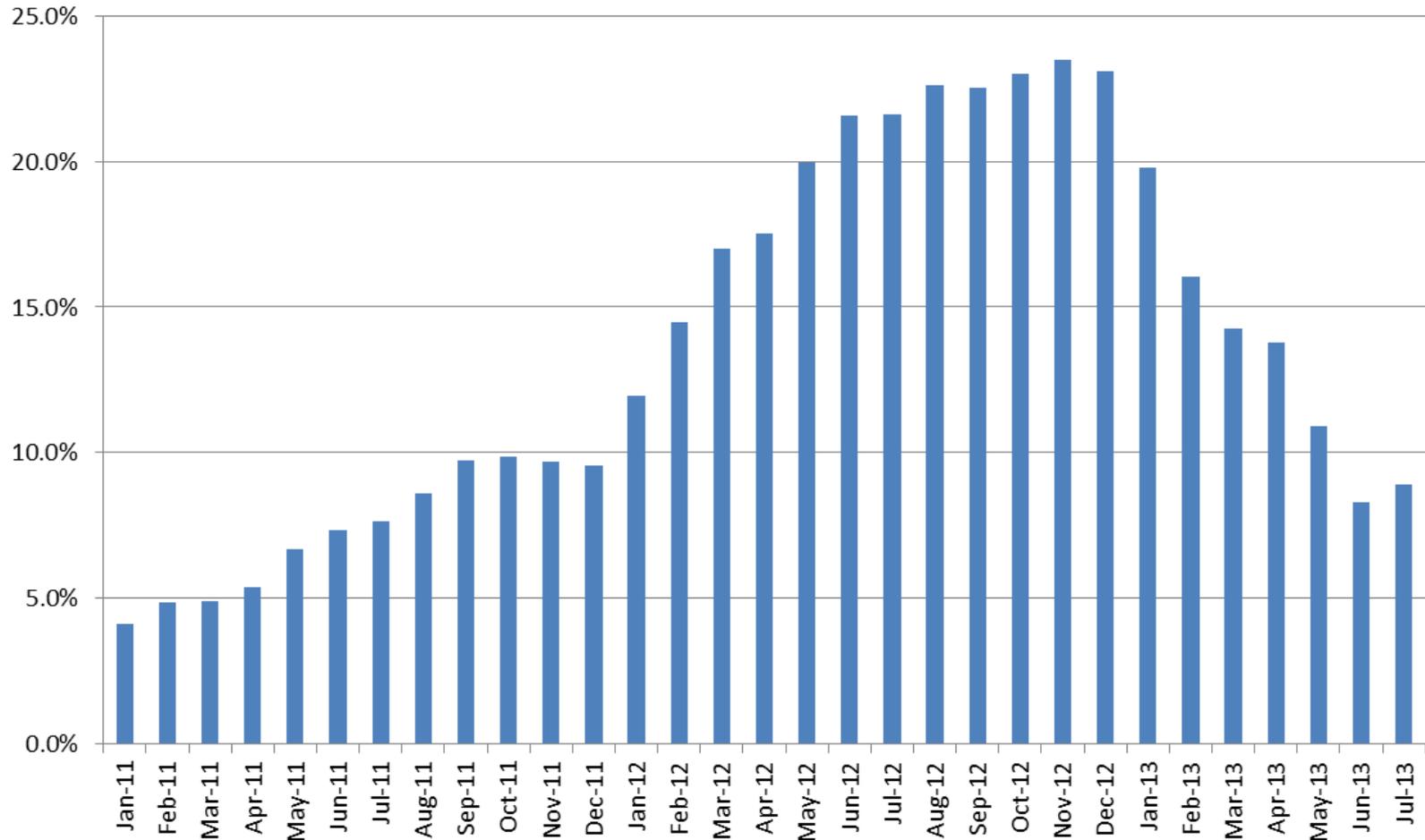
Long-Term Outlook



DES - Out of Home Care Caseloads

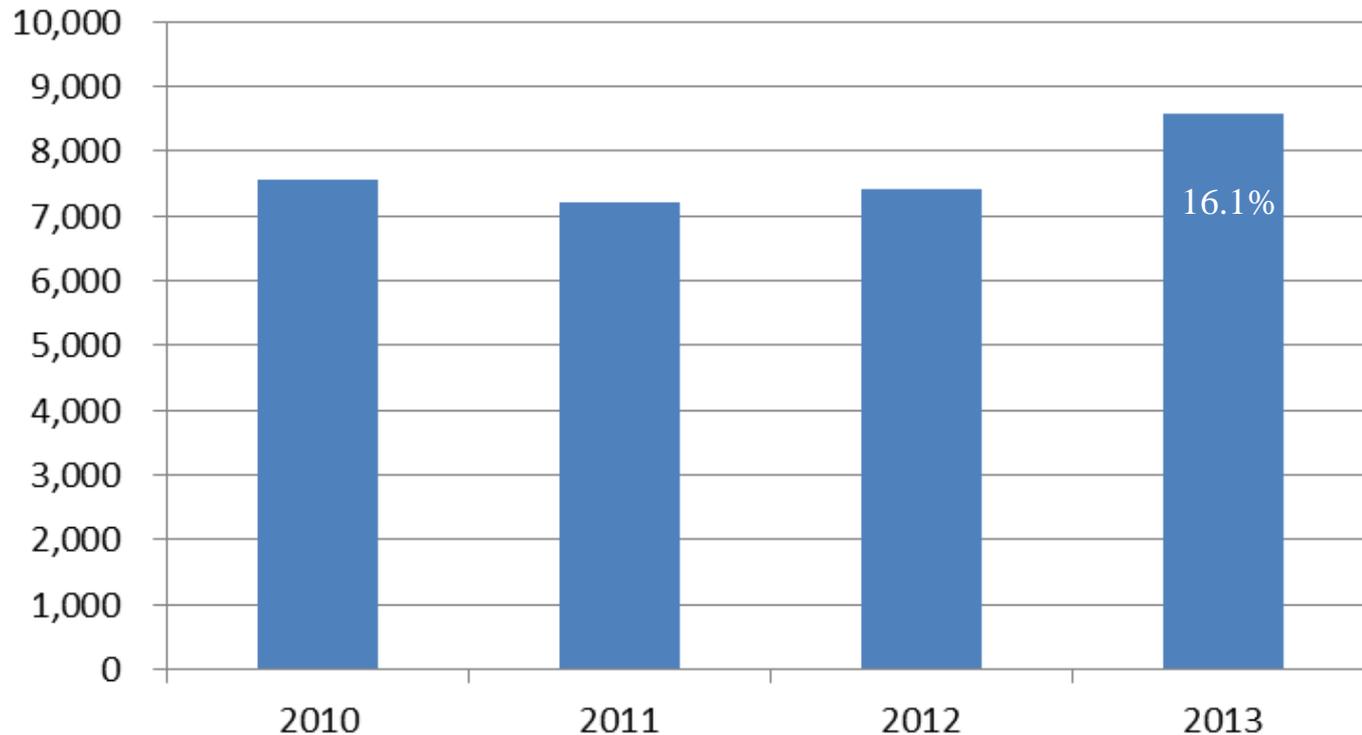


DES – Child Safety Caseloads (Year over Year Growth)



Attacking the Issue from both Sides

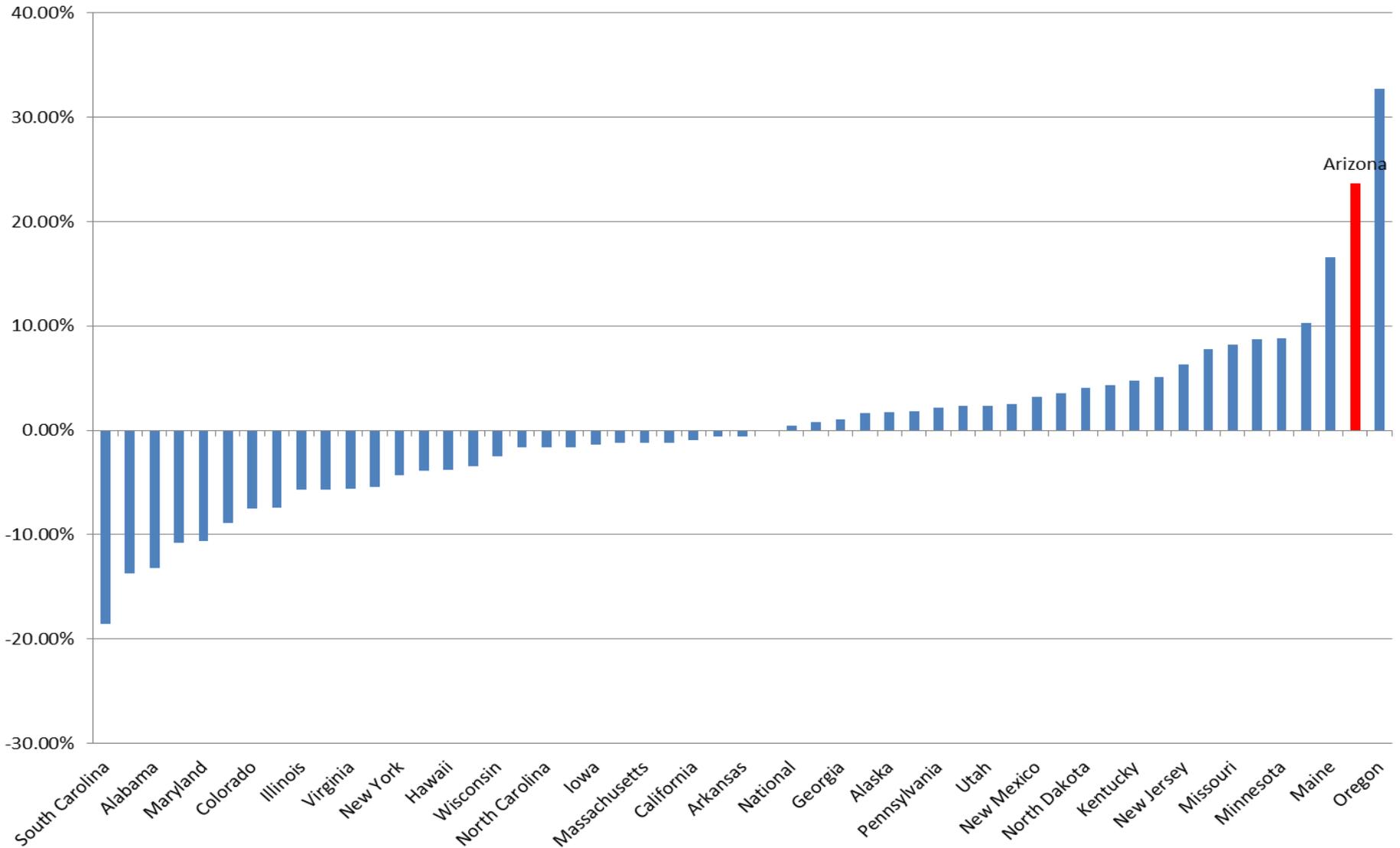
Exits from Out of Home Care



New Caseworkers

More funding for In Home Services

Kids in Foster Care - 2011 to 2012 % Change



Upcoming Issues: IT

Current Projects

- State accounting system
- State eligibility system
- K-12 student database
- On-line licensing (My Arizona)
- DOR BRITS overhaul
- Data center upgrades
- Prison management system (AIMS)

Next in Line

- DES CHILDS system - \$50 million
- DES Datacenter move
- DOA Datacenter

Other Budget Issues

- Inflation - (including wages)
- School capital finance
- Retirement
- Caseloads
- Other Capital
- Universities
- Education
- Federal Action