

MINUTES OF THE MEETING
FINANCE ADVISORY COMMITTEE

April 10, 2014

Senate Hearing Room 1, 12:00 p.m.

Members Present:

Dan Anderson, Assistant Executive Director,
Institutional Analysis, Arizona Board of Regents
Brian Cary, Manager of Forecasting, Research, and Economic Development, Salt River Project
Doug Ducey, State Treasurer
Georganna Meyer, Chief Economist, Arizona Department of Revenue
Elliott D. Pollack, President, Elliott D. Pollack & Company
Aruna Murthy, Director of Economic Analysis, Arizona Department of Administration
George Hammond, Director, Economic and Business Research Center, University of Arizona's Eller
College of Management

The Finance Advisory Committee (FAC) met on April 10, 2014 to update its 4-sector revenue forecast. The FAC is a 15 member panel of private and public section economists and their views serve as one of the 4 equal inputs into JLBC's Consensus revenue forecast. The remaining 3 inputs are the JLBC Staff forecast and 2 University of Arizona models.

The FAC heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. The JLBC Staff provided members with revised [FY 2014 - FY 2017 fiscal estimates](#) based on the updated 4-sector revenue forecast and the spending plan outlined in the Conference budget approved by the Legislature on April 7, 2014. That plan was slightly altered by the Governor's vetoes on April 11, 2014.

During the meeting, FAC panelists generally outlined a slowly improving economy, with moderate growth predicted for the next several years.

In comparison to the January forecast, the April 4-sector projection reduced the FY 2015 base revenue growth rate from 5.3% to 5.0%. The FY 2016 and FY 2017 estimates were virtually unchanged. (*See Table 1*) Given the current year-to-date FY 2014 performance of 4.3%, the long-term budget projections retained the January FY 2014 forecast of 4.3%.

Table 1

Comparison of January and April FAC Forecasts

	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>
January 4-Sector	5.3%	5.2%	5.6%
April 4-Sector	5.0%	5.3%	5.6%

The net result of the April 4-sector forecast is to reduce the level of projected revenues by \$(33) million in FY 2015 and by \$(69) million in FY 2017, compared to the enacted budget just approved by the Governor and Legislature (which used the January 4-sector estimates).

As a result, the enacted budget's projected FY 2015 ending balance would fall from \$139 million to \$106 million. Under the 3-year spending plan, the enacted budget had a projected FY 2017 shortfall of \$(469) million. The April forecast would increase that shortfall to \$(538) million.

In general, the presenters, as well as the FAC panel members, agreed that economic conditions continue to improve, but the pace of the recovery continues to remain slow. Additional information is available on our web-site at [April FAC Meeting](#).

The meeting adjourned at 1:20 p.m.

Kristy Paddack, Secretary

Tim Everill, Principal Economist

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>