At its April 13, 2010 meeting, the Finance Advisory Committee (FAC) heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. The FAC is a 15-member panel comprised of leading economists in the state. The panel meets 3 times a year and advises the Legislature on the state economy.

JLBC Staff provided members with the latest 4-sector consensus estimates for the “Big 3” revenue collections. The 4-sector consensus estimate is a composite of equally weighted estimates from:

- The University of Arizona Economic and Business Research (EBR) General Fund baseline model;
- The EBR conservative forecast model;
- The FAC panel; and
- JLBC Staff.

Based on the 4-sector consensus, revenues are projected to decline by (10.7)% in FY 2010, prior to any tax law changes. Year-to-date collections through March are down (14.1)% compared to the same period last year. The enacted budget was based on a (9.4)% decrease for FY 2010.

For FY 2011, each component of the 4-sector consensus showed improvement from FY 2010, with positive growth rates that equated to a total estimated growth rate of 3.4%. The state budget assumes a 4.2% growth rate.

Beyond FY 2011, the 4-sector consensus projects 7% to 9% growth until FY 2015.
In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Elliot Pollack and the State Treasurer, Dean Martin. The presenters generally believed that the recession is over but recovery is likely to be gradual and take place over the course of several years.

Some of the panel members expressed concern that, due to an expansion of the monetary base, increased economic activity may lead to future inflation.

The meeting adjourned at 12:45 p.m.

Sandy Schumacher, Secretary

Tim Everill, Assistant Director

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.