

**MINUTES OF THE MEETING**  
**FINANCE ADVISORY COMMITTEE**

October 7, 2014

Senate Hearing Room 1, 1:30 p.m.

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Members Present:

Doug Ducey, State Treasurer

George Hammond, Director, Economic and Business Research Center, University of Arizona's Eller College of Management

Georganna Meyer, Retired Chief Economist, Arizona Department of Revenue

Elliott D. Pollack, President, Elliott D. Pollack & Company

Aruna Murthy, Director of Economic Analysis, Arizona Department of Administration

Martin Shultz, Senior Policy Director, Brownstein Hyatt Farber Schreck

Elaine Smith, Senior Economist, Arizona Department of Revenue

Randie Stein, Stone & Youngberg, Vice President

The Finance Advisory Committee (FAC) met on October 7, 2014 to update its 4-sector revenue forecast. The FAC is a 15-member panel of private and public sector economists and their views serve as one of the 4 equal inputs into JLBC's Consensus Baseline revenue forecast. The remaining 3 inputs are the JLBC Staff forecast and 2 University of Arizona (UA) models.

The FAC heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. Based on the updated October 4-sector revenue forecast and updated spending projections, the JLBC Staff provided members with revised FY 2015 - FY 2018 ending balance estimates. The revised FY 2015 and FY 2016 ending balance estimates are shown in *Table 1* below.

After:	Ending Balance Projections	
	\$ in Millions	
	<u>FY '15</u>	<u>FY' 16</u>
May Special Session	\$130	\$(237)
October FAC Update	(189)	(667)
FAC Update + K-12 Reset	(520)	(1,002)

After the May Special Session, the General Fund was projected to have a positive ending balance of \$130 million in FY 2015, followed by a budget shortfall of \$(237) million in FY 2016. However, as a result of slower revenue growth after the May Special Session, the FAC panel's October 4-sector revenue forecast was revised down. Under the updated revenue forecast, the General Fund is projected to have a shortfall of \$(189) million in FY 2015 and \$(667) million in FY 2016. After factoring in the Superior Court ruling in the K-12 inflation litigation, the state's shortfall would increase to an estimated \$(520) million in FY 2015 and \$(1.0) billion in FY 2016.

In general, the presenters as well as the FAC panel members struck a more cautious tone than during the last meeting in April. The pace of the recovery continues to remain slow and revenue growth is not expected to return to more moderate growth rates until FY 2017 and FY 2018.

Additional information is available on our web-site at [October FAC Meeting](#).

The meeting adjourned at 2:53 p.m.

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Kristy Paddack, Secretary

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Hans Olofsson, Chief 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>