

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

October 8, 2020

Online Meeting, 1:30 p.m.

Members Attending Remotely:

Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting (OSPB)

George W. Hammond, Director, Economic and Business Research Center, University of Arizona

Alan E. Maguire, President, The Maguire Company

Richard C. Merritt, President, Elliott D. Pollack and Company

Jim Rounds, President, Rounds Consulting Group, Inc.

Elaine Smith, Administrator, Office of Economic Research and Analysis, Arizona Department of Revenue

Randie Stein, Director, Stifel, Nicolaus & Company, Inc.

Mark Swenson, State Treasurer's Office

The Finance Advisory Committee (FAC) met on October 8, 2020 to update its 4-sector revenue forecast. The FAC is a 12-member panel of private and public sector 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 (UA) models.

The JLBC Staff provided the FAC with [a presentation](#) on updated budget projections. The recently completed FY 2020 ended significantly better than expected – while the June Budget Update had projected an FY 2020 shortfall of \$(190) million, the Executive's preliminary FY 2020 ending balance estimate is \$372 million. This net increase of \$562 million is a result of both \$248 million in higher-than-anticipated revenues as well as \$314 million in lower-than-budgeted spending, primarily as a result of substituting federal Coronavirus Relief Fund monies for General Fund expenditures.

The FY 2021 ending balance projection has now been revised upwards due to: 1) The better-than-expected results during FY 2020; and 2) An increase in the FY 2021 revenue forecast. Based on the 4-sector forecast, we are now projecting the state will have a cash balance of \$411 million in FY 2021.

For FY 2022, the JLBC Staff is projecting an ending cash balance of \$93 million. After considering all factors, there is more likelihood that this ending balance projection will grow rather than decline by the time of the January Baseline. For more information, please see the [JLBC Staff Budget Update](#) for a narrative description of the current budget projections.

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Jim Rounds of Rounds Consulting Group and Deputy Treasurer Mark Swenson. For additional information, including copies of the presentations provided by the JLBC Staff, Mr. Rounds and Mr. Swenson, please see [October FAC meeting packet](#).

The meeting adjourned at 3:20 p.m.

Kristy Paddack, Secretary

Hans Olofsson, Chief Economist