MINUTES OF THE MEETING
FINANCE ADVISORY COMMITTEE

October 10, 2019

Senate Hearing Room 1, 2:00 p.m.

Members Present:
Doug Walls, Research Administrator, Arizona Office of Economic Opportunity
Elaine Smith, Senior Economist, Department of Revenue
Elliott Pollack, President, Elliott D. Pollack and Company
George Hammond, Director, Economic and Business Research Center, University of Arizona
Mark Swenson, State Treasurer's Office
Steve Taddie, Managing Partner, Stellar Capital Management

The Finance Advisory Committee (FAC) met on October 10, 2019 to update its 4-sector revenue forecast. The FAC is a 11-member panel of private and public-sector economists and their views serve as one of the 4 equal inputs into JLBC’s Baseline revenue forecast. The remaining 3 inputs are the JLBC Staff forecast and 2 University of Arizona (UA) econometric models.

The FAC heard presentations on General Fund Revenue collections, the U.S. and Arizona economy, and state cash flows. The JLBC Staff provided members with revised FY 2020 – FY 2023 revenue estimates and spending projections based on the updated October 4-sector revenue forecast. The updated net revenue growth rate for FY 2020 is 2.4%, or 0.3% above the enacted budget growth rate of 2.1%. (Net revenue includes the impact of previously enacted tax law changes but excludes balance forward, budgeted fund transfers, and urban revenue sharing.) The updated FY 2021 and FY 2022 net revenue growth rates are 3.8% and 3.4%, respectively. These projected rates are close to the FY 2021 and FY 2022 enacted budget growth rates of 3.6% and 3.4%, respectively. The enacted and updated October net revenue growth rates are summarized in Table 1 below.

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<td><strong>Comparison of Enacted Budget and October FAC Forecasts</strong></td>
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Baseline spending is projected to decrease by (2.4)%, or $(286) million, in FY 2021. The projected $(286) million net decrease in FY 2021 is a combination of $594 million in ongoing spending changes and $(880) million in one-time spending additions or deletions. Baseline spending projections reflect changes to active statutory and other funding formulas, but no discretionary additions.

Under the updated revenue and spending projections, the projected FY 2021 ending balance would be $694 million prior to any planning targets. Of this amount, up to $170 million is available for ongoing objectives and $475 million is available for one-time purposes. (Higher levels of ongoing spending increases and/or revenue reductions would create a budget shortfall in FY 2022.) The remaining $50 million is set aside as an uncommitted cash balance. For more information, please see the JLBC Staff Budget Update and October FAC meeting materials.
The meeting adjourned at 3:34 p.m.

Kristy Paddack, Secretary

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 the JLBC website.