Members Present:
Dan Anderson, Assistant Executive Director, Arizona Board of Regents
Matthew Gress, Director, Governor’s Office of Strategic Planning and Budgeting
George Hammond, Director, Economic and Business Research Center, University of Arizona
Georganna Meyer, Senior Economist, The Maguire Company
Jim Rounds, President, Rounds Consulting Group
Randie Stein, Director, Stifel, Nicolaus & Company, Incorporated
Mark Swenson, State Treasurer's Office
Steve Taddie, Managing Partner, Stellar Capital Management
Doug Walls, Research Administrator, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on October 12, 2017 to update its 4-sector revenue forecast. The FAC is a 14-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 2018 – FY 2021 revenue estimates and spending projections based on the updated October 4-sector revenue forecast. The updated Base revenue growth rates for FY 2018 and FY 2019 of 4.1% and 3.9%, respectively, are slightly below the enacted budget forecast. The FY 2020 projected growth rate of 4.5% remains unchanged (See Table 1).

<table>
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<th>Table 1</th>
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<td>Comparison of Enacted Budget and October FAC Forecasts</td>
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After adjusting for tax reductions and one-time revenue, net growth would be 1.5% in FY 2018 and 3.3% in FY 2019. Baseline spending is projected to increase by 2.3%, or $226 million, in FY 2019. The increase reflects changes to active statutory and other funding formulas.

Under the updated revenue and spending projections, the state is estimated to have a cash shortfall of $(24) million in FY 2018 and $(80) million in FY 2019. The structural balance – the difference between ongoing revenue and ongoing spending – is projected to be $19 million in FY 2019.

The cash balance is subject to several risk factors. These include pending litigation that could significantly affect spending as well as a possible recession, based on the length of the current economic expansion compared to the historical averages. For more information, please see the JLBC Staff Budget Update and October FAC meeting materials.
The meeting adjourned at 11:09 a.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.