

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

January 26, 2023

Online Meeting, 12:30 p.m.

Members Present:

George Hammond, Director, Economic and Business Research Center, University of Arizona
Alan E. Maguire, President, The Maguire Company
Elliott D. Pollack, President, Elliott D. Pollock and Company
Karen Jacobs, Senior Economist, Office of Economic Research and Analysis, Arizona Department of Revenue
Doug Walls, Labor Market Information Director, Arizona Office of Economic Opportunity
Lorenzo Martinez, Senior Director of Health Sciences, Arizona Board of Regents
Mark Swenson, State Treasurer's Office
Randie Stein, Director, Stifel, Nicolaus & Company, Inc.

The Finance Advisory Committee (FAC) met on January 26, 2023 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) 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 2023 – FY 2026 revenue estimates based on the updated January Baseline 4-sector revenue forecast. The JLBC Staff also included a comparison to the Executive revenue forecast.

Under the updated forecast, "base" General Fund revenue is projected to grow by 7.5% in FY 2023, 2.0% in FY 2024, 3.0% in FY 2025, and 4.4% in FY 2026. (This base revenue calculation represents the underlying growth in the economy by excluding the impact of previously enacted tax reductions, Urban Revenue Sharing, the beginning balance, and one-time revenue adjustments.) There is significant recession uncertainty reflected in the FY 2024 forecast, with national economists estimating the probability of recession in CY 2023 to range from 50% to 80%.

Under the January updated revenue and spending estimates, the General Fund is projected to have a large one-time balance of \$1.8 billion in FY 2024 but the balance declines to \$1 million by FY 2025. This means that while there is substantial capacity for one-time budget proposals in FY 2024, any ongoing initiatives would create a budget shortfall in FY 2025.

For more information, please see the JLBC Staff Budget Update slideshow and narrative along with other materials in the [January FAC meeting book](#). A [full video recording](#) of the meeting is also available at the JLBC website.

The meeting adjourned at 1:43 p.m.