

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

April 7, 2022

Online Meeting, 12:00 p.m.

Members Present:

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

Alan E. Maguire, President, The Maguire Company

Jim Rounds, President, Rounds Consulting Group

Elaine Smith, Deputy Assistant Director, Office of Economic Research and Analysis, Arizona Department of Revenue

Mark Swenson, State Treasurer's Office

Doug Walls, Labor Market Information Director, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on April 7, 2022 to update the 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 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 the updated April 4-sector FY 2022 – FY 2025 revenue forecast along with projected ending balance estimates. Through March 2022, year-to-date revenues are 18.2% above the prior year after adjusting for the 2020 income tax deferral. In terms of the updated revenue forecast, the April 4-sector projects growth of 14.3% for FY 2022 while the JLBC Staff sector estimates a 15.6% increase. Based on early income tax filings, there is substantial upside potential above the 4-sector's projected 14.3% growth rate. For this reason, the JLBC Staff recommends instead using the 15.6% growth rate for FY 2022.

Excluding balance forward, one-time transfers, urban revenue sharing, and tax law changes, the April 4-sector projects base revenue growth of 4.0% in FY 2023, 4.4% in FY 2024, and 4.7% in FY 2025. This compares to the January 4-sector's (Baseline) projected growth rates of 3.1% in FY 2023, 4.6% in FY 2024, and 4.7% in FY 2025. The JLBC Staff recommends using the lower January 4-sector FY 2023 – FY 2025 projected growth rates since current economic conditions warrant a more cautious approach. *Table 1* below compares the April 4-sector forecast to the JLBC Staff recommended forecast from FY 2022 through FY 2025.

	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>
4-Sector	14.3%	4.0%	4.4%	4.7%
JLBC Staff	15.6%	3.1%	4.6%	4.7%

^{1/} FY 2022 growth rate has been adjusted to remove the impact of income tax filing deferral from April 15, 2020 to July 15, 2020.

(Continued)

Compared to the January Baseline, the updated April revenue and spending estimates increase resources available for ongoing budget initiatives from \$1.0 billion to \$1.29 billion. One-time resources are increased from \$2.1 billion to \$2.8 billion. These estimates reflect the Baseline's "Maximum Commitment" scenario assumptions, under which Proposition 208 is upheld in litigation. If Proposition 208 is ruled invalid, ongoing resources would increase from \$1.29 billion to \$1.57 billion and one-time resources would grow from \$2.8 billion to \$3.7 billion.

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. Additional information, including copies of the presentations provided by the JLBC Staff, Mr. Rounds, and Mr. Swenson, can be found on our website. The [meeting book](#) and a [full video recording](#) of the meeting is also available at the JLBC website.

The meeting adjourned at 1:03 p.m.