

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

April 11, 2019

Senate Hearing Room 1, 12:00 p.m.

Members Present:

Fareed Bailey, State Treasurer's Office

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

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

Jim Rounds, President, Rounds Consulting Group

Elaine Smith, Senior Economist, Arizona Department of Revenue

Doug Walls, Research Administrator, Arizona Office of Economic Opportunity

The [Finance Advisory Committee](#) (FAC) met on April 11, 2019 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 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 2019 – FY 2022](#) revenue estimates based on the updated April 4-sector revenue forecast, which excludes the impact of federal tax conformity.

As shown in *Table 1* below, compared to the January Baseline forecast, the updated April Consensus forecast for FY 2019 was (0.8)% lower, with growth reduced from 7.0% to 6.2%. This downward revision was primarily related to the loss of January estimated Individual Income Tax payments. The forecasted growth rate for FY 2020 was unchanged at 3.9%, while growth for FY 2021 and FY 2022 declined slightly from January (*See Table 1*).

| | <u>FY 19</u> | <u>FY 20</u> | <u>FY 21</u> | <u>FY 22</u> |
|---------|--------------|--------------|--------------|--------------|
| January | 7.0% | 3.9% | 3.4% | 3.8% |
| April | 6.2% | 3.9% | 3.0% | 3.7% |

In terms of ongoing General Fund revenues, the April 4-sector forecast would generate \$(84) million less in FY 2019 than under the January Baseline; \$(94) million less in FY 2020; \$(137) million less in FY 2021; and \$(148) million less in FY 2022.

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Jim Rounds, President of Rounds Consulting Group and Fareed Bailey, Director of Legislative Affairs at the State Treasurer's Office. The general assessment by presenters and FAC panel members is that while the state's economy is projected to remain relatively strong for the remainder of the fiscal year, growth is expected to slow in FY 2020 through FY 2022. Additional information is available on our website at [April FAC Meeting](#).

The meeting adjourned at 11:48 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.