

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

April 11, 2024

Online Meeting, 12:30 p.m.

Members Present:

Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting (OSPB)

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

Karen Jacobs, Acting Deputy Assistant Director, Office of Economic Research and Analysis, Arizona Department of Revenue

Alan E. Maguire, President, The Maguire Company

Lorenzo Martinez, Senior Director of Health Sciences, Arizona Board of Regents

Randie Stein, Director, Public Finance Department of the Investment Firm Stifel, Nicolaus & Company

Mark Swenson, Deputy Treasurer, State Treasurer's Office

The Finance Advisory Committee (FAC) met on April 11, 2024 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 General Fund 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 2024 – FY 2027 revenue estimates along with projected ending cash balance estimates. The FY 2024 revenue forecast was solely based on the JLBC Staff's own projection whereas the FY 2025 – FY 2027 revenue estimates were based on the average forecast of the 4 sectors that make up the FAC consensus forecast.

As shown in *Table 1*, under the updated April FAC forecast, net ongoing General Fund revenue, excluding Urban Revenue Sharing, is projected to decline by (2.3)% in FY 2024. This is a smaller decline than under the January Baseline, which forecast a revenue decrease of (3.4)% in FY 2024. In dollar terms, the April forecast update raises FY 2024 revenues by \$185 million above the January Baseline. The upward forecast revision in April was primarily attributable to lower-than-anticipated individual income tax refunds during the first 3 months of the 2024 tax-filing season. Revisions to the projected FY 2025 – FY 2027 growth rates were minimal.

Table 1

Comparison of January and April FAC Forecasts

	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
January	(3.4)%	2.6%	4.1%	4.7%
April	(2.3)%	2.7%	3.9%	4.6%

Under the April updated revenue and spending estimates, the General Fund is projected to have a shortfall of \$(650) million in FY 2024 and \$(676) million in FY 2025, or combined total of \$(1.3) billion. The total budget shortfall solution, however, becomes closer to \$1.8 billion after adjusting for \$369 million in possible "ongoing one-times" and litigation-related one-time spending combined with a \$100 million FY 2025 ending balance.

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

The meeting adjourned at 1:39 p.m.