

MINUTES OF THE MEETING
FINANCE ADVISORY COMMITTEE

April 12, 2012

Senate Hearing Room 1, 11:30 a.m.

Members Present:

Dan Anderson, Assistant Executive Director,
Institutional Analysis, Arizona Board of Regents
John Arnold, Director, Governor's Office of Strategic Planning and Budgeting
Brian Cary, Manager of Forecasting, Research & Economic Development, Salt River Project
Doug Ducey, State Treasurer
Georganna Meyer, Chief Economist, Arizona Department of Revenue
Aruna Murthy, Director of Economic Analysis, Arizona Department of Administration
Martin Shultz, Senior Policy Director, Brownstein Hyatt Farber Schreck
Marshall Vest, Director, Economic and Business Research Center, University of Arizona's Eller
College of Management

The Finance Advisory Committee (FAC) met on April 12, 2012 to update its 4-sector revenue forecast. The FAC is a 15 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 JLBC Staff and 2 University of Arizona models are the other 3 inputs.

The FAC heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. The JLBC Staff provided members with revised [FY 2012 - FY 2015 fiscal estimates](#) based on the 4-sector revenue forecast and the budget actions of the House and Senate Appropriations Committees in February.

The April 4-sector forecasts base revenue growth of 3.4% in FY 2013, 6.3% in FY 2014 and 7.2% in FY 2015. The April forecasts declined from the prior January estimates. The primary reason for the decline was lower figures from the 2 University of Arizona (UA) models. In particular, the "low risk" scenario was reduced from 1.4% revenue growth to a (2.5)% revenue decline in FY 2013.

JLBC Staff also developed an alternative scenario to address 2 concerns with the April 4-sector projection: 1) The projected 3.4% growth is lower than many general economic projections; and 2) The forecasts assume accelerating growth through FY 2015. Budget projections typically become more cautious in the long run due to uncertainty.

This alternate April scenario is based on annual 5% growth for FY 2013 – FY 2015. Over this period of time, however, the April alternative produces total General Fund Revenue collections very comparable to the April 4-sector. Between FY 2012 and FY 2015, the April forecasts are approximately \$(165) million lower than the Appropriation Committee revenue projections.

Table 1 below outlines a comparison of these projections:

(Continued)

	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>	<u>FY 15</u>
Jan. 4-Sector	5.3%	5.1%	6.9%	5.0% ^{1/}
April 4-Sector	5.6%	3.4%	6.3%	7.2%
Alt April	5.6%	5.0%	5.0%	5.0%

^{1/} 7.9% in January was adjusted to 5.0% in Appropriation Committee estimates

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Jim Rounds of Elliott D. Pollack & Co. and State Treasurer Doug Ducey. See <http://www.azleg.gov/jlbc/meeting.htm> for additional information.

The meeting adjourned at 12:28 p.m.

Alanna Carabott, 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 <http://www.azleg.gov/jlbc/meeting.htm>