

## MINUTES OF THE MEETING

### FINANCE ADVISORY COMMITTEE

April 12, 2017

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

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#### Members Present:

Brian Cary, Manager, Salt River Project  
George Hammond, Director, Economic and Business Research Center, University of Arizona  
Georganna Meyer, Senior Economist, The Maguire Company  
Elliott D. Pollack, President, Elliott D. Pollack & Company  
Elaine Smith, Senior Economist, Arizona Department of Revenue  
Randie Stein, Director, Stifel, Nicolaus & Company, Incorporated  
Mark Swenson, State Treasurer's Office  
Doug Walls, Research Administrator, Arizona Office of Economic Opportunity

The [Finance Advisory Committee](#) (FAC) met on April 12, 2017 to update its 4-sector revenue forecast. The FAC is a 14-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) 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 2017 – FY 2020](#) revenue estimates based on the updated April 4-sector revenue forecast.

In comparison to the January base revenue forecast, the April FAC projections are lower for FY 2017 but higher for FY 2018. The projected revenue growth rates for FY 2019 and FY 2020 were lower under the updated April forecast (*See Table 1*).

While the April revision to FY 2017 was small, the revisions to FY 2018, FY 2019 and FY 2020 were more significant. Most of the revision to the updated 4-sector forecast was attributable to UA's "low scenario" model. The April "low scenario" model assumed that if a national recession were to occur, it would be more severe and start later than assumed under the January forecast. The April revision to the "low scenario" model had the effect of shifting the revenue impact of the recession from FY 2018 to FY 2019.

**Table 1**

#### **Comparison of January and April FAC Forecasts**

	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
January	3.5%	3.9%	4.2%	4.8%
April	3.4%	4.3%	3.5%	4.4%

(Continued)

Compared to the January Baseline, the estimates under the April FAC update would reduce revenues by \$(10) million in FY 2017 while increasing revenues by \$30 million in FY 2018. General Fund revenues would be \$(37) million and \$(83) million lower in FY 2019 and FY 2020, respectively, under the updated April 4-sector forecast. Under the assumed January Baseline spending level, the projected structural balance would change from \$46 million to \$76 million in FY 2018; from \$194 million to \$157 million in FY 2019; and from \$323 million to \$240 million in FY 2020. Additional information is available on our website at [April FAC Meeting](#).

The meeting adjourned at 12:49 p.m.

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Kristy Paddack, Secretary

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Hans Olofsson, Chief Economist