

STATE OF ARIZONA

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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

<http://www.azleg.gov/jlbc.htm>

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FINANCE ADVISORY COMMITTEE

April 13, 2010

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

Members Present:

Dan Anderson, Assistant Executive Director,
Institutional Analysis, Arizona Board of Regents
Brian Cary, Corporate Economist, Salt River Project
Pete Ewen, Chief Economist and Manager, Pinnacle West
Karen Jacobs, Senior Economist, Arizona Department of Revenue
John Lucking, President, ECON-LINC
Dean Martin, State Treasurer
Aruna Murthy, Director of Economic Analysis, Department of Commerce
Elliott Pollack, President, Elliott D. Pollack & Co.
Debra Roubik, Chief Economist, VisionEcon
Martin Shultz, Vice President of Government Affairs, Pinnacle West Capital Corporation
Marshall Vest, Director, Economic and Business Research Center, UA Eller College of
Management

At its April 13, 2010 meeting, the Finance Advisory Committee (FAC) heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. The FAC is a 15-member panel comprised of leading economists in the state. The panel meets 3 times a year and advises the Legislature on the state economy.

JLBC Staff provided members with the latest 4-sector consensus estimates for the "Big 3" revenue collections. The 4-sector consensus estimate is a composite of equally weighted estimates from:

- The University of Arizona Economic and Business Research (EBR) General Fund baseline model;
- The EBR conservative forecast model;
- The FAC panel; and
- JLBC Staff.

Based on the 4-sector consensus, revenues are projected to decline by (10.7)% in FY 2010, prior to any tax law changes. Year-to-date collections through March are down (14.1)% compared to the same period last year. The enacted budget was based on a (9.4)% decrease for FY 2010.

For FY 2011, each component of the 4-sector consensus showed improvement from FY 2010, with positive growth rates that equated to a total estimated growth rate of 3.4%. The state budget assumes a 4.2% growth rate.

Beyond FY 2011, the 4-sector consensus projects 7% to 9% growth until FY 2015.

(Continued)

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Elliot Pollack and the State Treasurer, Dean Martin. The presenters generally believed that the recession is over but recovery is likely to be gradual and take place over the course of several years.

Some of the panel members expressed concern that, due to an expansion of the monetary base, increased economic activity may lead to future inflation.

The meeting adjourned at 12:45 p.m.

Sandy Schumacher, Secretary

Tim Everill, Assistant Director

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>.