

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

April 13, 2023

Online Meeting, 12:00 p.m.

Members Present:

George Hammond, Director, Economic and Business Research Center, University of Arizona
Alan E. Maguire, President, The Maguire Company
Rick Merritt, President, Elliott D. Pollack and Company
Karen Jacobs, Senior Economist, Office of Economic Research and Analysis, Arizona Department of Revenue
Doug Walls, Labor Market Information Director, Arizona Office of Economic Opportunity
Lorenzo Martinez, Senior Director of Health Sciences, Arizona Board of Regents
Mark Swenson, State Treasurer's Office

The Finance Advisory Committee (FAC) met on April 13, 2023 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 Baseline 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 2023 – FY 2026 revenue estimates along with projected ending cash balance estimates.

As shown in *Table 1*, compared to the January Baseline forecast, the updated April consensus forecast for FY 2023 is 1.3% higher, with base growth increased from 7.5% to 8.8%. (This base revenue calculation represents the underlying growth in the economy by excluding the impact of previously enacted tax reductions, Urban Revenue Sharing, the beginning balance, and one-time revenue adjustments.) This upward revision is due to the strength of year-to-date General Fund collections, which through March were \$284 million above the January Baseline forecast. However, record-high corporate income tax collections and individual income tax refunds through March make the FY 2023 year-to-date growth rate difficult to interpret. In addition, there is significant recession uncertainty reflected in the forecast, with national economists estimating the probability of recession in CY 2023 to range from 50% to 80%.

Table 1

Comparison of January and April FAC Forecasts

	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>
January	7.5%	2.0%	3.0%	4.4%
April	8.8%	2.1%	3.6%	5.0%

Under the April updated revenue and spending estimates, the General Fund is projected to have a balance of \$2.5 billion in FY 2024, which is \$750 million higher than under the January estimate.

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 1:10 p.m.