

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

April 15, 2021

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

Lorenzo Martinez, Vice President of Finance and Administration, Arizona Board of Regents

Richard C. Merritt, President, Elliott D. Pollack and Company

Jim Rounds, President, Rounds Consulting Group

Randie Stein, Director, Stifel, Nicolaus & Company, Inc.

Mark Swenson, State Treasurer's Office

Doug Walls, Research Administrator, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on April 15, 2021 to update its 4-sector revenue forecast. The FAC is a 12-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 new April 4-sector [FY 2021 – FY 2024](#) revenue estimates. Through March 2021, year-to-date revenues are 12.3% above the prior year after adjusting for last year's income tax deferral. In contrast, the April 4-sector has projected growth of 7.3% for FY 2021 while the JLBC Staff sector foresee a 10.6% increase. Given the year-to-date performance, we think that the JLBC sector is a more likely result.

Table 1 below compares the January Baseline projected growth rates to the updated April JLBC Staff forecast. As shown in the table, the projected growth was increased from 4.9% to 10.6% for FY 2021 and from 3.9% to 4.7% for FY 2022. The projected FY 2023 and FY 2024 growth rates were essentially unchanged.

	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
January	4.9%	3.9%	4.4%	4.3%
April	10.6%	4.7%	4.3%	4.3%

^{1/} Growth rates have been adjusted to remove the impact of income tax filing deferral from April 15, 2020 to July 15, 2020.

Compared to the January Baseline revenue forecast, the updated April forecast adds \$696 million in General Fund revenue in FY 2021, \$835 million in FY 2022, \$784 million in FY 2023 and \$814 million in FY 2024. Absent any discretionary revenue or spending changes enacted by the Legislature, the increased revenue forecast combined with \$400 million in savings from the extension of higher federal Medicaid match rate in FY 2021 and FY 2022 would result in an estimated ongoing General Fund balance of \$1.2

billion in FY 2022, which potentially could grow to \$1.5 in FY 2024. Using the same caveat as above, the cash balance would grow from \$3.9 billion in FY 2022 to \$6.5 billion in FY 2022.

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Jim Rounds of Rounds Consulting Group and Deputy Treasurer Mark Swenson. For additional information, including copies of the presentations provided by the JLBC Staff, Mr. Rounds and Mr. Swenson, please see [April FAC meeting packet](#).

The meeting adjourned at 1:03 p.m.

Kristy Paddack, Secretary

Hans Olofsson, Chief Economist