

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

April 17, 2025

Senate Hearing Room 109, 12:00 p.m.

Members Present:

Danny Court, Director, Principal and Senior Economist, Elliott D. Pollack & Company
George Hammond, Director, Economic and Business Research Center, University of Arizona (UA)
Ben Henderson, Director of the Governor's Office of Strategic Planning and Budgeting (OSPB)
Alan E. Maguire, President of the Maguire Company
Lorenzo Martinez, Senior Director of Health Sciences, Arizona Board of Regents
Randie Stein, Director, Stifel, Nicolaus & Company, Inc.
Doug Walls, Labor Market Information Director, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on April 17, 2025, which was one of its three meetings during the year to advise the Legislature on the status of the state's economy as well as General Fund revenue collections. 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 General Fund revenue forecast. The remaining 3 inputs are the JLBC Staff forecast and 2 University of Arizona (UA) models.

The panelists discussed the uncertainty of the state revenue outlook resulting from federal issues related to trade policy as well as potential federal budget cuts and tax reductions and their impact on the Arizona state budget.

Relative to the state General Fund revenue outlook, the JLBC Staff presented 3 different scenarios:

- 4-Sector April forecast (FAC Panelists, JLBC Staff, UA Base Model, and UA Low Model)
- 2-Sector April forecast (FAC Panelists and JLBC Staff)
- Stress test of a recession forecast (discussed in more detail below)

Table 1 below shows the projected revenue growth rates under the April forecasts as well as the January Baseline:

Table 1				
Comparison of January and April FAC Forecasts				
	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>	<u>FY 28</u>
January 4-Sector	2.7%	3.4%	4.4%	4.7%
April 4- Sector	2.9%	3.1%	4.1%	4.7%
April 2-Sector	2.6%	2.8%	3.8%	4.6%

Under these 3 forecasts, the amount of available resources for allocation in the budget would be:

- \$612 million under the January 4-Sector forecast
- \$615 million under the April 4-Sector forecast
- \$277 million under the April 2-Sector forecast

While the state budget outlook normally uses the 4-sector forecast, JLBC Staff suggested using the 2-Sector forecast in the April budget planning for 2 reasons: 1) With its lower growth rates, the 2-Sector projection reflects the greater economic uncertainty since the release of the January Baseline; and 2) the UA models are based on quarterly economic data that does not fully capture the recent changes in federal trade policy. During the meeting, George Hammond of UA was asked how his forecast would change if the models were able to reflect the most recent events. Mr. Hammond responded that he thinks both UA model growth rates would be comparable to the 2-Sector forecast

The JLBC Staff also presented the result of a "stress test" which is a technique states use to evaluate recession scenarios. Since the 2-Sector projection is not a recession forecast, the stress test allows for evaluating the adequacy of the state's budget reserves under a potential recession. In this particular stress test, JLBC Staff assumed 0% revenue growth in FY 2026, followed by a (2)% decline in FY 2027 as part of a mild recession scenario. AHCCCS spending was also assumed to increase above the Baseline due to higher caseloads. Under this stress test, the ending cash balance would be negative in both FY 2026 and FY 2027 in the amount of \$(37) million and \$(1.8) billion, respectively. In comparison, the Budget Stabilization Fund ("Rainy Day Fund") balance is currently \$1.6 billion.

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 1:29 p.m.