

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

October 6, 2022

Online Meeting, 10:30 a.m.

Members Present:

George Hammond, Director, Economic and Business Research Center, University of Arizona

Alan E. Maguire, President, The Maguire Company

Jim Rounds, President, Rounds Consulting Group

Elaine Smith, Deputy Assistant Director, Office of Economic Research and Analysis, Arizona Department of Revenue

Doug Walls, Labor Market Information Director, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on October 6, 2022 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 Consensus 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 revised FY 2023 – FY 2026 revenue estimates and spending projections based on the updated October 4-sector revenue forecast. Under the updated forecast, "base" General Fund revenue is projected to grow by 6.0% in FY 2023, 2.0% in FY 2024, 4.0% in FY 2025, and 4.9% in FY 2026. (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.)

Due to recession concerns in the spring of 2022, the enacted budget assumed that base revenue would decline by (2.0)% in FY 2023. Through the first 3 months of FY 2023, actual revenue growth was 10.4%. The updated 4-sector forecast assumes that although the risk of a recession remains, the economy's current momentum will keep revenue growth at 6.0% growth for all of FY 2023. Relative to the enacted budget, a 6.0% growth rate is projected to generate \$1.2 billion in additional revenue in FY 2023.

Based on the updated revenue and spending estimates, the General Fund is currently projected to have an FY 2023 ending cash balance of \$2.80 billion. The projected FY 2024 ending cash balance is \$2.75 billion. Assuming this amount is allocated during the 2023 Regular Session, the projected FY 2025 and FY 2026 ending balances are \$142 million and \$705 million, respectively. The future year ending cash balances effectively limit how much of the \$2.75 billion FY 2024 balance can be spent on ongoing initiatives. Any ongoing initiatives above \$140 million will create a cash shortfall in future years. An estimated \$2.5 billion will be available for one-time initiatives as part of the FY 2024 budget.

For more information, please see the JLBC Staff Budget Update slideshow and narrative along with other materials in the [October FAC meeting book](#). A [full video recording](#) of the meeting is also available at the JLBC website.

The meeting adjourned at 11:58 a.m.