

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

October 8, 2015

Senate Hearing Room 1, 10:00 a.m.

Members Present:

Dan Anderson, Assistant Executive Director, Institutional Analysis, Arizona Board of Regents
Brian Cary, Manager of Forecasting, Research, and Economic Development, Salt River Project
George Hammond, Director, Economic and Business Research Center, University of Arizona's Eller College of Management
John C. Lucking, President, ECON-LINC
Georganna Meyer, The Maguire Company
Elaine Smith, Senior Economist, Arizona Department of Revenue
Randie Stein, Vice President, Public Finance Department, Stone & Youngberg
Steve Taddie, Managing Partner, Stellar Capital Management

The Finance Advisory Committee (FAC) met on October 8, 2015 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 Consensus Baseline revenue forecast. The remaining 3 inputs are the JLBC Staff forecast and 2 University of Arizona (UA) econometric models.

The FAC heard presentations on General Fund Revenue collections, the U.S. economy, and state cash flows. Based on the updated October 4-sector revenue forecast and updated spending projections, the JLBC Staff provided members with revised [FY 2016 – FY 2019](#) fiscal estimates.

The October 4-sector forecasted base revenue growth ranged from 4.0% to 4.6% from FY 2016 through FY 2019. During this time, funding formulas are estimated to increase annual spending between 1.4% and 2.8%. Based on revenue and spending forecasts, the state is projected to have a \$650 million cash balance and \$47 million structural balance in FY 2017. The JLBC Staff outlined a scenario in which the state could enact \$250 million of additional ongoing permanent initiatives and still achieve a structurally balanced budget in FY 2019.

In addition to the JLBC Staff presentation, panel members heard formal presentations from economist Jim Rounds of Elliott D. Pollack and Company and a representative of the State Treasurer. Some of the thoughts of the panel members included:

- Arizona employment growth in 2015 has fallen behind that of several regional states, such as Utah, Nevada and California. While these neighboring states are often viewed as competitors, the strength of their economies could potentially support job growth in Arizona.
- The current expansion may end in coming years without the period of strong economic growth that typically accompanies a business cycle.
- Poor recent economic performance at the national and global level represents a risk to the state economy.
- Construction and manufacturing sectors continue to experience disappointing employment growth, having replaced just 15%-20% of jobs lost during the recession.
- There may be a delay from the time that the Federal Reserve Bank increases short-term lending rates and when accountholders begin to realize increases in taxable interest income.

- Arizona exports have grown significantly in recent years. A strengthening U.S. dollar and economic health of neighboring countries though may be a risk to future export growth.

Additional information is available on our website at [October FAC Meeting](#).

The meeting adjourned at 11:10 a.m.

Kristy Paddack, Secretary

Jon Stall, Senior Fiscal Analyst

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 the JLBC website.