

## MINUTES OF THE MEETING

### FINANCE ADVISORY COMMITTEE

October 11, 2023

Online Meeting, 10:30 a.m.

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#### Members Present:

Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting (OSPB)  
George Hammond, Director, Economic and Business Research Center, University of Arizona  
Alan E. Maguire, President, The Maguire Company  
Jim Rounds, President, Rounds Consulting Group  
Lorenzo Martinez, Senior Director of Health Sciences for the Arizona Board of Regents (ABOR)  
Randie Stein, Director, Public Finance Department of the Investment Firm Stifel, Nicolaus & Company.

The Finance Advisory Committee (FAC) met on October 11, 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 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 as well as on the state of the U.S. and Arizona economy. The JLBC Staff provided members with revised FY 2024 – FY 2027 revenue estimates and spending projections based on the updated October 4-sector forecast. Under the updated forecast, "net" General Fund revenue is projected to decline by (0.6)% in FY 2024, followed by a moderate recovery of 3.0% in FY 2025, 4.0% in FY 2026, and 4.6% in FY 2027. (This net revenue calculation includes the impact of previously enacted tax reductions, but excludes Urban Revenue Sharing, the beginning balance, and the FY 2024 one-time tax rebate.)

Compared to the enacted budget, the October 4-sector forecast reduces FY 2024 net General Fund revenue by \$(406) million. The primary reason for the large downward forecast revision is that individual income tax is now projected to generate \$(502) million less than assumed in the enacted budget. Another source of the downward revision is sales tax, which is projected to generate \$(239) million less under the revised October forecast. Tax collections from these revenue categories weakened notably in the last quarter of FY 2023 and this trend has continued into the current fiscal year. The October forecast assumes that some of the FY 2024 revenue losses from individual income and sales tax will be partially offset by higher collections of corporate income tax as well as other revenue categories in the amount of \$146 million and \$189 million, respectively.

Based on the updated revenue and spending estimates, the FY 2024 General Fund ending balance is now projected to go from a small surplus of \$10 million, which was assumed in the enacted budget, to a shortfall of \$(401) million. The shortfall is projected to be \$(449) million in FY 2025 and \$(188) million in FY 2026. The ending balance in FY 2027 is expected to be positive again and this amount is estimated to be \$166 million.

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 11:37 a.m.