

## MINUTES OF THE MEETING

### FINANCE ADVISORY COMMITTEE

October 12, 2017

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

---

#### Members Present:

Dan Anderson, Assistant Executive Director, Arizona Board of Regents  
Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting  
George Hammond, Director, Economic and Business Research Center, University of Arizona  
Georganna Meyer, Senior Economist, The Maguire Company  
Jim Rounds, President, Rounds Consulting Group  
Randie Stein, Director, Stifel, Nicolaus & Company, Incorporated  
Mark Swenson, State Treasurer's Office  
Steve Taddie, Managing Partner, Stellar Capital Management  
Doug Walls, Research Administrator, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on October 12, 2017 to update its 4-sector revenue forecast. The FAC is a 14-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) econometric 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 2018 – FY 2021](#) revenue estimates and spending projections based on the updated October 4-sector revenue forecast. The updated Base revenue growth rates for FY 2018 and FY 2019 of 4.1% and 3.9%, respectively, are slightly below the enacted budget forecast. The FY 2020 projected growth rate of 4.5% remains unchanged (*See Table 1*).

	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>
Enacted	4.3%	4.1%	4.5%	N/A
October	4.1%	3.9%	4.5%	4.6%

After adjusting for tax reductions and one-time revenue, net growth would be 1.5% in FY 2018 and 3.3% in FY 2019. Baseline spending is projected to increase by 2.3%, or \$226 million, in FY 2019. The increase reflects changes to active statutory and other funding formulas.

Under the updated revenue and spending projections, the state is estimated to have a cash shortfall of \$(24) million in FY 2018 and \$(80) million in FY 2019. The structural balance – the difference between ongoing revenue and ongoing spending – is projected to be \$19 million in FY 2019.

The cash balance is subject to several risk factors. These include pending litigation that could significantly affect spending as well as a possible recession, based on the length of the current economic expansion compared to the historical averages. For more information, please see the [JLBC Staff Budget Update](#) and [October FAC meeting materials](#).

The meeting adjourned at 11:09 a.m.

---

Kristy Paddack, Secretary

---

Hans Olofsson, Chief Economist

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.