

MINUTES OF THE MEETING

FINANCE ADVISORY COMMITTEE

October 28, 2021

Online Meeting, 1:30 p.m.

Members Attending Remotely:

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

Mark Swenson, State Treasurer's Office

Alan E. Maguire, President, The Maguire Company

Daniel Court, Economist, Elliott D. Pollack and Company in place of panelist Elliott Pollack.

Lorenzo Martinez, Vice President of Finance and Administration, Arizona Board of Regents

Elaine Smith, Administrator, Office of Economic Research and Analysis, Arizona Department of Revenue

Doug Walls, Research Administrator, Arizona Office of Economic Opportunity

The Finance Advisory Committee (FAC) met on October 28, 2021 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 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 2022 – FY 2025 revenue estimates and spending projections based on the updated October 4-sector revenue forecast. Excluding the impact of previously enacted tax reductions and the deferral of the income tax filing due date in 2020, which artificially raised FY 2021 revenues, ongoing base General Fund revenue is projected to grow by 9.8% in FY 2022, 3.5% in FY 2023, 4.9% in FY 2024, and 4.8% in FY 2025.

Excluding Urban Revenue Sharing, one-time transfers and new tax reductions, the enacted budget forecast assumed total General Fund revenue of \$14.16 billion in FY 2022. Under the updated October 4-Sector forecast, base General Fund revenue is projected to be \$15.74 billion in FY 2022, or close to \$1.6 billion above the enacted budget forecast. The updated base General Fund revenue estimate is \$16.29 billion in FY 2023, \$17.09 billion in FY 2024 and \$17.92 billion in FY 2025.

Beyond updating the base revenue forecast, the JLBC Staff has also updated its FY 2022 – FY 2025 estimates of revenue and tax policy changes enacted as part of the FY 2022 budget. These tax law changes included tax rate reductions, the implementation of a 4.5% maximum tax rate on taxable income above \$250,000/\$500,000, and an alternative individual income tax rate (SB 1783) on certain types of income, such as dividends, business profits and capital gains from the disposition of capital assets used in trade. In addition to these tax policy changes, the Legislature approved several smaller tax provisions, such as a full exemption of veterans' pension from the state individual income tax. These tax law changes could be affected by pending litigation and ballot referenda.

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 2:44 p.m.