
Finance Advisory Committee

Revenue and Budget Update

April 15, 2021

JLBC

Key Points

- ❑ Arizona revenue growth remains strong
- ❑ March '21 federal aid (ARPA) will provide added stimulus
- ❑ We recommend adding \$800 M to our ongoing January revenue estimates

Arizona Ranks 6th in Economic Momentum

	<u>AZ Rate</u>	<u>AZ Rank</u>
Personal Income	6.1%	5
Population	1.8%	2
Employment	(3.9)%	10

Momentum calculations via State Policy Reports – Joint
NGA/NCSL Project

'21 March YTD General Fund Revenues Up 18.8%

- 12.3% Growth When Exclude Deferred Tax Filing

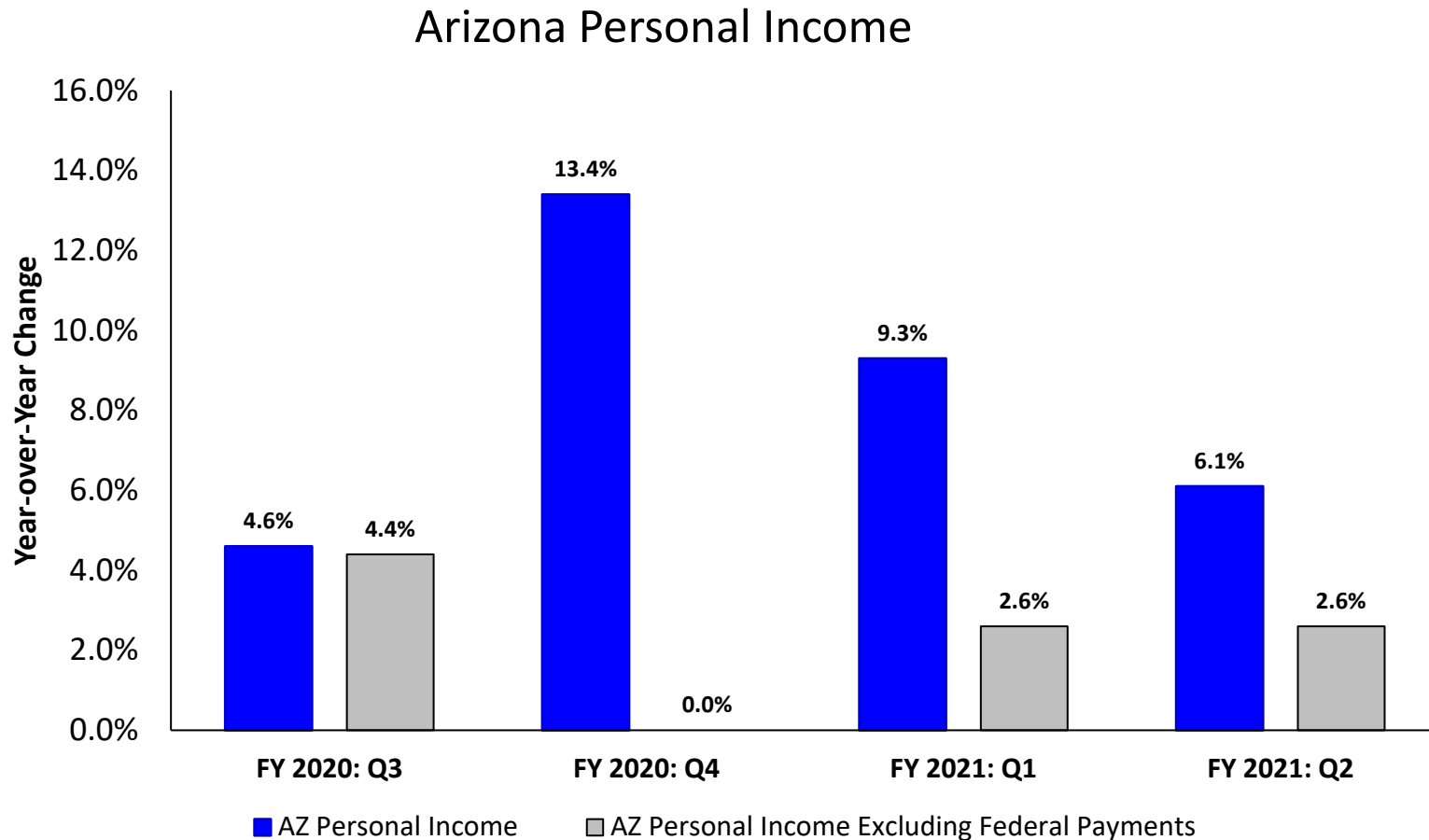
	<u>% Growth</u> <u>'21 YTD</u>	<u>+/- Jan Baseline</u> <u>Forecast (\$ M)</u>
Sales	10.6%	\$ 85
Individual Income	30.5	238
Corporate Income	18.4	49
Insurance Premium	6.9	16
Other	12.0	7
Overall *	18.8	\$ 395

Year to Date overstated due to April '20 income tax filing being deferred to July '20

* Revenues exclude beginning balance, fund transfers and Urban Revenue Sharing
YTD = Year to Date through March

Fed COVID Aid Accelerated Personal Income

- But Influence Was Waning Thru December



ARPA Will Bring \$28 B of New Stimulus to Az

- State share \$12 B; local governments \$3 B

<u>Federal Aid to Arizona</u>	<u>\$ in B</u>
<input type="checkbox"/> State Coronavirus Recovery Funds (CRF)	4.8
<input type="checkbox"/> Local Government CRF	2.6
<input type="checkbox"/> K-12 Education	2.7
<input type="checkbox"/> Higher Education – Public U’s, Comm Colleges	0.3
<input type="checkbox"/> Health, Human Services, & Housing	3.6
<input type="checkbox"/> Transportation	0.4
<u>Direct Aid</u>	
<input type="checkbox"/> Additional \$1.2 B in direct aid to Arizona businesses	
<input type="checkbox"/> Federally-subsidized UI payments until September 6, 2021	
<input type="checkbox"/> New \$1,400 stimulus payments – total of \$9 B to Arizona	
<input type="checkbox"/> Federal tax reductions – \$3 B to Arizona	

TPT Trends Remain The Same as in January

- Retail/Contracting Excellent; Restaurant/Bar/Hotels Poor

Sales Tax (TPT)% Change over Prior Year		
	YTD March <u>FY 21</u>	3 rd Qtr <u>FY 21</u>
Retail/Remote Sales	11%	15%
Contracting	18	15
Restaurant/Bar	(9)	(6)
Lodging	(37)	(43)

Forecasting State Revenues

4-Sector vs. JLBC Sector Forecasts

- 4-Sector Likely Understates Current Year Growth

4-Sector Components

- Finance Advisory Committee
- UA model – base
- UA model – low
- JLBC Staff

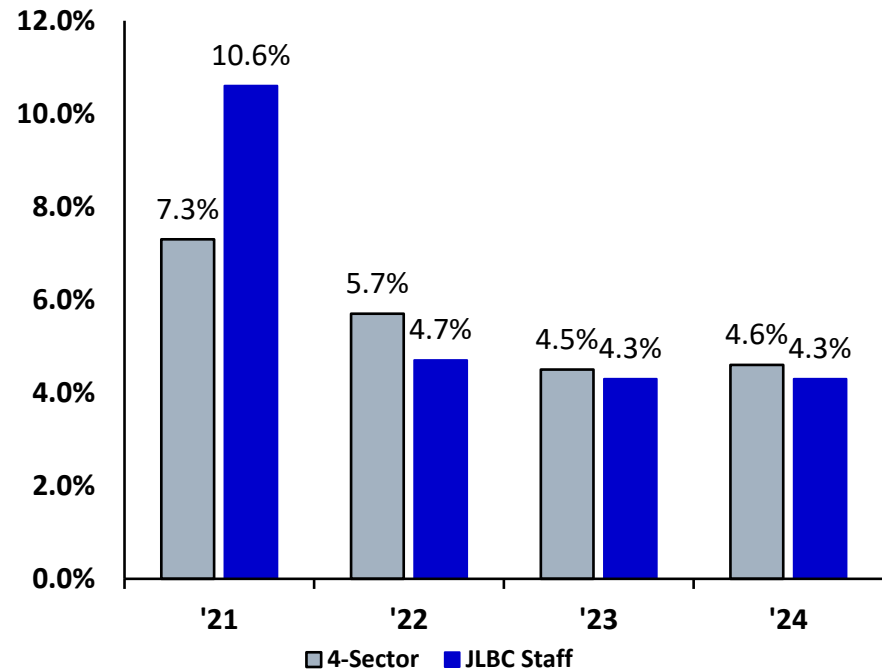
Year to Date Growth

- 12.3%

Income Tax Deferral

- %'s adjusted to remove effect of 7/20 income tax deferral

Net % Revenue Growth

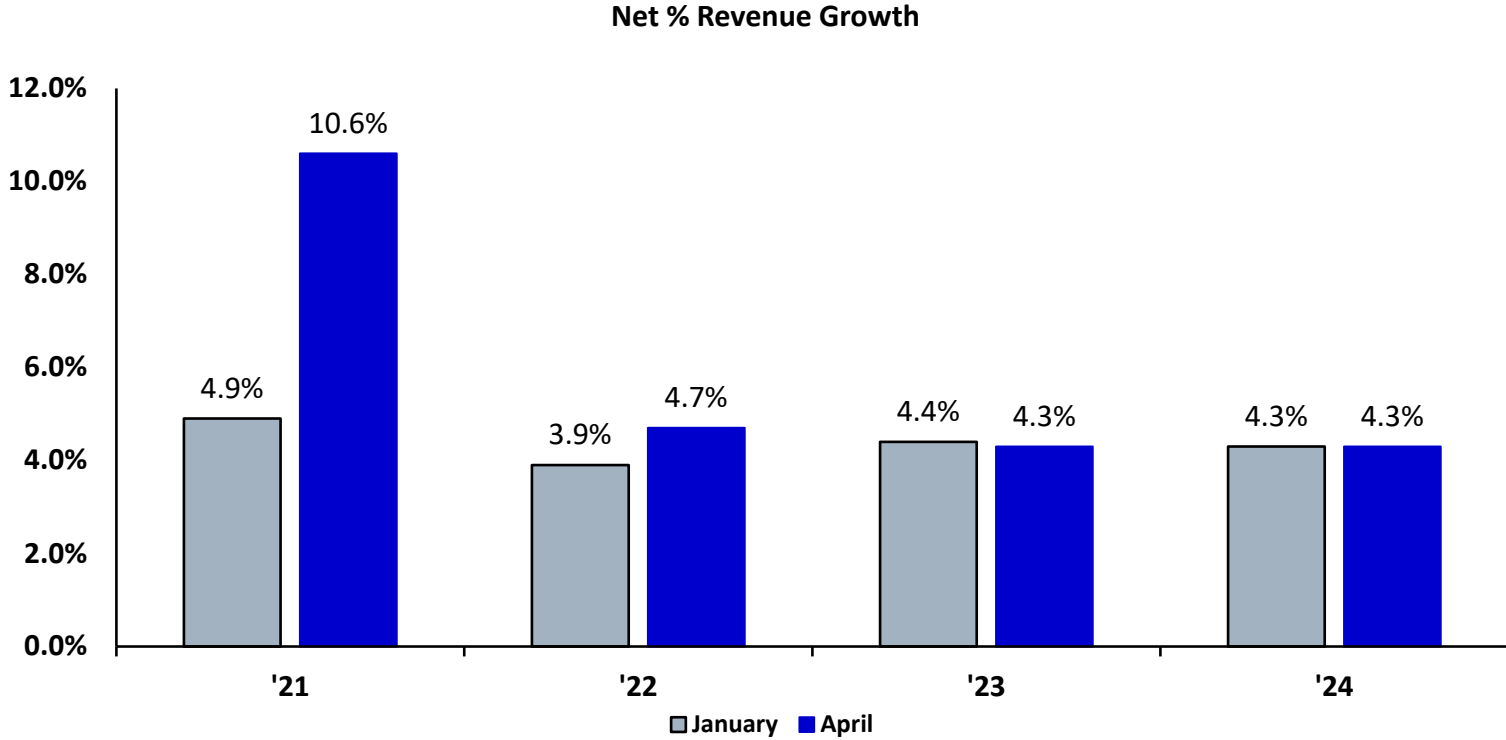


Excludes balance forward, one-time transfers and urban revenue sharing

See Appendix A

JLBC Sector Forecasts

- January Baseline vs. April Forecast



Excludes balance forward, one-time transfers and urban revenue sharing



Revenue Additions Due to Revised Forecast

- Based on JLBC Sector of the Forecast

\$ in M

<input type="checkbox"/> FY 21	696
<input type="checkbox"/> FY 22	835
<input type="checkbox"/> FY 23	784
<input type="checkbox"/> FY 24	814

- Also incorporated a combined \$400 M in 1-time savings from extension of higher federal Medicaid match rate in '21 and '22

'24 JLBC Baseline: Ongoing Balance of \$1.5 B

- JLBC Baseline Cash Balance is \$6.4 B

(\$ in B)

	<u>Ongoing</u>	<u>Cash</u>
□ FY 22	1.2	3.9
□ FY 23	1.1	5.1
□ FY 24	1.5	6.5

- * Ongoing represents difference between ongoing revenue and ongoing spending
- * For every \$1 in new '22 ongoing initiatives, the '24 cash balance declines by \$3

Appendix A: Revenue Forecasts with Deferral

	<u>2021</u> *	<u>2022</u>	<u>2023</u>	<u>2024</u>
Sales Tax				
JLBC Forecast	10.7%	6.0%	4.5%	4.3%
UA – Low	10.5%	3.1%	4.1%	4.8%
UA – Base	11.3%	5.0%	5.8%	5.2%
FAC	9.2%	5.8%	5.5%	5.1%
Average:	10.4%	5.0%	5.5%	4.8%
Individual Income Tax with Deferral				
JLBC Forecast	36.5%	-4.1%	4.9%	4.9%
UA – Low	26.3%	-2.9%	3.7%	4.1%
UA – Base	29.5%	-1.3%	4.7%	4.7%
FAC	20.6%	2.8%	5.9%	5.6%
Average:	28.2%	-1.5%	4.8%	4.8%
Corporate Income Tax				
JLBC Forecast	16.1%	5.2%	4.0%	4.0%
UA – Low	8.4%	4.5%	4.0%	5.6%
UA – Base	10.0%	6.7%	5.8%	7.0%
FAC	18.2%	2.5%	6.2%	3.7%
Average:	13.2%	4.7%	5.0%	5.1%
Insurance Premium Tax				
JLBC Forecast	7.0%	3.5%	3.0%	2.8%
UA – Low	4.9%	4.8%	3.2%	1.9%
UA – Base	5.2%	5.0%	3.4%	2.6%
FAC	6.0%	3.2%	3.5%	3.9%
Average:	5.8%	4.1%	3.3%	2.8%

JLBC Weighted Average	21.4%	1.2%	4.6%	4.5%
UA Low Weighted Average	16.7%	0.6%	3.9%	4.4%
UA Base Weighted Average	18.5%	2.2%	5.2%	5.0%
FAC Consensus Weighted Average	14.2%	4.2%	5.6%	5.2%
“Big-4” Weighted Average	17.7%	2.0%	4.8%	4.8%
Consensus Weighted Average*	17.1%	1.4%	4.5%	4.6%

* Represents ongoing revenue adjusted for small revenue categories.



Appendix B: '21 - '24 Revenue vs. Spending

- JLBC Staff Sector Revenue Forecast

