

MINUTES JOINT COMMITTEE ON ECONOMIC AND TAX POLICY

Monday, June 21, 2017 @ 10:00 A.M.

Room 151, State Capitol

Little Rock, Arkansas

Committee members present: Senators Jimmy Hickey, Jr., Larry Teague;
Representatives Laurie Rushing, Co-Chair, David Branscum, Lane Jean, Joe Jett

Other legislators present: Senators Jonathan Dismang, Missy Irvin,
Representatives Fred Allen, Bob Ballinger, Charles Blake, Jana Della Rosa, Kenneth B. Ferguson,
David Fielding, Kim Hammer, Ken Henderson, Steve Hollowell, James Sorvillo, Richard Womack

Representative Rushing called the meeting to order.

Minutes of the November 14, 2016 Meeting (Exhibit B)

Without objection, the Minutes were adopted.

Discussion of the Official General Revenue Forecast (Exhibit C)

Rep. Rushing recognized Mr. Larry W. Walther, DF&A for the general revenue forecast.

Mr. Larry W. Walther addressed the official forecast and its revision on May 2, 2017.

Contributors to the Discussion:

Larry W. Walther, Director, Department of Finance and Administration (DF&A)

Mr. Paul Louthian, Deputy Director, DF&A

Dr. John Shelnett, Administrator, Economic Analysis and Tax Research, DF&A

Issues Included in the Discussion:

- Based on indicators DF&A revised the official forecast from \$5.333B to \$5.263B, representing a \$70.M cut to the net available revenue and "B" allocation.
- In May the collections improved with rebound in corporate income taxes.
- DF&A will re-evaluate FY2018 after the close of FY2017
- The FY2017 forecast is expected to fund the allocations "A" + Rainy Day Fund + 45.31% of "B".

Dr. Shelnett briefly reviewed indicators and the handouts.

Issues Included in the Discussion:

- Arkansas employment rate 3.4% vs. the National rate 4.3%
- payroll employment growth grew 1.5%
- private sector growth vs. non-growth of government sector after the recession
- DF&A currently following private sector numbers 1.9% (2016), 2.4% (as of May 2017 data)
- government employment is flat
- core sectors 2% growth - matching National growth
- lagging sectors in employment: retail, government, energy, and information sectors
- personal income growth 3.2% (2016 w/no cola to retirees)
- wage and salary ^4.1% (2016), 5.4% (2017), currently 6%
- per capita income: U.S. 2.8% (2016), Ark. 79.4%(as a % of U.S.), Ark. cost of living 87.5% (as a % of U.S.)
- Inflation CPI ^1.3% (CY2016), forecast showing growth of 2.3%
- core inflation (excluding food and commodities) ^2.2% (CY2016), 2.1% (CY2017)
- Arkansas state population will reach 3M (2017)
- prime working age 25-54 is @ 1.14M with fractional percentage growth
- estimate labor force participation @ 56% (2016)
- families in poverty @14.2% (census est.) - indicator: households food stamps 170,000 (1Q 2017) declining 14% (2nd highest decline among the states)
- Ark. avg. annual wage income \$41,500 (2016) (census), projected \$42,500 (2017) which is 2.3% growth rate (CY18) - assumption fiscal year growth official forecast (IHS Market and Mooney's Analytics), shows some acceleration in the State and National economy

Sen Teague, asked questions concerning:

- 6 other states of record employment CA, CO, WA, MS, and ND.
- State government is flat to prior year
- inflation 2.3% was projected nationally
- Arkansas health care percentage
- average wages was up for Arkansas

Rep. Jean asked questions concerning (requested DFA to provide information): ³⁶

- food stamps requested data (170,000 households still on food stamps)
- unemployment and employment rate requested last totals of the month

Sen. Hickey asked questions concerning:

- forecast relating to taxes extensions, overpayment, and prepayment
- income tax – year to year returns comparison
- policies concerning the process of tax returns
- concerns of skewing the tax returns

Rep. Della Rosa asked questions concerning:

- Exhibit C – Insurance and Economic Assumptions: Individual Income Tax and Refunds
- issues with: FY vs. CY
- funding of rainy day funds before funding “B” allocation
- rainy day fund is in category A @ 13.7M (FY2017), 15.87M (FY2018)

Rep. Sorvillo asked questions concerning:

- low unemployment rate and the effect on the cost of goods and services to consumers

Rep. Fielding asked questions concerning (requested DFA to provide information):

- SNAP numbers – people taken off SNAP

Rep. Rushing stated the committee will meet again in July on current spending, revenue, tax exemption, and how to assist the Tax Reform Task Force.

Sen. Hickey has concerns about committee future comments and the negative effect relating to tax exemptions.

With no further business, the meeting adjourned at 11:00 a.m.