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Knowledge-Based Jobs Driving Stronger Economic Outlook for Arizona in 2016

(Tucson, Ariz.) – Arizona’s economic outlook reveals that 2016 is on track to be the best year yet in the state’s continued recovery with indicators pointing toward knowledge-based jobs emerging as the new driver of the economy, according to economic forecast reports provided today at the Arizona Board of Regents meeting.

Economists Lee McPheters, research professor of economics at the W. P. Carey School of Business at Arizona State University, and George Hammond, director of the University of Arizona Economic and Business Research Center, presented the state and national economic data to the board.

Arizona’s outlook for 2016 includes a long-term positive trend with thousands of new jobs, according to McPheters. Sectors that show strong job growth are finance/insurance, personal services and professional/technical services, he added.

While the economic improvement is considered the best year yet, it is still below long-term average growth rates and the state has a way to go in its recovery, McPheters said. Arizona construction is down by 114,000 jobs since 2006 and has only seen approximately 15 percent of lost jobs regained. Homeownership rates are at the lowest since 1967 and Arizona’s population growth remains below its historic average. On the national front, the slow economic recovery continues, yet the outlook indicates a modest acceleration in the near term, Hammond said.

“The long-term economic outlook is showing signs of recovery with the emergence of knowledge-based jobs. Commitment from the state to higher education and Arizona’s students and families is crucial to ensure that we have a qualified workforce for the future when two-thirds of jobs in our state will require some type of postsecondary education,” said Arizona Board of Regents Chair Jay Heiler. “In order for our state to remain competitive, we need to ensure that an affordable education is available for all of our citizens.”

The state’s economic outlook for the future is improving with general fund dollars surpassing expectations. Funds exceeded the forecast by nearly \$400 million in FY15, demonstrating that decisions made on the FY 2016 budget were based on severely low revenue assumptions. The board’s FY 2017 budget request includes restoration of a portion of the enacted \$99 million cut. Additional measures would provide for essential items such as student growth and facility maintenance.

In April, Gov. Ducey asked the board to deliver an enhanced strategic plan for higher education. As part of its news strategic plan, the board delivered a proposed [funding model](#) that places Arizona resident students at the center of the plan and is woven into the FY 2017 budget request.

State general fund revenues are predicted to increase on average by nearly three percent annually during the next four years and can support ABOR's proposed budget request, offered Ted Ferris, consultant to the Arizona Board of Regents, in his report to the board. He added that revenue growth in the general fund during the past two decades has not kept pace with state population growth and inflation, and falls short of the growth of Arizona personal income over this period. In addition, if revenue growth is only one percent higher than the Joint Legislative Budget Committee Consensus Forecast, general fund revenues would increase by \$600 million over the next three years.

"Decisions about the future of higher education need to be based on facts. As we launch our new strategic plan and seek state reinvestment in our universities based on funding Arizona students, it is helpful to have a good understanding of the long-term fiscal health of the state's general fund," said Eileen Klein, ABOR president. "The discussion today underscored how the state's competitiveness is directly tied to our ability to educate Arizona's workforce."

Key economic indicators outlined during the presentations include:

- Arizona's population growth is lower than in past years, but the state ranked fifth in 2014 in population increases across the nation.
- Arizona home building is growing with single family permits predicted to increase 25 percent during 2015 and 30 percent in 2016.
- Arizona's growth rates are exceeding the country's in employment and personal income.

Sources cited in the economists' reports include: U.S. Census; U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; and the Greater Phoenix Blue Chip Forecast.

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