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University Economists: Higher State Revenues and Full Job Recovery from Great Recession on Horizon

State & National Economic Forecasts Given at ABOR Meeting

(Phoenix, AZ) - Arizona's economy, which suffered a devastating downturn during the Great Recession, is recovering and while currently in a slow growth mode, should accelerate in 2014, according to reports from Arizona public university economists last week at the Arizona Board of Regents meeting.

Dr. George W. Hammond, Associate Director of the Economic and Business Research Center in the Eller College of Management at the University of Arizona, indicated Arizona's job loss numbers were significantly higher than the national average during the 2008 Great Recession, but that Arizona's job growth rate has been higher than the national rate since about 2012 and that both single and multi-family housing permits have steadily increased since 2008, a strong indicator of recovery.

Hammond indicates growth should accelerate next year and in 2015, but after a rebound to trend growth, Arizona hits a glide path to slower growth in the long run due in large part to the upcoming baby boomer retirement which will impact labor growth. The same he said is true nationally. Dr. Hammond's study also shows that Arizona's long-term job growth areas are trade, transportation and utilities; education and health services; and professional and business services.

"It is good news that our economic turnaround is taking hold and is expected to accelerate over the next two years," said ABOR President Eileen Klein. "The key now is continuing that acceleration beyond 2015. Our universities, economic development organizations and policymakers must align economic development goals and leverage our assets to maximize growth potential."

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Dr. Dennis Hoffman, Director of the L. William Seidman Research Institute at the W. P. Carey School of Business at Arizona State University, focused on the state's short-term economic outlook and shared a more optimistic view of state revenue growth projections than has been offered by the Joint Legislative Budget Committee's Finance Advisory Committee (FAC). Using the same three major sources of revenue that the FAC uses in its forecasting – individual income tax, transaction privilege tax and corporate income tax – Hoffman's forecast shows a positive difference of \$1.6 billion in collections from 2014-2017, about 4.5 percent higher than FAC figures. Hoffman's estimates are still well below growth rates in previous economic recoveries.

"Dr. Hoffman's forecast is a reassuring perspective on state revenue growth and should provide policymakers with a reliable, alternative forecast when making budgeting decisions," said Klein.

Both Drs. Hammond and Hoffman focused on the role research activity and educational attainment has on our economy, citing college attainment as a key influencer in long-run growth and having a positive effect on the entire population – not just those with degrees – in terms of higher wage job availability. Research, they stressed, plays a role in driving economic growth and attracting new business. Twenty seven percent of Arizona residents hold a bachelor's degree or higher compared to the national average of 29 percent, placing Arizona 29th for college attainment. Twenty years ago, Arizona outpaced the national average in college attainment but has since steadily fallen behind. The Arizona Board of Regents has set aggressive goals to increase the number of students receiving bachelor's degrees by 50 percent and get us to the national average, and double the amount of research activity at our universities from \$1 billion per year to \$2 billion by the year 2020.

"Investing in education, especially in higher education, has to be near the top of the list," said Hoffman. "It is abundantly clear: the rates of return on investing in education are huge. If we create a system that attracts businesses to this state that come here for the educated talent we produce, prosperity will show up in all nooks and crannies of society."

Dr. Hoffman's presentation can be found [here](#), Dr. Hammond's [here](#).

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