

Arizona's budget deficit next year is \$2.93 billion

by [Mary Jo Pitzl](#) - Apr. 1, 2009 12:00 AM
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State lawmakers learned Tuesday that they are effectively running in place when it comes to the state budget.

And that means they're still in a deep deficit hole, officially pegged at \$2.93 billion for the year that begins July 1. That's a tad better than the \$3 billion estimate they received two months ago, but it comes after they cut nearly \$600 million in spending that will carry into next year.

The budget rut is due to declining tax collections, which the Legislature's Finance Advisory Committee estimated to be down 13 percent for the first eight months of this [fiscal year](#).

However, given the downward trend, 14.5 percent is a more realistic decline for the fiscal year to date, budget officials said.

"I think we're seeing the very worst in the economy now," said Marshall Vest from the University of Arizona's Eller College of Management. "I don't think it's going to get any worse."

But Elliott Pollack, whose firm does

economic forecasts, warned lawmakers that it's a long crawl back up from the doldrums of the state economy.

"If you want to see what the future looks like, think of the Eisenhower administration, where people went out and bought just what they needed," Pollack said.

Complicating matters for lawmakers is the fact that the current-year budget still has a deficit of \$510 million that must be erased by June 30.

Richard Stavneak, director of the Joint Legislative Budget Committee, said lawmakers should aim for \$650 million in savings in order to give the state a cushion for unexpected developments, such as a continued decline in state tax collections.

And that decline is likely to continue, he said, given that sales-tax collections in February dropped 18 percent and the income tax plummeted 33 percent, although state budget analysts believe that figure is overstated because February historically is a low month for income-tax collections.

Lawmakers are likely to close the current-year deficit with federal stimulus dollars, but to trigger that money, they believe they will have to restore \$160 million in cuts to the state's community colleges and universities.

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In all, the state faces a combined deficit over the next 15 months of \$3.4 billion.

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