



NCSL

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

# State Revenue Forecasting: A Summary

(Presentation to the NCSL Fiscal Leaders Seminar)



Arturo Pérez  
NCSL Fiscal Affairs Program



**NCSL**

NATIONAL CONFERENCE *of* STATE LEGISLATURES

*The Forum for America's Ideas*

## **Determining a Revenue Forecast**

- State economic forecast
- Trends in state revenues
- Recent tax law changes



NCSL

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

## State Revenue Forecasting Process

- Executive agency estimate (17 states)
  - Idaho: Legislatures determines if forecast is “reasonable”
  - Texas: Legislature can override with 4/5 vote
  - Virginia: two-step process (Board of Economists reviews economic forecast; business leaders review revenue forecast)
  - Wisconsin: no official forecast, although governor submits with budget proposal



# State Revenue Forecasting Process

- Consensus estimate (22 states)
  - Seven of these states require an independent party to be included
  - Number of participants ranges from three in Rhode Island to 25 in Delaware
  - Massachusetts: DOR and House and Senate Ways & Means Committees (public hearings occur before the estimate is approved by the full House and Senate)
  - Nebraska: Economic Forecasting Board (5 legislative appointees; 4 executive appointees)
  - North Carolina: No statutory guidelines (if agreement is not reached, the legislative forecast typically is used)
  - Vermont: Emergency Board (4 money committee chairs and governor), the Joint Fiscal Office and the Secretary of Administration



**NCSL**

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

# State Revenue Forecasting Process

- Other (11 states)
  - Colorado: Legislature decides between executive and legislative forecasts
  - Hawaii: Council on Revenues (appointed by governor)
  - New Hampshire: Determined by conference committee
  - Utah: Determined by Executive Appropriations Committee (legislators only)





**NCSL**

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

## Is the Forecast Binding?

- The forecast binds the budget in 26 states
- In five states, appropriations are restricted to a percentage of the estimate:
  - Delaware (98%)
  - Iowa (99%)
  - Mississippi (98%)
  - Oklahoma (95%)
  - Rhode Island (98%)



NCSL

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

## Revenue Forecasting Improvements

- Maryland--In 2007 the September revision was enacted. A Consensus Revenue Monitoring and Forecasting Group was established in 2007 including staff from the Bureau of Revenue Estimates, Comptroller, Treasure, Budget & Management, and legislative staff. The group monitors revenues monthly and advise on forecast development.



NCSL

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

## Revenue Forecasting Improvements

- Virginia--Prior to this year, the economists group had members appointed only by the governor. Due to a statutory change, three of the 15 citizen members are now appointed by the legislative branch. In addition, staff directors of the two House and Senate money committees now sit on the group. The Advisory Council on Revenue Estimates now has four additional legislative members appointed by the House and Senate. Before, additional members were only informally invited to attend the meeting.





NCSL

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

# Final Note

- A stable economy probably does more to ensure an accurate revenue estimate than any process improvements.



**NCSL**

NATIONAL CONFERENCE of STATE LEGISLATURES

*The Forum for America's Ideas*

# Thank you. Questions?

