

# Bill as Introduced

HB 209 - AS INTRODUCED

2011 SESSION

11-0547

05/04

HOUSE BILL           **209**

AN ACT                establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

SPONSORS:           Rep. Cebrowski, Hills 18; Rep. Major, Rock 8; Rep. Seidel, Hills 20; Rep. K. Roberts, Ches 3; Rep. Belvin, Hills 6; Rep. Ulery, Hills 27; Sen. White, Dist 9

COMMITTEE:          Ways and Means

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ANALYSIS

This bill establishes a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

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Explanation:        Matter added to current law appears in ***bold italics***.  
                      Matter removed from current law appears ~~(in brackets and struckthrough)~~  
                      Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Eleven*

AN ACT                    establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

1            1 Committee Established. There is established a study committee to recommend a continuing  
2 revenue estimating process to produce revenue forecasts.

3            2 Membership and Compensation.

4            I. The members of the committee shall be as follows:

5            (a) Three members of the house of representatives, appointed by the speaker of the  
6 house of representatives.

7            (b) Two members of the senate, appointed by the president of the senate.

8            II. Members of the committee shall receive mileage at the legislative rate when attending to  
9 the duties of the committee.

10          3 Duties. The committee shall:

11          I. Analyze the inadequacies and opportunities within the current revenue estimating  
12 process.

13          II. Review similar past initiatives, including the consensus revenue estimating panel  
14 established by 2003, 155 (HB 805).

15          III. Study the processes and formal structure that other states have put in place to manage  
16 both short and long term economic and revenue forecasting.

17          IV. Review current New Hampshire statutes relative to revenue estimating to determine  
18 their scope, adequacy, and need for amendment.

19          V. Solicit information and testimony from individuals and entities with experience or  
20 expertise relevant to the study, including:

21            (a) The governor's budget director.

22            (b) The commissioner of the department of revenue administration.

23            (c) The commissioner of the department of administrative services.

24            (d) The legislative budget assistant.

25            (e) Economists from the private sector.

26            (f) Members of the New Hampshire business community.

27          VI. Generate, evaluate, and prioritize ideas for a process and an entity to lead and manage  
28 both short and long term economic and revenue forecasting on a continuing basis and identify  
29 contributing entities to the process.

1 VII. Define the role and responsibility of the lead revenue estimating entity, and  
2 contributing entities, and the rationale for those roles and responsibilities.

3 VIII. Develop proposed revenue estimating process legislation for the 2012 session.

4 4 Chairperson; Quorum. The members of the study committee shall elect a chairperson from  
5 among the members. The first meeting of the committee shall be called by the first-named house  
6 member. The first meeting of the committee shall be held within 45 days of the effective date of this  
7 section. Three members of the committee shall constitute a quorum.

8 5 Report. The committee shall report its findings and any recommendations for proposed  
9 legislation to the speaker of the house of representatives, the president of the senate, the house  
10 clerk, the senate clerk, the governor, and the state library on or before November 1, 2011.

11 6 Effective Date. This act shall take effect upon its passage.

# Amendments

" NOT ADOPTED "

Rep. Almy, Graf. 11  
February 15, 2011  
2011-0360h  
05/04

Amendment to HB 209

1 Amend subparagraph I(a) as inserted by section 2 of the bill by replacing it with the following:

2

3 (a) Four members of the house of representatives, appointed by the speaker of the house  
4 of representatives.

5

6 Amend paragraph III as inserted by section 3 of the bill by replacing it with the following:

7

8 III. Study the processes and formal structure that other states have put in place to manage  
9 both short and long term economic and revenue forecasting, and compare their records of success  
10 with that of New Hampshire.

11

12 Amend paragraphs V and VI as inserted by section 3 of the bill by replacing them with the following:

13

14 V. Solicit information and testimony from individuals and entities with experience or  
15 expertise relevant to the study, including:

16

(a) The governor's budget director.

17

(b) The commissioner of the department of revenue administration.

18

(c) The commissioner of the department of administrative services.

19

(d) The heads of other government agencies that contribute substantially to state

20

revenues.

21

(e) The legislative budget assistant.

22

(f) Economists who have studied the state's economy and tax structure.

23

(g) Members of the New Hampshire business community.

24

25 VI. Generate, evaluate, cost, and prioritize ideas for a process and an entity to lead and  
26 manage both short and long term economic and revenue forecasting on a continuing basis and  
identify contributing entities to the process.

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3 (a) Four members of the house of representatives, appointed by the speaker of the house  
4 of representatives.

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6 Amend paragraph III as inserted by section 3 of the bill by replacing it with the following:

7

8 III. Study the processes, formal structure, and costs that other states have put in place to  
9 manage both short and long term economic and revenue forecasting, and compare their records of  
10 success with that of New Hampshire.

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12 Amend paragraph V as inserted by section 3 of the bill by replacing it with the following:

13

14 V. Solicit information and testimony from individuals and entities with experience or  
15 expertise relevant to the study, including:

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(a) The governor's budget director.

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(b) The commissioner of the department of revenue administration.

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(c) The commissioner of the department of administrative services.

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(d) The heads of other government agencies that contribute substantially to state

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revenues.

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(e) The legislative budget assistant.

22

(f) Economists.

23

(g) Members of the New Hampshire business community.

# Speakers





# Hearing Minutes

HOUSE COMMITTEE ON WAYS AND MEANS

PUBLIC HEARING ON HB 209

**BILL TITLE:** establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

**DATE:** February 3, 2011

**LOB ROOM:** 202      **Time Public Hearing Called to Order:** 1:05 PM

**Time Adjourned:** 1:45 PM

(please circle if present)

**Committee Members:** Reps. Stepanek, Major, Griffin, Hess, Sapareto, Ulery, Osgood, Ober, Abrami, Azarian, Daugherty, McDonnell, Murphy, Ohm, Sanborn, Shuler, Almy, Hamm, Butynski, Hatch and Cooney.

**Bill Sponsors:** Reps. Cebrowski, Hills 18; Major, Rock 8; Seidel, Hills 20; K. Roberts, Ches 3; Belvin, Hills 6; Ulery, Hills 27; Sen. White, Dist 9

TESTIMONY

\* Use asterisk if written testimony and/or amendments are submitted.

\***Representative John Cebrowski, prime sponsor – supports.** See written testimony. He had a long discussion of the written testimony.

Questions:

Representative Almy – should we look at the results as well as best practices or not? Answer: Yes, also use “metrics.”

Representative Abrami – have other states done some of this work already? Answer: Yes they have and they should be studied by this committee.

Comment:

True consensus panels are from outside government.

Questions:

Representative Sapareto – is “standard deviation” used in other states? Answer: Don’t know.

Representative Hamm – how do you guard against “political consideration?” Answer: Invite people from the outside to participate.

Representative Almy – incomes (revenues) come from many sources – should agencies and outsiders be in this group? Answer: Committees have only representatives and senators.

Representative Azarian – condensed bill, in his own words. Answer: Agreed

Representative Hess - comments on the details of the bill (people who would contribute)

Further paperwork was submitted – Annex I.

Respectfully submitted,

Representative Russell Ober, Clerk

*Russell Ober*

HOUSE COMMITTEE ON WAYS AND MEANS

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DATE: 2/3/2011

LOB ROOM: 202 Time Public Hearing Called to Order: 1:05 pm

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Committee Members: Reps. Stepanek, Major, Griffin, Hess, Sapareto, Ulery, Osgood, Ober, Abrami, Azarian, Daugherty, McDonnell, Murphy, Ohm, Sanborn, Shuler, Almy, Hamm, Butynski, Hatch and Cooney.

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TESTIMONY

\* Use asterisk if written testimony and/or amendments are submitted.

Rep Cebrowski - prime sponsor \*

long discussion of written testimony

Questions - Almy - should look at results as well as best practices, should we not?

Abrami - have other states done some of this work already? Ans - yes, also use "metrics"

Ans - yes they have and should be studied by the committee

Sapareto - true consensus panels are from outside government is "standard deviation" used in other states?

Ans - don't know.

Hamm - how do you guard against "political consideration"

Ans - invite people from outside to participate

Almy - incomes (revenues) come from many sources - should agencies and outsiders be in this group? Ans. committees

Azari - condensed bill.

Hess - comments on details of bill - (people who would contribute) have only reps/sens

Further paperwork submitted - Annex 1

# Testimony

# HB-209

Testimony of Rep. John Cebrowski, February 3, 2011



## Purpose:

This bill is designed to strengthen the State's revenue estimating process...and by extension, the State's budget process.

## The Basis of this Initiative is...

- Personal background in revenue forecasting & process improvement...current assignment on the Finance Committee
- Work on HB-618: Maintenance -vs- Efficiency Budget

## Rationale:

Rigorous, as-accurate-as-possible, economic and revenue forecasting is an imperative—a fundamental essential—a pivotal starting point in any budgeting process.

A well-studied view of how much revenue will be available provides heightened clarity and confidence that is beneficial to all parties involved in budget construction—and by extension, our constituents.

## Reality Check:

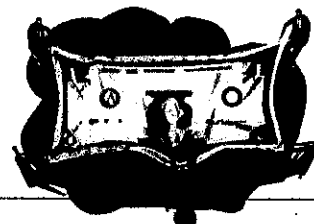
- There are “best practices” worth emulating that exist in other states.
- Our Ways & Means Committees invest a huge effort on this subject. Is it optimized?
- In the past, revenues have sometimes been estimated much too optimistically.
- ‘Political agendas’ have and could continue to generate clouded estimates.
- The need for this study is very real. Simply look at our current dismal fiscal situation. Our situation will likely be “tight” and “on the edge” for the foreseeable future.

## Intent of HB-209:

Create a study group to determine the best process and participants for creating the most credible, accurate, and transparent revenue forecasts possible.

- Study / analysis should always precede actual process formulation, particularly with important complex matters.
- Strengthen the state budget “starting point”.
- Minimize the political nature of revenue estimating and increase transparency.
- Helps embed a “continuous improvement” culture.
- Rigorous study & option investigation will heighten the confidence of all stakeholders.

## Notes / Questions:



# HB-209

Testimony of Rep. John Cebrowski, February 3, 2011



## Current Situation / Participants:

**Budget Director:**  
Relies on input from DAS. Currently has an informal relationship with the Ways & Means Committee

**Budget Director:**  
Provides estimate to the Governor.



**Ways & Means Committee:**  
Actions are very leadership dependent. Current leadership focused on intense education.

**Ways & Means Committee:**

1. Global / national / regional / state / sector econ briefs
2. LBA briefs on fees / laws / forms / content / process
3. Agency heads brief on objectives / needs / history
4. Agencies present projections for next two years
5. Ways & Means creates projection

**Ways & Means Committee:**  
House resolution before governor's budget presentation

**Dept. of Admin. Services (DAS):**  
Section 9:5 mandates an estimate of total income for each year of the ensuing biennium. (Oct. 1 & Jan 15)

**Dept. of Admin. Services (DAS):**

- ◆ Relies on Dept. / Agency heads
- ◆ Non-public in its work
- ◆ Only an ad hoc relationship with Ways & Means Committee
- ◆ Staff issues and motivation concerns

### Questions: Hmmmm...

1. Are the right people driving...and participating...in this whole process?
2. The legislature churns heavily every two years. We lose subject-matter knowledge then, right? Implications?
3. Are legislators "professional" forecasters?
4. Is leadership of the W&M committees always forthright with members?
5. Are resources and/or various staffs fully...or inappropriately utilized?
6. Are all agencies meeting their statutory obligations?
7. Is our process continuing and regular...predictable?

**Legislative Budget Assistant (LBA)**  
In the past the LBA has inserted itself into the process or been asked by Finance. That has been "occupant" dependent.

### The Senate Approach:

The Senate relies heavily on the projections from agencies, more than once. They also seek the advice of the New Hampshire Center for Public Policy. The Senate has an advantage in that they have more time to receive data...the projections are delivered closer to the new biennium.





Testimony of Rep. John Cebrowski, February 3, 2011



## Expectations of the Study Committee:

1. Review the history and results of past legislation and executive orders in NH.
2. Review current statutes and their effectiveness or lack thereof.
3. Study the processes and formal structures that other states have put in place, and suggest replicating best practices.
4. Document the good, the inadequacies, and the opportunities within the current process.
5. Recommend "who" does "what"... "when" and "how".
6. Suggest various committee scope-of-responsibility modifications.
7. Suggest various department / agency scope-of-responsibility modifications.
8. Suggest protocols that minimize "game-playing" and maximize credibility.
9. Suggest a state-of-the-art forecasting process that moves New Hampshire to the forefront on this subject...enabling the delivery of the best possible "work product".
10. Draft proposed legislation for the 2012 session...and launch application quickly!

## Frequently Asked Questions (FAQ's):

Q: Why not just propose a solution right now rather than a study committee?

A: This is a complex subject that deserves the input of "subject matter experts" both in and outside of state government. It makes "good business sense" to mine expertise and the experience of other states. Let's be prudent and thoughtful. We have the time.

Q: Why not just hold what we have?

A: "Holding what we have" implies an acceptable level of satisfaction, risk, and ignorance. It also implies that we not interested in improving state fiscal management processes.

Q: What is wrong with the current process?

A: Recall the intent of this bill as stated on page 1 of this testimony. The focus is not on "what's wrong", but making the process the most credible, accurate, apolitical, and transparent as possible.

Q: What role will, or should, the Ways & Means Committee or other committees play in revenue forecasting?

A: That is a question that the study committee should answer. The hope is that the role and credibility of both House and Senate Ways & Means committees will be enhanced and strengthened.

Thank you for your support of this initiative!

*John Cebrowski*

# Policy Brief

## 09-4

New England Public Policy Center  
at the Federal Reserve Bank of Boston

April 2009

## Revenue Forecasting Processes in New England

by Yael Shavit, Research Assistant

New England Public  
Policy Center

**Director**  
Robert Tannenwald

**Deputy Director**  
Darcy Rollins-Saas

**Staff**  
Heather Brome  
Robert Clifford  
Tom DeCoff  
Michael O'Mara  
Mary Pierotti  
Alicia Sasser  
Yael Shavit  
Jennifer Weiner  
Bo Zhao

The New England Public Policy Center is dedicated to enhancing access to high-quality analysis on economic and public policy issues that affect the region.

For more information about the New England Public Policy Center, please visit: [www.bos.frb.org/economic/neppc/](http://www.bos.frb.org/economic/neppc/)

The views expressed are the authors' and not necessarily those of the Federal Reserve Bank of Boston or the Federal Reserve System.



A key concern of state governments as they create their budgets is how much money they have to work with. The basis of a successful budget is a sound revenue estimate. In many states, the revenue forecast serves as a statutory constraint on spending. The forecasting process itself can be highly complicated, and differs among the states in important ways.

The current recession and economic uncertainty have created new challenges for state governments, which have seen actual revenues fall short of previous estimates and find themselves needing to cut their budgets. Most states have modified their revenue forecasting processes to address these extraordinary circumstances.

There is a dearth of readily accessible information on the processes that states use to create their revenue forecasts. To close that gap, this policy brief describes and compares the statutory processes in use in each New England state.

### Revenue forecasting overview

Revenue forecasting is a mixture of science and art. At the heart of the process is the projection into the future of past relationships among underlying economic activities and revenue streams. The models that revenue forecasters use to estimate these relationships differ in their complexity and sophistication. Some models forecast future revenues from a number of sources at once, while others focus on individual sources.

The revenue forecasting processes used by New England states have key similarities. Most notably, the majority of states rely on a consensus process, which requires members of the legislature and the executive branch to agree jointly on a forecast. This contrasts with approaches that assign the bulk of decision-making authority to one branch of government. Almost all the New England states also revise forecasts more than once a year, and estimate revenue for multiple years beyond the budget year.

One substantial difference among the states is the source of preliminary revenue forecasts. The process can be initiated by the state legislature, the executive branch, or by independent actors. States also differ on whether parties to that process must agree on economic projections before developing their initial revenue forecasts, and in what capacity nongovernmental actors participate in the process.

### The consensus process

Consensus revenue forecasting is a collaborative process in which a group of people representing different perspectives—usually members of a committee or conference—jointly agree on an official revenue forecast. The most limited form of consensus forecasting includes representatives from the executive and legislative branches, while a broader consensus process also includes nongovernmental participants.

<sup>1</sup>This policy brief uses “revenue forecast” and “revenue estimate” interchangeably to refer to the revenue projections that serve as the basis for a state’s budget. However, these terms are often used to describe different processes. “Revenue forecast” often refers to the revenue a state expects to generate over a given period, assuming no changes in the tax base or tax laws. A “revenue estimate” refers to a calculation of the expected changes in state revenue resulting from changes to existing tax law.

Nearly every New England state uses a consensus revenue forecasting process, or a somewhat similar approach. In Maine, Rhode Island, Vermont, and Massachusetts, consensus forecasting is a statutory requirement.

Maine's consensus process is the broadest in New England. The state has two separate and independent consensus commissions—one responsible for producing an economic forecast, and the other responsible for producing a derivative revenue forecast. The membership of these commissions is determined by state statute.

Maine's Consensus Economic Forecasting Commission includes members appointed by the governor, the Senate, and the House of Representatives. The Revenue Forecasting Committee does not include any members of the legislature, but does include nonpartisan staff, the state budget officer, the state tax assessor, the director of the Office of Fiscal and Program Review, the state economist, and an economist from the University of Maine system. Unlike any other New England state, Maine's Revenue Forecasting Committee reaches agreement on the model used to calculate the revenue forecast and generates only one estimate, rather than debating a number of proposed estimates.

In Rhode Island, Vermont, and Massachusetts, consensus revenue forecasting groups consist of members of the legislative and executive branches. In Massachusetts, the revenue forecast is determined by the Senate and House Ways and Means committees and the executive secretary of administration and finance. This process has elements of a broader consensus system, as the principal estimates considered by the group come from the Department of Revenue and the Massachusetts Taxpayers Foundation, a nongovernmental organization. The group also hears testimony from a number of actors before deciding on a revenue estimate, including representatives from the Beacon Hill Institute, the Massachusetts Taxpayers Foundation, the Department of Revenue, the Federal Reserve Bank of Boston, and a professor from the University of Massachusetts in Boston. There is no statutory requirement specifying who must testify during this process.

Rhode Island's Revenue Estimating Conference includes the Senate fiscal advisor, the House fiscal advisor, and the state budget officer. These members propose their own

revenue estimates, debate them, and then reach an official consensus projection for each revenue source.

In Vermont, the revenue forecast is approved by the Emergency Board, composed of the governor and the chairs of the House Committee on Appropriations, the House Committee on Ways and Means, the Senate Committee on Finance, and the Senate Committee on Appropriations. Before the Emergency Board meets, consulting economists for the executive and legislative branches prepare independent revenue forecasts, and then attempt to reach a consensus recommendation for board approval. However, in the rare event that a staff consensus is not reached, the Emergency Board hears from each economist and then determines the consensus estimate.

Neither Connecticut nor New Hampshire has a formal system for producing consensus revenue forecasts, but both states do require the executive and legislative branches to cooperate. Connecticut's legislature ultimately chooses an official revenue estimate. However, as part of the budget process, both the Office of Policy and Management (OPM) and the Office of Fiscal Analysis (OFA) submit initial revenue estimates. The OPM generates revenue forecasts used in the governor's biennial budget proposal and mid-biennium update. The OFA generates revenue forecasts used in the General Assembly's consideration of the budget. While the legislature tends to accept the OFA's projections, in practice it does so only when they are similar to the OPM figures. Otherwise, OPM and OFA reconcile their differences to arrive at forecasts used in the adopted budget.

In New Hampshire, the governor's budget includes an initial revenue estimate put together by the commissioner of Administrative Services. This estimate includes projections of tax revenue from the Department of Revenue and projections of individual revenue sources from specific agencies. During the legislative phase of the budget, the House and Senate rely on majority vote to develop the revenue forecast when determining the final budget. A New Hampshire Public Policy Institute report describes the state's revenue forecasting process as "a negotiated collaborative process between the legislative and executive branches."

## Preparing economic projections

Key inputs to these state revenue forecasts include national and state-level projections of economic variables such as unemployment, personal income growth, and inflation rates. Data from vendors—usually Global Insight, Moody's Economy.com, or both—inform the economic projections in every state.

In most states, different participants in the process hire different vendors, and there is no requirement that initial forecasts rely on the same economic assumptions. This is the case in New Hampshire, Vermont, and Connecticut. In Massachusetts, the Department of Revenue always provides a range of initial forecasts, with each relying on a different set of economic projections from different vendors. The department never mixes and matches these projections.

Maine and Rhode Island both require participants in the revenue forecasting process to reach a consensus economic forecast as a first step. In Rhode Island, the Revenue Forecasting Conference hears testimony from representatives of both Global Insight and Economy.com. After this testimony, conference members must reach consensus on 11 economic indicators, which they must then use in their preliminary revenue forecasts. As a result, all the preliminary forecasts rest on the same economic assumptions.

In Maine, the Revenue Forecasting Committee is required by statute to use economic projections agreed on by the Consensus Economic Forecasting Commission. Although members of both committees attend an annual retreat to review the past year and plan for future economic and revenue forecasting exercises, negotiation between the groups occurs rarely and only in extreme circumstances.

## Sources of preliminary forecasts

While the process of choosing an official revenue estimate is collaborative in every New England state, the states differ substantially in who generates the preliminary revenue forecasts. In Connecticut, Rhode Island, and Vermont, initial revenue forecasts come directly from economists or fiscal advisors working for the legislature and the executive branch. In Connecticut, the forecasts come from the OPM and the OFA, while in Vermont a consulting economist for the Joint Fiscal Office and a consulting economist for the Agency of Administration propose

the forecasts. Rhode Island is the only New England state where the Senate and the House each come up with an independent initial forecast. In addition to these two forecasts, Rhode Island's Budget Office proposes an initial forecast representing the executive branch.

In New Hampshire, the Governor recommends an initial revenue estimate developed by the commissioner of Administrative Services, with input from the Department of Revenue and other agencies. The House and Senate then repeat the revenue estimation process with agency input to develop their respective revenue estimates.

Unlike the other states, Massachusetts and Maine include independent actors in creating their initial forecasts. As noted, in Massachusetts, the legislature does not come up with an initial forecast but hears testimony from a number of groups. Maine has a unique system in which the members of the Revenue Forecasting Committee agree on a model and generate one revenue estimate.

## Involvement of academics

Only Maine and Massachusetts formally engage academics in their revenue forecasting process. Connecticut and New Hampshire engage academics informally; Rhode Island and Vermont have little such engagement.

By statute, Maine's Revenue Forecasting Committee includes one economist from the University of Maine system. An economics professor from the University of Massachusetts in Boston regularly contributes testimony during Massachusetts' revenue forecasting process. Massachusetts has also recently sought to involve members of the Commonwealth's Council of Economic Advisors.

In New Hampshire, presentations by academics and economists inform the legislature during their revenue forecasting process. In Connecticut, informal conversations with academics or external regional actors help inform the revenue forecasting process. In Vermont, academics are not substantively involved, but forecasters may seek input from actors in key industries who have knowledge of revenue streams, such as economists associated with utilities, and managers of large firms.

## Transparency

New England states divide evenly between those with highly public or transparent reve-

nue forecasting processes and those with less public processes.

By statute, Rhode Island, Vermont, and Maine invite the public to observe all hearings and negotiations on revenue estimations. In New Hampshire, Connecticut, and Massachusetts, the public is invited to attend hearings in which testimony is offered or revenue forecasts are discussed, but some of the actual negotiations and resolutions do not occur publicly.

### **Frequency of revenue forecasts**

States differ in how often they calculate their revenue estimates and the number of years they forecast. That frequency depends partly on the characteristics of each state's budget cycle. While Vermont, Rhode Island, and Massachusetts enact annual budgets, New Hampshire, Maine, and Connecticut enact two 12-month budgets every two years. Official revenue forecasts occur during the budget cycle to inform each state's budget, and re-forecasts (either formal or informal, depending on the state) occur throughout the year, to account for actual revenue receipts.

Rhode Island and Vermont develop revenue forecasts twice a year, and Massachusetts creates forecasts three times a year. Connecticut prepares official forecasts annually. Additionally, the OPM is statutorily required to release official monthly re-forecasts of revenues and expenditures, which the governor or General Assembly may act on. The OFA issues less formal revised forecasts three or four times each year.

In Maine, besides agreeing on a revenue forecast during even-numbered years, the Revenue Forecasting Committee must prepare official re-forecasts twice each year. In New Hampshire, revenue estimates are set in statute as part of the budget, and agencies or legislative committees offer informal updates when needed.

States also vary substantially in how far out they project their revenues. Maine's Revenue Forecasting Committee is charged with projecting revenue for the current fiscal biennium and two ensuing fiscal biennia. In setting its annual budget, Massachusetts requires revenue estimates for the ensuing fiscal year, while New Hampshire forecasts revenue for the two years of the biennial budget.

Connecticut's forecasts look at each fiscal year of the proposed biennial budget, and three ensuing fiscal years. Rhode Island's revenue forecasting conference formally

estimates revenue for two fiscal years while performing economic forecasts for six fiscal years. The governor must also submit revenue and expenditure forecasts for four years beyond the budget year, and fiscal staffs usually prepare similar unofficial estimates for the Assembly to use in budget deliberations. Vermont projects revenue for the current and two ensuing fiscal years, while making less formal five-year projections.

### **Dealing with today's economic challenges**

The current recession and economic uncertainty have seriously affected states' finances. New England states have all proposed substantial budget cuts in the last few months. Such economic conditions pose special problems for revenue forecasters, who face the daunting challenge of projecting state revenue under substantial uncertainty at a time when accurate forecasts are especially important.

New England forecasters have tackled this challenge in a number of ways. Unsurprisingly, most states in the region have chosen to revise their revenue forecasts with greater frequency. Connecticut and Maine have convened special meetings to address revenue shortfalls. In Maine, the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee convened a rare joint meeting to agree on an estimate of the state's budget shortfalls.

Vermont instituted quarterly forecasts in January 2008, and will continue to prepare such forecasts while the revenue picture remains uncertain. Vermont, Rhode Island, and Massachusetts have also more explicitly differentiated between pessimistic and baseline forecasts when weighing preliminary revenue estimates. Massachusetts has sought greater involvement of external actors.

As more attention is focused on states' revenue forecasting processes, state governments may benefit from learning about the technical methodologies that other states use to estimate future revenues. Such methods likely vary based on states' tax structures, analytical capacity, and resources. The Center plans to conduct a comparison of the revenue forecasting methods used by the New England states in the future.



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## A better budget for process New Hampshire

March 14, 2010 - 2:00 AM

BY BILL DUNCAN

New Hampshire state government revenues for this fiscal year are now \$50 million less than the Legislature projected when writing the budget last spring. Total revenue for the year ending this June could be \$100 million short, according to Dennis Delay of the New Hampshire Center for Public Policy.

The revenue shortfall last year, the second year of the last two-year budget, was \$300 million. That budget was passed in July 2007, well before the budget makers could have anticipated The Great Recession.

While some will try to make a partisan issue of this, these revenue shortfalls happen in New Hampshire regardless of the party in control of the Statehouse. We had an \$11 million shortfall in 1996, a \$50 million shortfall in 2002. In the other years, there was a surplus, which some would say is almost as bad.

But there's an important issue here beyond the finger pointing. New Hampshire is one of the states without an independent and formal consensus budget estimating process that reviews all the factors, including the economy, and projects anticipated revenues.

State revenue projections are almost always wrong. Every state has to contend with that. But we in New Hampshire have a very odd budgeting system — one that makes it much harder than it needs to be. Each odd numbered year, the House Ways and Means Committee gathers some advisers and sits around the table debating revenue estimates. They make a two-year budget and then, as the biennium unfolds, there is no established process for revising the budget in response to the inevitable revenue ups and downs. And there's no provision for revising the budget as the biennium unfolds. Not many states take as informal and error prone an approach as we do.

And there are other disadvantages. Say, just for instance, the governor and the legislative leadership were from opposing parties and the legislative majority wanted to reduce the governor's ability to pursue a program.

The House Ways and Means Committee could just drive the budgeting process by adopting a low revenue estimate. The governor would be reduced to pleading via press release — as Governor Lynch did in 2005.

Twenty two states, including Maine, Vermont and Massachusetts take this consensus estimating approach and legislators there will tell you that they are glad to be off the hook.

Maine, for instance, has for 18 years used a consensus budgeting process that has wide bipartisan support. Each year, a nongovernmental group does a long-term economic forecast. Based on that, the legislative and administrative staff make state revenue projections that go out six years. The Legislature adopts the projections for the next budget period, with changes if they want. The forecast is updated several times a year so, while Maine has a biennial budget, they revise it to reflect changing conditions.

Vermont has a similar process. Two private economists, one for the governor and one for the Legislature, do their projections independently, reconcile their differences and present the result for adoption by a five-person committee appointed by the Legislature and the governor.

We've had the beginnings of this process in place in New Hampshire. The group did meet and advise the Legislature, but the process never became formalized and fell into disuse.

Consensus revenue estimating does not guarantee accuracy. Maine and Vermont contend with revenue surprises as well. But they have an orderly process for updating projections and modifying the budget and do not get mired in partisan recriminations.

The Legislature should establish a new and better consensus process to estimate and revise projected revenues for the next biennium and out into future years.

The most important elements are that qualified private, nonpartisan economists make a forecast going out several years in a public report; that the governor and the Legislature adopt it as the basis for appropriations, with changes if necessary; and that there be a provision for revising it periodically.

We would then be prepared to take on the structural budget issues facing the state and begin to manage the budget instead of letting the budget manage us.

Bill Duncan is a resident of New Castle and a community member of Seacoast Media Group's editorial board.

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STATE OF NEW HAMPSHIRE  
BY HER EXCELLENCY  
JEANNE SHAHEEN, GOVERNOR  
EXECUTIVE ORDER 97-1

an order establishing a State consensus revenue estimating panel  
to enhance the State's ability to manage its fiscal policies

WHEREAS, the State's ability to manage its fiscal policies in a reasonable and reliable manner is dependent upon the quality of its revenue forecasting,

WHEREAS, **inaccurate** revenue forecasts can lead to budget shortfalls that require emergency spending cuts or tax increases;

WHEREAS, over twelve years ago a report produced for New Hampshire policy makers emphasized that there was a clear need for a more **sophisticated** and systematic method of forecasting state revenues;

WHEREAS, more consistent revenue estimates would result from a consensus revenue estimating panel comprised of representatives of both the legislative and executive branches working together;

WHEREAS, revenue forecasting would be more credible if representatives from the business and academic communities were included on the State's revenue estimating panel;

NOW, THEREFORE, I, JEANNE SHAHEEN, GOVERNOR of the State of New Hampshire, by the authority vested in me pursuant to Part II, Article 41 of the New Hampshire Constitution, do hereby establish, effective January 15, 1997, a State Consensus Revenue Estimating Panel, charged with the following responsibilities:

to monitor revenue estimating variables such as employment, population, interest rates, income, and other indices as are appropriate;

to provide periodic revenue estimates available to both the legislative and executive branches;

The State Consensus Revenue Estimating Panel shall be comprised of the following representation, with the Governor to annually designate a member to serve as Chairperson:

Governor's Budget Director  
The President of the Senate or his designee  
The Speaker of the House or her designee (2)  
members from the academic community (2)  
members from the business community

FURTHER, it is ordered that all Commissioners of State agencies that collect and monitor revenues cooperate with and assist the State Consensus Revenue Estimating Panel in its work, including:

Commissioner of the Department of Revenue Administration  
Commissioner of Administrative Services  
Commissioner of the Department of Transportation  
Commissioner of the Department of Safety  
Commissioners of the State Liquor Commission  
Commissioner of the Department of Insurance  
Commissioner of the Department of Health and Human Services

Given at the Executive Chambers in Concord, this  
fifteenth day of January, in the year of Our Lord, one  
thousand nine hundred and ninety-seven and of the  
independence of the United States of America, two  
hundred and twenty-one.

  
*Jeanne Shaheen*  
GOVERNOR OF NEW HAMPSHIRE



*State of New Hampshire*  
*By Her Excellency*  
*Jeanne Shaheen, Governor*

**EXECUTIVE ORDER 2001-4**

**an order expanding the membership of the State consensus revenue estimating panel**

WHEREAS, Executive Order 97-1 established a consensus revenue estimating panel to assist the State in producing more reliable and credible revenue forecasts; and

WHEREAS, New Hampshire's economy has become increasingly more integrated into the national and global economies; and

WHEREAS, the terrorist attacks of September 11, 2001 have contributed to a temporary slowing of the national economy and have created some uncertainty about when the national economy will recover; and

WHEREAS, it is critical that State budgetary decisions be informed by the most accurate revenue forecasts possible.

**NOW, THEREFORE, I, JEANNE SHAHEEN**, Governor of the State of New Hampshire, by virtue of the power and authority vested in me by part II, article 41 of the New Hampshire Constitution, do hereby revise the membership of the State consensus revenue estimating panel so that it includes the following members:

The Governor's Budget Director  
The Commissioner of the Department of Revenue Administration  
The Comptroller of the State  
Two members of the academic community  
Three members of the business community  
Two members of the House to be chosen by the Speaker of the House  
Two members of the Senate to be chosen by the Senate President

Given at the Executive Chambers in  
Concord, this \_\_\_1st\_\_\_ day of October, in the  
year two thousand and one.

  
Governor of New Hampshire

# TITLE I

## THE STATE AND ITS GOVERNMENT

### CHAPTER 9

#### BUDGET AND APPROPRIATIONS; REVOLVING FUNDS

#### The Budget

##### Section 9:5

##### **9:5 Estimates of Income. –**

I. On or before October 1 next prior to each biennial legislative session, the commissioner of administrative services shall prepare an estimate of the total income of the state for each fiscal year of the ensuing biennium, in which the several items of income shall be listed and classified according to sources or character, departments or establishments producing said funds and brought into comparison with the income actually received during the last completed fiscal year and the estimated income to be received during the year in progress.

II. On or before January 15 of each even numbered year, the commissioner of administrative services shall present to the legislature an updated estimate of the total income of the state for the current fiscal year, in which the several items of income shall be listed and classified according to sources or character, departments or establishments producing said funds and brought into comparison with the income actually received and projected to be received during the current fiscal year and an updated estimate of the income to be received during the next fiscal year. These updated estimates shall require ratification by the legislature by the end of the regular legislative session of such even numbered year.

**Source.** RL 23:5. RSA 9:5. 1985, 399:3, I. 1986, 18:2, eff. July 1, 1986.

CHAPTER 155  
HB 805 - FINAL VERSION

20mar03... 0618h  
05/22/03 1671s

2003 SESSION

03-0829  
05/10

HOUSE BILL

**805**

AN ACT

establishing a consensus revenue estimating panel.

SPONSORS:

Rep. J. Gilbert, Rock 83

COMMITTEE:

Ways and Means

---

ANALYSIS

This bill establishes a consensus revenue estimating panel to monitor revenue estimating variables and to provide periodic revenue estimates to the legislative and executive branches.

.....

Explanation:

Matter added to current law appears in *bold italics*.

Matter removed from current law appears [~~in brackets and struck through.~~]

Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

CHAPTER 155  
HB 805 - FINAL VERSION

20mar03... 0618h  
05/22/03 1671s

03-0829  
05/10

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Three*

AN ACT establishing a consensus revenue estimating panel.

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

1 155:1 New Chapter; Consensus Revenue Estimating Panel. Amend RSA by inserting after  
2 chapter 17-P the following new chapter:

3 CHAPTER 17-Q

4 CONSENSUS REVENUE ESTIMATING PANEL

5 17-Q:1 Consensus Revenue Estimating Panel Established. There is established a consensus  
6 revenue estimating panel to enhance the state's ability to manage its fiscal policies.

7 17-Q:2 Panel Membership and Compensation.

8 I. The members of the panel shall be as follows:

9 (a) Two members of the house of representatives, appointed by the speaker of the house.

10 (b) Two members of the senate, appointed by the president of the senate.

11 (c) The governor's budget director.

12 (d) The commissioner of the department of revenue administration, or designee.

13 (e) The comptroller of the division of accounting services, department of administrative  
14 services, or designee.

15 (f) Three members of the business community with expertise in business and economics,  
16 appointed by the governor.

17 (g) Two members of the academic community, appointed by the governor.

18 II. Members of the panel shall serve without compensation, except that legislative members  
19 of the panel shall receive mileage at the legislative rate when attending to the duties of the panel.

20 III. Legislative members of the panel shall serve a term coterminous with their term in  
21 office. Members from the executive branch shall serve a term coterminous with their appointment.  
22 Members from the private sector shall serve a 3-year term.

23 17-Q:3 Duties. The panel shall:

24 I. Monitor revenue estimating variables such as employment, population, interest rates,  
25 income, and other indices as are appropriate.

26 II. Provide periodic revenue estimates available to both the legislative and executive  
27 branches of government.

28 17-Q:4 Chairperson; Quorum. The members of the panel shall elect a chairperson from among

CHAPTER 155  
HB 805 - FINAL VERSION  
- Page 2 -

1 the members. The panel shall adopt rules for its procedures and meetings. Six members of the  
2 panel shall constitute a quorum. In conducting its business, the panel may solicit relevant  
3 information and testimony from a variety of sources, including:

- 4 I. The legislative budget assistant.
- 5 II. The commissioner of the department of revenue administration.
- 6 III. The commissioner of administrative services.
- 7 IV. The commissioner of the department of transportation.
- 8 V. The commissioner of the department of safety.
- 9 VI. The commissioners of the state liquor commission.
- 10 VII. The commissioner of the department of insurance.
- 11 VIII. The commissioner of the department of health and human services.

12 17-Q:5 Report. The panel shall provide quarterly reports of its findings and recommendations  
13 on November 1, February 1, May 1, and August 1 to the speaker of the house of representatives, the  
14 senate president, the house clerk, the senate clerk, the governor, the chairs of the house and senate  
15 ways and means and finance committees, and the state library. The first such report shall be filed  
16 on November 1, 2003.

17 155:2 Repeal. Chapter RSA 17-Q, relative to the consensus revenue estimating panel, is  
18 repealed.

19 155:3 Effective Date.

20 I. Section 2 of this act shall take effect May 1, 2005.

21 II. The remainder of this act shall take effect 60 days after its passage.

22 (Approved: June 17, 2003)

23 (Effective Date: I. Section 2 shall take effect May 1, 2005

24 II. Remainder shall take effect August 16, 2003)

25

26

# Voting Sheets

HOUSE COMMITTEE ON WAYS AND MEANS

EXECUTIVE SESSION on HB 209

**BILL TITLE:** establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

**DATE:** February 16, 2011

**LOB ROOM:** 202

**Amendments:**

Sponsor: Rep. House Ways & Means OLS Document #: 2011 0379h

Sponsor: Rep. OLS Document #:

Sponsor: Rep. OLS Document #:

**Motions:** OTP, ~~OTP/A~~, ITL, Interim Study (Please circle one.) **AMENDMENT**

Moved by Rep. Abrami

Seconded by Rep. Hamm

Vote: VOICE VOTE UNANIMOUS – MOTION ADOPTED

**Motions:** OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Abrami

Seconded by Rep. Hamm

Vote: 18-0 (Please attach record of roll call vote.)

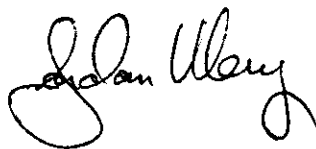
**CONSENT CALENDAR VOTE: 18-0**

(Vote to place on Consent Calendar must be unanimous.)

**Statement of Intent:** Refer to Committee Report

Respectfully submitted,

Rep. Jordan Ulery, Acting Clerk



HOUSE COMMITTEE ON WAYS AND MEANS

EXECUTIVE SESSION on HB 209

BILL TITLE: establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

DATE: 2/16/2011

LOB ROOM: 202

Amendments:

Sponsor: Rep. Almy - Stepanik

OLS Document #: ~~2011-0360H not voted~~

Sponsor: Rep. Almy - Stepanik

OLS Document #: new number coming

Sponsor: Rep.

OLS Document #:

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Amendment

Moved by Rep. Abrami

Seconded by Rep. Almy Hamm

Vote: (Please attach record of roll call vote.)

Voice vote unan.  
motion adopted

Motions: OTP, OTP/A, ITL, Interim Study (Please circle one.)

Moved by Rep. Abrami

Seconded by Rep. Namm

Vote: (Please attach record of roll call vote.)

CONSENT CALENDAR VOTE: 18-0

(Vote to place on Consent Calendar must be unanimous.)

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep. Russell Ober, Clerk

JORDAN ULERY, ACTING



WAYS AND MEANS

Bill #: NB 209 Title: establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecast.  
 PH Date: 2/3/2011 Exec Session Date: 2/16/2011

Motion: GTPA Amendment #: \_\_\_\_\_

MEMBER	YEAS	NAYS
Stepanek, Stephen B, Chairman	✓	
Major, Norman L, V Chairman		
Griffin, Mary E	✓	
Hess, David W		
Sapareto, Frank V	✓	
Ulery, Jordan G	✓	
Osgood, Joe	✓	
Ober, Russell T, Clerk		
Abrami, Patrick F	✓	
Azarian, Gary S	✓	
Daugherty, Duffy	✓	
McDonnell, John J	✓	
Murphy, Keith	✓	
Ohm, Bill	✓	
Sanborn, Laurie J	✓	
Shuler, Wyman E	✓	
Almy, Susan W	✓	
Hamm, Christine C	✓	
Butynski, William	✓	
Hatch, William A	✓	
Cooney, Mary R	✓	
	18	0
TOTAL VOTE:		

# Committee Report

**CONSENT CALENDAR**

**February 23, 2011**

**HOUSE OF REPRESENTATIVES**

**REPORT OF COMMITTEE**

**The Committee on WAYS AND MEANS to which was referred HB209,**

**AN ACT establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts. Having considered the same, report the same with the following amendment, and the recommendation that the bill OUGHT TO PASS WITH AMENDMENT.**

**Rep. Patrick F Abrami**

**FOR THE COMMITTEE**

## COMMITTEE REPORT

Committee:	<b>WAYS AND MEANS</b>
Bill Number:	<b>HB209</b>
Title:	<b>establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.</b>
Date:	<b>February 16, 2011</b>
Consent Calendar:	<b>YES</b>
Recommendation:	<b>OUGHT TO PASS WITH AMENDMENT</b>

### STATEMENT OF INTENT

This bill would establish a study committee to determine if there is a better way in which the legislature can do its revenue estimating. The committee would be charged with investigating if there are more accurate approaches to projecting revenue. The committee would reach out to other state legislatures, corporations, and others to determine whether there are other revenue estimating approaches that have proven to result in more accurate estimates. The bill was amended to increase the House representation to four on the committee, to broaden the type of economists that the committee would be able to solicit testimony, and to insure that cost would be determined for each alternative revenue projection approach presented. It was the unanimous belief of the committee that it should always attempt to improve upon its revenue projection techniques.

Vote 18-0.

Rep. Patrick F Abrami  
FOR THE COMMITTEE

Original: House Clerk  
Cc: Committee Bill File

## CONSENT CALENDAR

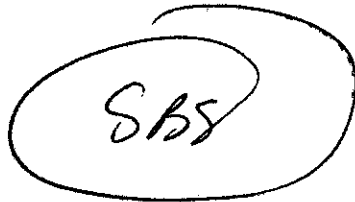
### WAYS AND MEANS

**HB209**, establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts. **OUGHT TO PASS WITH AMENDMENT.**

Rep. Patrick F Abrami for WAYS AND MEANS. This bill would establish a study committee to determine if there is a better way in which the legislature can do its revenue estimating. The committee would be charged with investigating if there are more accurate approaches to projecting revenue. The committee would reach out to other state legislatures, corporations, and others to determine whether there are other revenue estimating approaches that have proven to result in more accurate estimates. The bill was amended to increase the House representation to four on the committee, to broaden the type of economists that the committee would be able to solicit testimony, and to insure that cost would be determined for each alternative revenue projection approach presented. It was the unanimous belief of the committee that it should always attempt to improve upon its revenue projection techniques. **Vote 18-0.**

Original: House Clerk  
Cc: Committee Bill File

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SBS

H. B. 2007

Rep. Patrick F. Abrami for Ways and Means: This bill would establish a study committee to determine if there is a better way in which the legislature can do its revenue estimating. The committee would be charged with investigating if there are more accurate approaches to projecting revenue. The committee would reach out to other state legislatures, corporations, and others to determine whether there are other revenue estimating approaches that have proven to result in more accurate estimates. The bill was amended to increase the House representation to four on the committee, to broaden the type of economists that the committee would be able to solicit testimony, and to insure that cost would be determined for each alternative revenue projection approach presented. It was the unanimous belief of the committee that it should always attempt to improve upon its revenue projection techniques.

Handwritten initials "SBS" enclosed in a hand-drawn oval.