

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

ANALYSIS

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

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 Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

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.

HB 209 - AS AMENDED BY THE HOUSE

23Feb2011... 0379h

2011 SESSION

11-0547
05/04

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12 process.
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14 established by 2003, 155 (HB 805).
- 15 III. Study the processes, formal structure, and costs that other states have put in place to
16 manage both short and long term economic and revenue forecasting, and compare their records of
17 success with that of New Hampshire.
- 18 IV. Review current New Hampshire statutes relative to revenue estimating to determine
19 their scope, adequacy, and need for amendment.
- 20 V. Solicit information and testimony from individuals and entities with experience or
21 expertise relevant to the study, including:
- 22 (a) The governor's budget director.
- 23 (b) The commissioner of the department of revenue administration.
- 24 (c) The commissioner of the department of administrative services.
- 25 (d) The heads of other government agencies that contribute substantially to state
26 revenues.
- 27 (e) The legislative budget assistant.
- 28 (f) Economists.
- 29 (g) Members of the New Hampshire business community.

1 VI. Generate, evaluate, and prioritize ideas for a process and an entity to lead and manage
2 both short and long term economic and revenue forecasting on a continuing basis and identify
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Committee Minutes

**SENATE CALENDAR NOTICE
WAYS AND MEANS**

Senator Bob Odell Chairman
 Senator Jim Luther V Chairman
 Senator David Boutin
 Senator Lou D'Allesandro
 Senator Chuck Morse
 Senator Jim Rausch

For Use by Senate Clerk's Office ONLY	
<input type="checkbox"/>	Bill Status
<input type="checkbox"/>	Docket
<input type="checkbox"/>	Calendar
Proof: <input type="checkbox"/>	Calendar <input type="checkbox"/> Bill Status

Date: April 13, 2011

HEARINGS

Tuesday

4/19/2011

WAYS AND MEANS

SH 100

1:30 PM

(Name of Committee)

(Place)

(Time)

EXECUTIVE SESSION MAY FOLLOW

1:30 PM HB209

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

1:45 PM HB579

exempting department of revenue administration guidelines from the right-to-know law.

Sponsors:

HB209

Rep. John Cebrowski
 Rep. William Belvin

Rep. Norman Major
 Sen. Raymond White

Rep. Carl Seidel
 Rep. Jordan Ulery

Rep. Kris Roberts

HB579

Rep. Neal Kurk

Ways and Means Committee

Hearing Report

To: Members of the Senate

From: Sonja Caldwell
Legislative Aide

Re: **HB209** -*establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.*

Hearing date: April 19, 2011

Members present: Sen. Odell, Sen. Luther, Sen. D'Allesandro, Sen. Morse, Sen. Rausch, Sen. Boutin

Members absent:

Sponsor(s): 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

What the bill does: This bill establishes a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

Who supports the bill: Rep. Cebrowski, Sen. White, Sen. Lambert, Rep. Ulery, Rep. Seidel

Who opposes the bill:

Taking no position: Catherine Provencher (State Treasurer)

Summary of testimony received:

Rep. Cebrowski – said that good budget creation begins with the most accurate revenue information you can have. He said the rationale for introducing this bill is that he believes revenue forecasting is important. He mentioned best practices in other states and said we should always try to improve our fiscal matters and we should learn from other states. He thinks its realistic to understand that NH will have a tight fiscal situation for many years to come. The intent is to put together a group this summer or fall to identify the best practices out there and come forward with suggestions to strengthen what we do. He wants to emphasize that we aren't doing anything wrong but there is opportunity to do things better. He wonders if the right people are participating in the process. He mentioned the turn over every two years with elections. He said Governor Shaheen had

created a consensus revenue estimating panel that only lasted a year or two and it may be appropriate to bring that back. Commissioner Hodgdon and Treasurer Provencher were favorable to that idea. He concluded by saying if we could have more confidence in revenue estimates, it would make the budget process easier.

Senator Luther questioned him about the timing in the bill - it takes effect upon passage and the first meeting takes place in 45 days.

Rep. Cebrowski said that by the time the bill passes that would likely fall in the middle of August. He thinks its reasonable but has no issue with pushing it out further.

Catherine Provencher - State Treasurer

She said rating agencies have looked at some type of consensus revenue forecasting as a positive credit implication. Its not to say if we do it we will get an upgrade, but in the recent Moody's report it indicated items that might move us up. She noted she is not taking a position on the bill, she just wants to make the committee aware of what was in the report.

Senator Odell commented that our revenues have been within 2 % 9 out of the last 10 years and he asked if that isn't proof of a good forecasting record.

Treasurer Provencher said yes that speaks to our solid credit rating. We have a good track record. Last month, the Pew center published a report on revenue estimating across states. NH faired relatively well but it may be worth having a conversation about if our current revenue estimating mechanism is functioning as its designed or if it needs to be tweaked at all.

Senator Luther asked how many states are using this approach now.

Treasurer Provencher said states are all over the board in what is even deemed to be consensus revenue forecasting. She answered maybe a dozen, but it varies from states to state on who participates in the forecasting. The Pew report has a chart that categorizes all 50 states by the mechanisms used.

Senator Rausch asked how are we considered.

Treasurer Provencher said we're a little outside of the mean. We don't have the number of criteria that some other states have. There are 10 different mechanisms or criteria and NH used 2 of the 10. She noted that the report didn't rank the states.

Speakers

Testimony

HB-209: Senate Ways & Means

Testimony of Rep. John Cebrowski, April 19, 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:

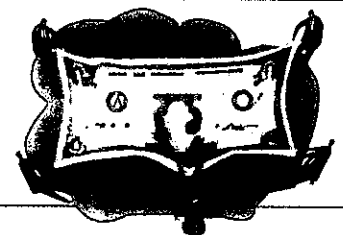
- There are “best practices” worth emulating that exist in other states.
- Our Ways & Means Committees invest a huge effort on this subject. Is it optimized?
- In the past, revenues have sometimes been estimated much too optimistically.
- ‘Political agendas’ have and could continue to generate clouded 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.

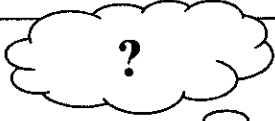
Notes / Questions:



Testimony of Rep. John Cebrowski, April 19, 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, April 19, 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

House Journal #8, 2-23-11, Reprint

HB 209, 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.

Amendment (0379h)

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

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

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

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

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

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

- (a) The governor's budget director.
- (b) The commissioner of the department of revenue administration.
- (c) The commissioner of the department of administrative services.
- (d) The heads of other government agencies that contribute substantially to state revenues.
- (e) The legislative budget assistant.
- (f) Economists.
- (g) Members of the New Hampshire business community.

Voting Sheets

Senate Ways & Means Committee

EXECUTIVE SESSION

Bill #: HB 209

Hearing date: 4-19-11

Room: State House - Room 100

Executive session date: 4-26-11

Motion of: Opp TTL

VOTE: 4-0

A fails

Made by Odell
Senator: D'Allesandro
 Luther
 Boutin
 Morse
 Rausch

Seconded Odell
by Senator: D'Allesandro
 Luther
 Boutin
 Morse
 Rausch

<u>Committee Member</u>	<u>Present</u>	<u>YES</u>	<u>NO</u>	<u>Reported out by</u>
Senator Odell	<input checked="" type="checkbox"/> ✓	<input type="checkbox"/> ✓	<input type="checkbox"/>	
Senator D'Allesandro	<input checked="" type="checkbox"/> ✓	<input type="checkbox"/> ✓	<input type="checkbox"/>	
Senator Luther	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Senator Boutin	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Senator Morse	<input checked="" type="checkbox"/> ✓	<input type="checkbox"/> ✓	<input type="checkbox"/>	<i>Morse</i>
Senator Rausch	<input checked="" type="checkbox"/> ✓	<input type="checkbox"/> ✓	<input type="checkbox"/>	

*Amendments: _____

NOTES: _____

Committee Report

STATE OF NEW HAMPSHIRE
SENATE
REPORT OF THE COMMITTEE

Date: April 26, 2011

THE COMMITTEE ON Ways and Means

to which was referred House Bill 209

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

Having considered the same, the committee recommends that the Bill:

IS INEXPEDIENT TO LEGISLATE

BY A VOTE OF: 4-0

AMENDMENT # s

Senator Chuck Morse
For the Committee

Sonja Caldwell 271-2117

New Hampshire General Court - Bill Status System

Docket of HB209

Docket Abbreviations

Bill Title: establishing a study committee to recommend a continuing revenue estimating process to produce revenue forecasts.

Official Docket of HB209:

Date	Body	Description
1/19/2011	H	Introduced 1/6/2011 and Referred to Ways and Means; HJ 11 , PG. 177
1/26/2011	H	Public Hearing: 2/3/2011 1:00 PM LOB 202
2/15/2011	H	Executive Session: 2/16/2011 LOB 202 Following House Session
2/16/2011	H	Committee Report: Ought to Pass with Amendment #0379h for Feb 23 (Vote 18-0; CC); HC 15 , PG.274
2/16/2011	H	Proposed Committee Amendment # 2011-0379h ; HC 15 , PG.299
2/23/2011	H	Amendment #0379h Adopted, VV; HJ 21 , PG.465
2/23/2011	H	Ought to Pass with Amendment #0379h: MA VV; HJ 21 , PG.465
3/9/2011	S	Introduced and Referred to Ways & Means; SJ 9 , Pg.102
4/14/2011	S	Hearing: 4/19/11, Room 100, State House, 1:30 p.m.; SC20
4/26/2011	S	Committee Report: Inexpedient to Legislate, 5/4/11; SC22
5/4/2011	S	Inexpedient to Legislate, MA, VV === BILL KILLED ===; SJ 15 , Pg.310

NH House

NH Senate

Other Referrals

COMMITTEE REPORT FILE INVENTORY

HB 209 ORIGINAL REFERRAL _____ RE-REFERRAL

1. THIS INVENTORY IS TO BE SIGNED AND DATED BY THE COMMITTEE AIDE AND PLACED INSIDE THE FOLDER AS THE FIRST ITEM IN THE COMMITTEE FILE.
2. PLACE ALL DOCUMENTS IN THE FOLDER FOLLOWING THE INVENTORY IN THE ORDER LISTED.
3. THE DOCUMENTS WHICH HAVE AN "X" BESIDE THEM ARE CONFIRMED AS BEING IN THE FOLDER.
4. THE COMPLETED FILE IS THEN DELIVERED TO THE CALENDAR CLERK.

DOCKET (Submit only the latest docket found in Bill Status)

COMMITTEE REPORT

CALENDAR NOTICE

HEARING REPORT

_____ HANDOUTS FROM THE PUBLIC HEARING

PREPARED TESTIMONY AND OTHER SUBMISSIONS

SIGN-UP SHEET(S)

ALL AMENDMENTS (passed or not) CONSIDERED BY COMMITTEE:

_____ - AMENDMENT # _____ _____ - AMENDMENT # _____
_____ - AMENDMENT # _____ _____ - AMENDMENT # _____

ALL AVAILABLE VERSIONS OF THE BILL:

AS INTRODUCED AS AMENDED BY THE HOUSE
_____ FINAL VERSION _____ AS AMENDED BY THE SENATE

_____ OTHER (Anything else deemed important but not listed above, such as amended fiscal notes): _____

IF YOU HAVE A RE-REFERRED BILL, YOU ARE GOING TO MAKE UP A DUPLICATE FILE FOLDER

DATE DELIVERED TO SENATE CLERK

7-22-11

SLC

BY COMMITTEE AIDE