

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** Ryan T. McDougale

2. **Bill Number** SB 895

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Budget bill and gubernatorial amendments to include alternative revenue estimates.

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would require that the Governor's submission of the budget bill and his gubernatorial amendments proposed to the general appropriation act include alternative revenue estimates under a "best case" scenario and under a "worst case" scenario.

The effective date is not specified.

6. **No Fiscal Impact or Fiscal Impact Estimates are:** Not available. (See Line 8.)

6a. **Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008-09	\$124,056	2.0	GF
2009-10	\$124,056	2.0	GF
2010-11	\$124,056	2.0	GF
2011-12	\$124,056	2.0	GF
2012-13	\$124,056	2.0	GF
2013-14	\$124,056	2.0	GF
2014-15	\$124,056	2.0	GF

7. **Budget amendment necessary:** Yes.

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8. **Fiscal implications:**

TAX would be required to develop two additional forecasts, essentially tripling the workload associated with this function. Two new economists would be required (\$58,500 each, including benefits), along with charges for two personal computers (\$4,056 annually), charges, and software licenses for the economic modeling program used to generate forecasts (\$1,500 for each economist).

9. **Specific agency or political subdivisions affected:**

10. Technical amendment necessary: No.

11. Other comments:

Current Law:

The revenue forecast is built from a consensus economic forecast. The current revenue forecast was developed using economic information from Global Insight, Moody's Economy, and other sources, in addition to information obtained from meetings with experts in the housing, consumer spending, and the auto industry. By law, TAX compiles this information for consideration by the Governor's Advisory Board of Economists (GABE), who arrive at a consensus for the economic assumptions and technical econometric methodology. This information is then reviewed by the Governor's Advisory Council on Revenue Estimates (GACRE), who recommend a single consensus set of economic assumptions to be used for revenue estimating purposes. The final revenue forecast is based on the economic assumptions approved by GABE and GACRE, which also includes adjustments to reflect the Governor's policy proposals.

Proposal:

This bill would require GABE and GACRE to arrive at a consensus for three sets of economic assumptions to be used for revenue forecasting. TAX would be required to develop three revenue forecasts, analyzing each revenue source under the three sets of economic assumptions. The Governor would then submit the Budget Bill, or his gubernatorial amendments, as usual but would be required to submit an additional document containing the alternative "best case" and "worst case" revenue estimates for general fund revenues and nongeneral fund revenues. This would require TAX to develop, track and update all three revenue forecasts for any policy changes instead of the single official forecast. The Governor would not be required to develop appropriations that would conform to either alternative revenue forecast.

cc : Secretary of Finance

Date: 1/22/2009 JPJ
DLAS File Name: SB890F161