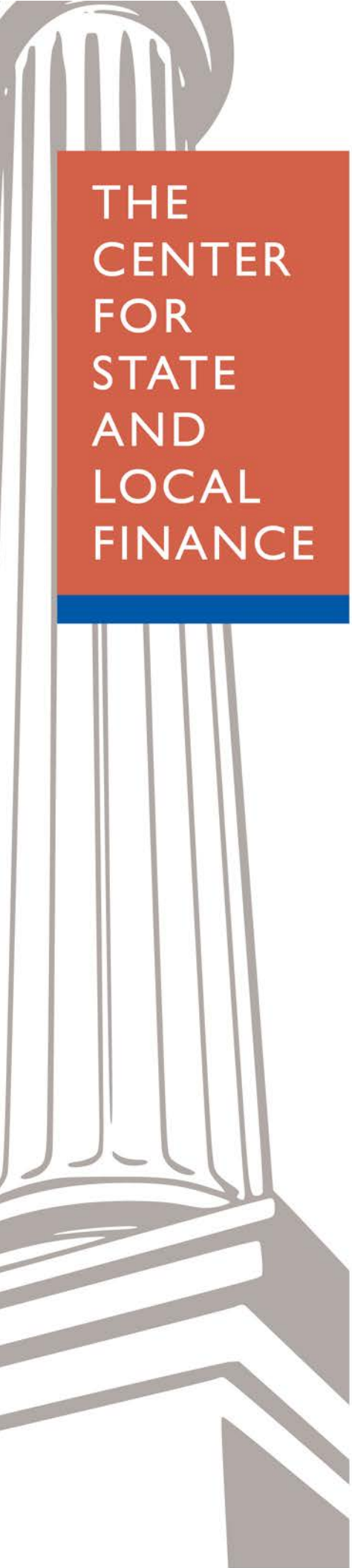

THE CENTER FOR STATE AND LOCAL FINANCE

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Revenue Forecasting Practices in the Southern States

Part of *Balancing the Budget in the Southern States*

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Balancing the Budget in the Southern States — This six-report series is based on the Volcker Alliance's Truth and Integrity in Government Finance project results as well as additional research conducted by the Center for State and Local Finance.

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Introduction

Revenue forecasts begin the budget process and are a government's best estimation of the taxes and other revenues it will receive over the course of the upcoming fiscal year. This projection must be as accurate as possible because budget officials and policymakers use it to determine annual expenditures, which ultimately represent a government's policy priorities. In the United States, the revenue forecast is particularly important at the state level because all states but one have a balanced budget requirement, a legal obligation to pass a budget in which expenditures do not exceed revenues.[1]

This report assesses transparency in state-level revenue forecasting for the fiscal year (FY) 2015 to FY 2018 across the southern region of the United States, specifically the 16 states forming the U.S. Census Bureau's South region: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia and West Virginia. The report stems from data gathered during the Volcker Alliance's Truth and Integrity in Government Finance project, which looks at transparency and best practices in budgeting and financial management across the 50 U.S. states. In the following sections, we provide a background on revenue forecasting and discuss several best practices. We then compare best practices in forecasting across the southern states. Examples of states employing best practices, as well as states that have room for improvement, are provided throughout.

Best Practices in Revenue Forecasting

Revenue forecasts are estimates of future revenue collections based on historical trends, regional and national economic conditions, and myriad other factors. The many moving pieces involved in projecting revenues make accuracy difficult. Nonetheless, states depend on revenue forecasts to plan spending and, ultimately, maintain structural health. This section looks at best practices in several key aspects of revenue forecasting: forecasting process type, multiyear forecasts, multiscenario forecasts, transparency and political acceptance.

FORECASTING PROCESSES

Researchers categorize revenue forecast processes into three general types: executive, separate and consensus (McNichol 2014). Briefly, executive forecasts are made by the governor; separate forecasts are made by the governor and legislature independently; and consensus forecasts are made by a group consisting of both the executive and legislative branches of government, potentially involving external or nonpolitical participants as well.

[1] Vermont is the only state without a balanced budget requirement, but it tends to pass balanced budgets by convention (Goodnough 2011). Additionally, balanced budget requirements vary. For instance, Virginia does not have to pass a balanced budget, but the governor must execute a balanced budget over the fiscal year.

A large body of research focuses on the accuracy of these process types, and no single process is uniformly endorsed in the literature as the most accurate (see, for example, Rubin, Peters and Mantell 1998). Part of the difficulty in determining the accuracy of a forecasting type is the difference in the membership of consensus forecasting groups, which can involve any number of nonpolitical participants. Another challenge is the variation in revenue sources across the states. Some researchers have advocated not creating best practices around revenue forecasting because of the variation across states (Logan 2011).

Of the three forecasting process types, consensus forecasting is often cited as a best practice, but the literature concerning its accuracy is mixed (Boyd and Dadayan 2014; Klay and Vonasek 2008; McNichol 2014; Qiao 2008; Voorhees 2004; Willoughby and Guo 2008). Consensus forecasts may be viewed as a best practice because they often contain experts from many areas of the economy and use a combination of different forecasts and techniques, which are two methods that have been shown to improve forecasting accuracy (Clemen 1989; Deschamps 2004).

Some organizations advocate the use of consensus forecasting because disputes between the executive and legislative branches over the revenue estimate have occurred repeatedly in some states. Illinois, for example, uses a separate forecasting process, and the state's general assembly only recently passed a consensus forecast for the first time in several years. This lack of consensus on an official estimate may be due to political contention stemming from the differences between the revenue estimate proposed by the executive Governor's Office of Management and Budget and the estimate proposed by the legislative Commission on Government Forecasting and Accountability (Bishop 2018; Schuster 2018). The Volcker Alliance considers consensus forecasting a best practice because it allows a state to avoid building budgets on multiple forecasts, as is the case in Illinois (Volcker Alliance 2017). The Center on Budget and Policy Priorities also recommends a consensus process, citing its ability to reduce the likelihood of political contention over the revenue forecast because both branches of government jointly produce it (McNichol 2014). The Urban Institute names consensus forecasting a best practice because it can reduce errors from political bias and can increase stakeholder buy-in (Randall and Rueben 2017).

Notably, although consensus forecasting is commonly mentioned as a best practice in forecasting, organizations often do not specify which officials or members should be involved in the process beyond executive and legislative representatives. Should these participants be elected officials or staff? Should outside organizations be consulted? Should academic think tanks or private businesses be included? Should dual-party representation be required? These differences may have dramatic influences on the effectiveness of consensus forecasting groups. For instance, although Missouri uses a consensus process, as detailed below, its elected officials have at times been unable to pass a consensus forecast, possibly due to the nature of its forecasting process.

MULTIYEAR FORECASTS

Multiyear forecasting is also considered a best practice. Some studies note that states project revenues and expenditures for multiple years because near-future forecasts help policymakers see potential structural issues in the budget, where projected revenues do not keep up with projected expenditures

(Hathaway, Bourdeaux and Franklin 2017; McNichol, Lav and Leachman 2015; Volcker Alliance 2017). Most states in the South make revenue forecasts for at least one year beyond the current budget cycle. Virginia, for example, projects revenues for six years into the future, the highest number of years forecasted in the South. Nine states also make expenditure forecasts, with Georgia projecting expenditures five years beyond the current budget cycle.

Additionally, groups such as the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD) and the Government Finance Officers Association (GFOA) cite the disclosure of macroeconomic assumptions used to produce multiyear revenue forecasts as a best practice (GFOA; IMF 2007; OECD 2002). Releasing the macroeconomic assumptions improves transparency and can help show how conservative a revenue estimate is. Researchers also recommend that states forecast both aggregate and itemized revenues and expenditures (IMF; Kavanagh and Williams 2017).

MULTISCENARIO FORECASTS

States should also create forecasts under multiple economic scenarios because it allows policymakers to see the near-term fiscal health of the state under different economic assumptions, a valuable tool to prepare for unforeseeable events (Hathaway et al. 2017; Swanson 2008). For example, if a mild recession scenario projects that a state would deplete its reserves in only a couple of years and require drastic program cuts, policymakers can take that risk into account when making budgeting choices. One prominent example in the United States is California. It produces an annual Fiscal Outlook with multiyear forecasts of revenues and expenditures under two scenarios: economic growth and moderate recession. The narrative describing California's forecasts details the underlying assumptions and how the forecasts change under different assumptions, such as a recession or policy changes. The narrative also gives a picture of the reliability of the forecasts, the resilience or vulnerability of state finances to negative economic events, and actions policymakers can take to mitigate risk. This analysis helps California policymakers make decisions despite the uncertainty of the future. In the South, three states publicly produce forecasts under multiple scenarios: Kentucky, Tennessee and Virginia (see Table 2).

TRANSPARENCY

Although forecasting processes vary across governments, several organizations include aspects of forecasting in their best practices guidelines, particularly related to transparency (GFOA; IMF 2007; McNichol 2014; OECD 2002; Volcker Alliance 2017). Governmental transparency is critical because it helps ensure elected officials are held accountable for their financial management practices. In addition, transparent finances can promote fiscal health because they reassure debt markets of the stability of the institutions in which they invest (Kopits and Craig 1998).

While few studies have looked at the transparency of consensus forecasting relative to other processes, officials in many governments have adopted consensus forecasting processes with the intention of improving the transparency surrounding the process (Alt, Lassen and Rose 2006). Franklin, Bourdeaux and Hathaway (2017) describe the levels of transparency across the states and find that transparency varies regardless of forecasting process; however, Florida and Virginia, two consensus states in the South, are noteworthy for their exemplary levels of forecasting transparency.

POLITICAL ACCEPTANCE

Finally, the acceptance of the forecast by policymakers is an important and nuanced aspect of the forecasting process (Mikesell and Ross 2014). Some studies recommend a depoliticized process— one which does not involve elected officials or is not unduly influenced by politics—to improve the acceptance of the forecast, stemming from a belief that a revenue forecast should be an objective range with probabilities, not a political decision. These studies also find depoliticized processes to be more accurate. Mikesell and Ross (2014) make the crucial point, however, that an accurate revenue forecast is useless if it is not accepted by policymakers and respected as a fiscal constraint. They argue that explicitly-politicized consensus forecasts should be a best practice because consensus groups turn elected officials into stakeholders in the forecasting process. The authors use a case study of Indiana in the 1970s, a time when the governor and legislature argued about the accuracy of the revenue forecast, consequently losing valuable policymaking time. As a result, Indiana adopted a consensus revenue forecasting process, and the state has not had the same issue again.

Mikesell and Ross (2014) further emphasize the importance of dual-party representation in the revenue forecasting process. Many states have a consensus process with executive and legislative representation, but no requirement for, or practice of, including both political parties.[2] This lack of political inclusion can render the consensus process ineffective in reducing contention over the forecast (Mikesell and Ross 2014). For example, although Missouri informally follows a consensus process, in FY 2004 and again in FY 2015 the Democratic governor and Republican-majority legislature were unable to agree on the revenue forecast, and the legislature's estimate was ultimately used (Missouri Senate Appropriations Committee 2014; Qiao 2008). Missouri has no legal requirement to use a consensus forecast nor does it require representation from both political parties (Keller 2013; Qiao 2008). Furthermore, the governor of Missouri can withhold legislative appropriations even when revenues are meeting or exceeding the estimate. A higher revenue estimate gives the governor more discretion over spending if revenues fall short. The legislature, therefore, has an incentive to fight for a lower revenue estimate to maintain its authority over spending (Keller 2013). This institutional characteristic may be the reason behind Missouri's disagreements over the revenue estimate, but the underlying issue may be the state's informal process, which does not guarantee dual-party representation.

In summary, the following are the best practices explored in the next section:

- Use a consensus forecasting process. (Note that only some groups recommend this practice.)
- Forecast multi-year aggregate and itemized revenues and expenditures.
- Forecast under multiple economic scenarios.
- Disclose the macroeconomic assumptions used to produce revenue forecasts.
- Provide the forecasting information in an easily accessible document.

[2] Delaware is the only state in the South to include representation from both parties by convention in its forecasting group.

Forecasting Practices in the Southern States

According to the Volcker Alliance's *Truth and Integrity in State Budgeting: What Is the Reality?,* the southern states employ a wide array of best practices in forecasting. In the budget forecasting category of this report, Florida, Maryland, South Carolina and Virginia received A grades, the highest possible. Only five other states outside of the South received the same grade. Alabama was the only southern state to receive a D-minus, the lowest grade given; three other states in the country received a D-minus. The remainder of this report will dive deeper into forecasting practices in the South.

FORECASTING PROCESSES

States in the South use a variety of forecasting processes, illustrated in Figure 1. Ten states use a consensus process, five use an executive process and only one, Alabama, uses a separate process. Nationwide, consensus processes are the most widely adopted forecasting process in the country, with 28 states using some version of a consensus process. Nine states have an executive process, and 13 states have a separate process. The type of process a state uses does not appear to be linked to its geographic location or the processes of its neighboring states. The idiosyncrasies of consensus processes may make it difficult to compare states on budget outcomes even if they use the same process, which is why this report refrains from comparing the accuracy of states' forecasts based on forecasting type.

Figure 1. Forecasting Processes in the South, 2018

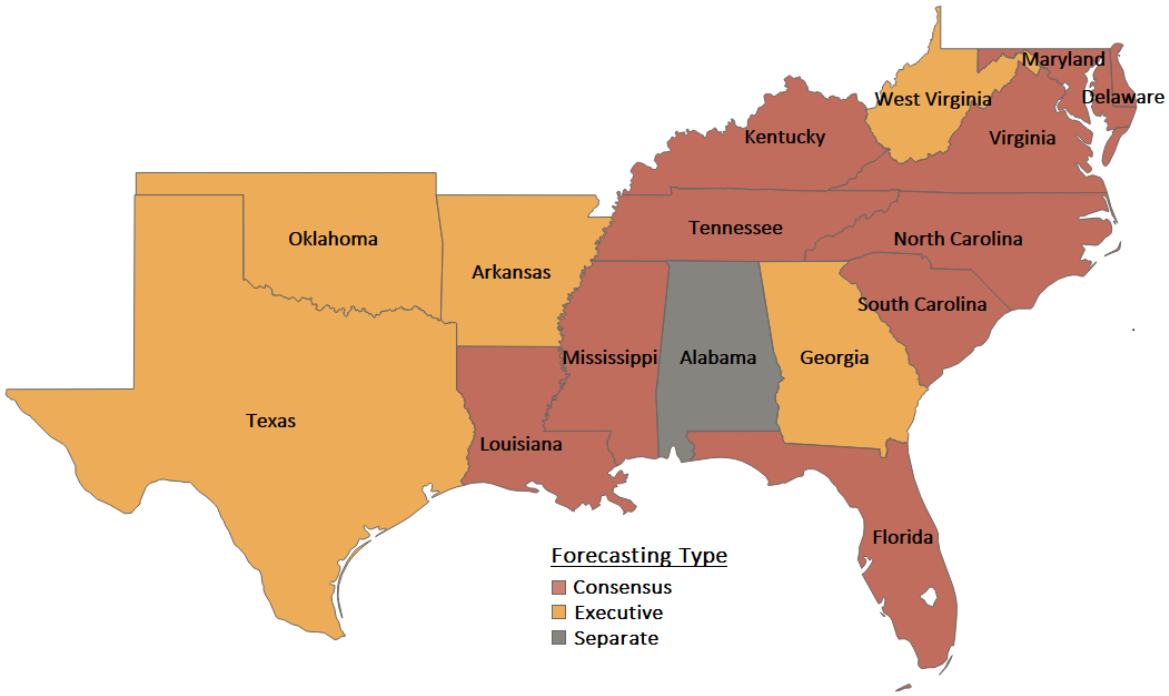

Table 1 below gives an overview of the forecasting processes in the southern states. (See the appendix for additional information.) Forecasting groups in seven states include elected executive participation, four have elected legislative participation, 12 include staff and seven have nongovernment members. Other departments may assist in the forecasting process without being part of the forecasting group, often in a

staff capacity. For example, the Virginia Department of Taxation assists the state's forecasting groups, but these participants are not considered group members (Va. Code Ann. §2.2-1503). Virginia is an interesting example because it uses two official forecasting groups, a nonpolitical and a political group. The nonpolitical group is known as the Joint Advisory Board of Economists (JABE) and consists of unelected staff and nongovernmental, independent experts. JABE provides several scenarios for the second forecasting group, the Governor's Advisory Council on Revenue Estimates (GACRE), to consider. GACRE consists of elected officials from both the executive and legislative branches of government, as well as citizens from the private sector, and is chaired by the governor. GACRE ultimately chooses the revenue forecast used by the state (Franklin et al. 2017).

Another state with interesting forecasting practices is Florida, one of the first states to adopt a consensus forecasting process (Qiao 2008). Florida holds an annual series of consensus forecasting conferences, each focused on a different aspect of the budget. The conferences estimate demographics such as overall population growth, as well as growth in major expenditure programs such as early education, retirement systems and Medicaid. One conference is devoted to the revenue forecast and consists of executive and legislative staff as well as others invited to participate (Florida Office of Economic & Demographic Research; Fla. Stat. §216.134). Comparing Florida to Virginia, it becomes apparent that their consensus processes are quite different. When choosing or modifying a state's forecasting process, policymakers should be aware that the variety of forecasting types contained within the consensus category makes it difficult to compare processes on budget outcomes such as forecast accuracy.

Table 1. Forecasting Type and Forecasting Group Membership in the Southern States, 2018

STATE	FORECASTING GROUP[1]	GROUP MEMBERSHIP				PARTICIPANT DETAILS
		EX	LEG	STAFF	NONGOVT	
Consensus Forecasting Groups						
Delaware	Delaware Economic and Financial Advisory Committee		X	X	X	Executive branch selects members (typically includes private citizens, representation from each party, representation from each house, cabinet members)
Florida	Consensus Estimating Conference			X	X	Executive Office of Governor staff; coordinator of the Office of Economic and Demographic Research and staff; Senate staff; House of Representatives staff; invited participants
Kentucky	Consensus Forecasting Group				X	Members selected by the State Budget Director and Legislative Research Commission[2]
Louisiana	Revenue Estimating Conference	X	X		X	Governor; President of the Senate; Speaker of the House; faculty member of a university or college in Louisiana
Maryland	Consensus Revenue Monitoring and Forecasting Group			X		Chief of the Bureau of Revenue Forecasts and staff; Deputy Comptroller; Office of Treasurer staff; Department of Budget and Management staff; Department of Transportation staff; Office of Policy Analysis (Department of Legislative Services) staff
Mississippi	Revenue Estimating Committee			X		State Economist; State Fiscal Officer; State Treasurer; Commissioner of Revenue; Director of the Legislative Budget Office
North Carolina	No formal group			X		Office of Budget and Management staff; Fiscal Research Division (Legislative Fiscal Services Office) staff
South Carolina	Board of Economic Advisors				X	Members selected by Governor, Chair of the Senate Finance Committee and Chair of the House Ways and Means Committee; the Director of the Department of Revenue serves ex officio[3]
Tennessee	State Funding Board[4]	X		X		Governor; Commissioner of Finance and Administration; State Treasurer; Secretary of State; Comptroller of the Treasury
Virginia	Two formal groups: Governor's Advisory Council on Revenue Estimates (GACRE); Joint Advisory Board of Economists (JABE)	X	X	X	X	GACRE: Governor; Speaker and Majority leader of the House; President Pro Tempore and Majority Leader of the Senate; Chairs of the House Committee on Appropriations; Chairs of the House Committee on Finance; Chairs of the Senate Committee on Finance; two members of the House; two members of the Senate; 15 to 20 citizens representing the private sector JABE: Secretary of Finance; staff director of the House Committee on Appropriations; staff director of the Senate Committee on Finance; 15 nonlegislative citizens

STATE	FORECASTING GROUP[1]	GROUP MEMBERSHIP				PARTICIPANT DETAILS
		EX	LEG	STAFF	NONGOVT	
Executive Forecasting Groups						
Arkansas	No formal group			X		Office of Economic Analysis and Tax Research
Georgia	No formal group	X		X		Governor; State Economist; Office of Budget and Planning
Oklahoma	Board of Equalization	X	X	X		Governor; Lieutenant Governor (President of the Senate); State Auditor; State Treasurer; Attorney General; State Inspector and Examiner; President of the Board of Agriculture
Texas	Comptroller of Public Accounts			X		Comptroller of Public Accounts
West Virginia	No formal group	X				Governor
Separate Forecasting Groups						
Alabama	No formal group	X		X	X	Governor; Executive Budget Office; Center for Government and Public Affairs at Auburn University at Montgomery economist

EX = executive, elected, LEG = legislative, elected, STAFF = staff, nonelected, NONGOVT = nongovernmental, nonelected

[1] National Association of Budget Officers. Spring 2015. Budget Processes in the States, Table 6.

[2] Members are typically university and private sector citizens.

[3] Members are typically nongovernmental business and finance persons. Frank Rainwater, email message to the authors on April 18, 2018.

[4] The State Funding Board recommends a forecast to both the governor and the legislature, making Tennessee's process a modified consensus process.

DETAILS OF FORECASTING PROCESSES AND DOCUMENTS

Like forecasting process type, other state forecasting practices vary considerably across the southern states. Table 2 below provides more detail on state forecasting processes and the documents that states produce. Specifically, the table expands on the following forecasting information.

- Location: where the forecast can be found in the budget documents, contemporaneous with the budget-making process[3]
- Legal Source: authority for the creation and duties of the forecasting group
- Years Forecasted: the number of years that each state projects revenues or expenditures beyond the current budget cycle
- Link to Forecast: how well the state discloses the underlying factors considered to arrive at the forecast
- Number of Scenarios: the number of forecast options considered by the forecasting group that are publicly released
- Voting Requirement: the voting method to select a forecast option (for consensus groups only)

[3] The comprehensive annual financial report, for example, is not an acceptable budget document in this context, as it is produced many months after the close of the fiscal year and cannot be used when budget decisions are debated.

Location

In the Location column of Table 2, "EX" indicates that the forecast is included in the executive budget proposal or another easily found, executive-produced document. "FOR" indicates that the forecast can be found in a forecasting document released by the forecasting group.[4] "LEG" indicates that the state includes its forecast in a legislative document. The majority of southern states produce a forecasting document. Mississippi includes its forecast in the executive budget proposal but is the only state in the South to include its forecast in a legislative document as well. The state's Revenue Estimating Committee, a consensus group consisting of executive and legislative staff, provides the revenue forecast to the governor and the Joint Legislative Budget Committee (JLBC). The governor produces a recommended budget in November, and the JLBC submits its own recommended budget to the legislature in December (Mississippi Economic Policy Center 2007).

Legal Source

The legal authority for forecasting practices originates from state statutes, constitutional provisions and executive orders. In 10 states in the South, statutory authority governs forecasting practices. Four states rely on constitutional provisions, while Delaware's process derives from an executive order. States may also use an informal, traditional process without strong legal foundations. North Carolina, for example, does not have an official consensus forecasting process but produces a consensus forecast each year by convention.[5] North Carolina is the only southern state to use an informal process. As discussed above, Missouri also has an informal process and twice in the past two decades failed to produce a consensus forecast due to political infighting over the estimate. A review of news articles, academic studies and budget documents, however, did not reveal an instance when North Carolina failed to produce a consensus estimate due to disagreements over the accuracy of the revenue forecast.

Years Forecasted (Revenues, Expenditures)

The two Years Forecasted columns describe the number of years that each state projects revenues and expenditures beyond the current year. Virginia projects revenues for six years, the most in the South, and presents the forecast in its Six-Year Financial Plan (Virginia Department of Planning and Budget 2016; Virginia Secretary of Finance 2014). After Virginia, Florida and Georgia have the longest revenue projections at five years. Nearly half of the southern states also project expenditures at least three years into the future: Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia and West Virginia.

Linking the Forecasting to Macroeconomic Conditions

The Link to Forecast column in Table 2 describes how well the state discloses the connection between its revenue forecast and underlying macroeconomic assumptions, as prescribed by best practices. "NONE" indicates that the state does not publicly disclose the macroeconomic assumptions used in the forecast. "GEN" indicates that a state makes general statements linking the forecast to macroeconomic assumptions, such as regional economic trends. "DIRECT" indicates that the state directly links the

[4] If a state includes its forecast in a forecasting document as well as another budget document, such as the executive proposal, only the forecasting document is listed in the table.

[5] An interesting question for future research is whether states with informal processes, those processes codified in statute or those processes codified in the state constitution have better outcomes such as greater accuracy, transparency or political acceptance of the revenue forecast.

forecast to detailed macroeconomic assumptions. Only three of the 16 states follow best practices by directly linking their forecast to their macroeconomic assumptions: Delaware, Florida and Virginia.

Virginia's consensus groups, for example, disclose the most direct link between the forecast and economic assumptions by releasing the regression equations and independent variables used to create revenue source estimates (Virginia Governor's Advisory Council on Revenue Estimates 2017). The state's Economic Outlook and Revenue Forecast describes national and state-level economic trends and contains detailed quantitative and narrative analyses of revenues. The appendix to this document also provides the econometric models and methodologies used in all of the forecasts.

The remaining southern states do not publicly link the forecast to underlying macroeconomic assumptions, reducing transparency. Furthermore, few southern states disclose in the budget documents whether they have a policy or tradition of projecting revenues conservatively. A conservative forecast can help protect the state against budget deficits, debt accumulation and tax hikes; however, a conservative forecast may also overtax the public for the level of services received. While Georgia, for instance, does not disclose detailed underlying assumptions in the budget documents,[6] the state does disclose a preference of conservative forecasting. In particular, the FY 2019 executive budget proposal clearly identifies a conservative forecasting strategy more directly than in prior years, a potential shift toward greater transparency (Georgia Office of Planning and Budget 2018).

Number of Scenarios

The Number of Scenarios column lists how many forecast options the state publicly releases. While many states release only the official, adopted forecast, others release additional forecast options to show the different economic assumptions that the forecasting group considered. To create the revenue forecast, states begin with a national- and state-level forecast of economic conditions. As discussed above, modeling forecasts under different economic scenarios is often considered a best practice because the economy can be difficult to predict (Hathaway et al. 2017; Swanson 2008). Some states make forecasts under the assumption of a recession, a mild recession or an economic expansion. Most southern states, however, disclose forecasts using only one economic scenario; while these states may use multiple scenarios in their underlying forecasts, none are publicly disclosed. Only three southern states disclose multiple scenarios in their budget documents: Tennessee, Kentucky and Virginia.

Tennessee's forecasting group, the State Funding Board, reviews analyses under different U.S. economic scenarios, to help the group create a range of tax revenue growth estimates, which the Board then gives to the governor and legislature (Boyd Center for Business and Economic Research 2018; Haslam 2018). The top end of the range has a high probability of being achieved, and the governor and legislature generally build a budget based on a forecast at or near the top end of the range.[7] Unlike Kentucky and Virginia, Tennessee does not disclose which economic scenario was chosen. Kentucky's forecasting group

[6] Georgia does include some general macroeconomic assumptions with bond disclosure information on the Georgia Investment and Financing Commission's official website.

[7] Thurman, David. Email message to the authors. March 29, 2018.

considers three scenarios: optimistic, pessimistic and control (Kentucky Office of State Budget Director 2017). Virginia's Joint Advisory Board of Economists chooses between standard, optimistic and pessimistic scenarios for the U.S. economy. This forecast is then used to determine the Virginia economic forecast, which serves as the basis for the governor's recommended budget (Virginia Governor's Advisory Council on Revenue Estimates 2017).

Voting Requirements

Finally, the voting requirements column looks at how consensus groups arrive at the official forecasting scenario. One half of the southern states using consensus groups use a majority-rule voting requirement. Florida, Louisiana and Maryland require unanimous agreement from all members of the consensus group, while Mississippi and North Carolina have an informal agreement process with no strict policies governing how members select the forecast. In one-half of these states, no formal voting requirement exists in the legal source.

Table 2. Details of Forecasting Processes and Documents in the Southern States, 2018

STATE	LOCATION	LEGAL SOURCE	YEARS FORECASTED - REVENUES[1]	YEARS FORECASTED - EXPENDITURES[2]	LINK TO FORECAST	NUMBER OF SCENARIOS	VOTING REQUIREMENT
Consensus Forecasting Groups							
Delaware	FOR	EO	4	0	DIRECT	1	Majority
Florida	FOR	S	5	3	DIRECT	1	Unanimous
Kentucky	FOR	S	3	0	NONE	3	Majority[3]
Louisiana	FOR	CN	4	0	GEN	1	Unanimous
Maryland	FOR	S	4	4	GEN	1	Unanimous[3]
Mississippi	EX/LEG	S	1	0	NONE	1	Informal
North Carolina	FOR	I	3	4	GEN	1	Informal
South Carolina	FOR	S	3	3	GEN	1	Majority[3]
Tennessee	EX	S	0	0	GEN	3	Majority[3]
Virginia	FOR	S	6	4	DIRECT	3	Majority[3]
Executive Forecasting Groups							
Arkansas	FOR	S	2	2	GEN	1	N/A
Georgia	EX	S	5	5	GEN	1	N/A
Oklahoma	EX	CN	1	0	NONE	1	N/A
Texas	EX	CN	0	0	GEN	1	N/A
West Virginia	FOR	CN	4	4	GEN	1	N/A
Separate Forecasting Groups							
Alabama	EX	S	0	1	NONE	1	N/A

Location: EX = executive document, LEG = legislative document, FOR = forecasting document

Legal Source: EO = executive order, S = statute, CN = constitution, I = informal

Link to Forecast: DIRECT = direct link, GEN = general link, NONE = no link

[1] Volcker Alliance; National Association of Budget Officers. Spring 2015. Budget Processes in the States, Table 6.

[2] Volcker Alliance; National Association of Budget Officers. Spring 2015. Budget Processes in the States, Table 26.

[3] No formal requirement

Conclusions

Forecasting is an integral and difficult part of the budgeting process. Small changes in revenue collections or expenditure costs can have significant effects on a state's financial stability. It is essential, therefore, that states to be aware of—and implement—best practices in revenue forecasting as part of maintaining a balanced budget. This report shows the wide variability in the structure and function of forecasting groups and practices in the southern states. Some states have attempted to make the forecasting process transparent for the public, creating accessible and understandable documents. Other states have implemented forecasting groups and practices that encourage cooperation and efficiency. While many best practices are seen in the South, all states have room to refine their revenue forecasting processes.

Appendix

Table 1A. Legal Sources of Forecasting Processes in the Southern States, 2018

STATE	FORECASTING GROUP[1]	MEMBERSHIP				LEGAL SOURCE
		EX	LEG	STAFF	NONGOVT	
Consensus Forecasting Groups						
Delaware	Delaware Economic and Financial Advisory Committee		X	X	X	Executive Order No. 5
Florida	Consensus Estimating Conference			X	X	Fla. Stat. § 216.134
Kentucky	Consensus Forecasting Group				X	KRS § 48.115
Louisiana	Revenue Estimating Conference	X	X		X	LA Const. Art. VII §10
Maryland	Consensus Revenue Monitoring and Forecasting Group			X		Md. State Finance and Procurement Code Ann. 6-102
Mississippi	Revenue Estimating Committee			X		
North Carolina				X		
South Carolina	Board of Economic Advisors				X	S.C. Code Ann. §11-9-820
Tennessee	State Funding Board[2]	X		X		Tenn. Code Ann. §9-9-101
Virginia	Governor's Advisory Council on Revenue Estimates (GACRE); Joint Advisory Board of Economists (JABE)	X	X	X	X	Va. Code Ann. §2.2-1503
Executive Forecasting Groups						
Arkansas				X		A.C.A. §19-4-304
Georgia		X		X		O.C.G.A. § 45-12-75
Oklahoma	Board of Equalization	X	X	X		Okl. Const. Art. X §21 & §23
Texas	Comptroller of public accounts			X		Tex. Const. Art. III, § 49a
West Virginia		X				W. Va. Const. Art. VI, § 51
Separate Forecasting Groups						
Alabama		X		X	X	

Note: EX = executive, elected, LEG = legislative, elected, STAFF = staff, nonelected, NONGOVT = nongovernmental, nonelected

[1] National Association of Budget Officers. Spring 2015. Budget Processes in the States, Table 6.

[2] The State Funding Board recommends a forecast to both the governor and the legislature, making Tennessee's process a modified consensus process.

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