

ONE HUNDRED FIRST LEGISLATURE

SECOND SESSION

LEGISLATIVE RESOLUTION 534

Introduced by Conrad, 46.

PURPOSE: The purpose of this study is to examine any and all aspects of the Nebraska Economic Forecasting Advisory Board.

The study shall include, but not be limited to: The reasons the board was established; the history of the board; an examination and evaluation of the information and other resources used by the board to make their recommendations, including if and how ex parte communications are utilized and an inquiry as to whether or not those communications should be disclosed; the background, knowledge, and expertise required or considered when making appointments to the board; the timeline for board meetings and deliberations in comparison to the relevant timelines and deadlines utilized in state budget deliberations; the historical accuracy of revenue forecasts by the board in comparison to actual revenue receipts; a comparative analysis of other states' mechanisms, procedures, and policies for conducting economic forecasts; and the extent historically to which the Legislature and Governor have relied on the forecasts recommended by the board to make budget decisions and adjustments.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FIRST LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Appropriations and Revenue Committees of the

Legislature shall be designated to conduct a joint interim study to carry out the purposes of this resolution.

2. That the committees shall upon the conclusion of their study make a report of their findings, together with their recommendations, to the Legislative Council or Legislature.

LR 534 sets forth a proposed study of the functioning of the Nebraska Economic Forecasting Advisory Board, identifying the following specific elements of the study to be included:

- (1) The reasons the board was established;
- (2) The history of the board
- (3) An examination and evaluation of the information and other resources used by the board to make their recommendations
- (4) If and how ex parte communications are utilized and an inquiry as to whether or not those communications should be disclosed
- (5) The background, knowledge, and expertise required or considered when making appointments to the board,
- (6) The timeline for board meetings and deliberations in comparison to the relevant timelines and deadlines utilized in state budget deliberations
- (7) The historical accuracy of revenue forecasts by the board in comparison to actual revenue receipts.
- (8) A comparative analysis of other states' mechanisms, procedures, and policies for conducting economic forecasts
- (9) The extent historically to which the Legislature and Governor have relied on the forecasts recommended by the board to make budget decisions and adjustments

What follows is information on each of the points raised by the resolution.

1. The reasons the board was established.

Appended to this report is the introducer's statement of intent of the original and subsequent legislation creating the Nebraska Economic Forecasting Advisory Board (NEFAB). The Board was created by LB 892* (1984), with further amendments by LB 283 (1985) and LB 343 (1987).

*NOTE: LB 892 was amended on Select File to include creation of the Forecasting Board. The best source of explanation for the Board's creation at that time likely is floor debate on the amendment. A transcript is on file with the office of the Appropriations Committee Chair.

By way of introduction, when the Nebraska Economic Forecasting Board (Board) was established the Legislative Fiscal Office (LFO) and the Nebraska Department of Revenue (NDR) each began producing independent General Fund Revenue forecasts. The initial intent was for the LFO and NDR to provide staff and support to the Board for the purpose of providing economic forecasts of the State's economy that would feed into or convert to General Fund Revenue forecasts. However, the process quickly evolved into the process that is still in use today where the two agencies present independent revenue forecasts to the Board and the Board evaluates those forecasts and recommends a forecast to the Governor and the Legislature, based on the information provided.

The need for obtaining accurate, independent and unbiased forecasts for budgeting purposes is obvious. Using two separate agencies to provide independent forecasts provides a check and balance to ensure that process for obtaining forecasts is based on econometrics and statistics driven by the data, not a political agenda. It is not just enough to have independent forecasts provided by the two agencies. Differences in projections must be understood to the extent possible and resolved.

Resolution of differences occurs when the agencies question each other on why there might be substantial differences in their respective forecasts. Those differences can be due to variety of reasons from simple misunderstanding of legislative changes (rare) to complex differences in mathematical specification and modeling assumptions (also rare). This process is ongoing and it must be understood at this point that resolution of differences does not necessarily mean agreement. Profound differences in assumptions can remain resulting in small or substantial differences in respective projections that are ultimately resolved by the Board in a neutral fashion, tempered by a real world collective understanding of the Nebraska economy.

2. The history of the board.

No readily available single narrative source exists, except for Board minutes.

3. An examination and evaluation of the information and other resources used by the board to make their recommendations.

The most recent copies of information typically supplied to the NEFAB, one set supplied by the Legislative Fiscal Analyst, the other by the Department of Revenue, is on file with the Office of the Appropriations Committee Chair.

4. If and how ex parte communications are utilized and an inquiry as to whether or not those communications should be disclosed.

Discussion begins with a definition of ex parte as it is construed to apply to this study. "Ex parte" is a legal term normally used in legal proceedings meaning from one side only and carries the connotation of one-sided or biased point of view. In the context of this definition, the LFO is unaware of any anecdotal evidence that ex parte communications have ever occurred with the current Board or past Boards to any extent that might have affected Board's projections past or present.

"... the LFO is unaware of any anecdotal evidence that ex parte communications have ever occurred with the current Board or past Boards to any extent that might have affected Board's projections past or present."

Nor, is it clear how any "inquiry" could be conducted in the context of an interim study by staff whose primary responsibility is to provide support to the Board. Further, that support is provided to the Board while having no control or authority over the Board or its activities beyond public meetings agendas that are largely determined by statute and an evolved technical process of arriving at fiscal year projections. Moreover, the inquiry

portion of this specific element of the interim study is nonspecific as to whom is to be included in the inquiry.

However, there is nothing to prevent an analytical review of Board projections that were made over the years for the express purpose of looking for bias in the Board's numbers. That analytical review of Board projections follows later in element 7.

5. The background, knowledge, and expertise required or considered when making appointments to the board.

Statutes governing the NEFAB's function include a brief statement of qualifications, underlined below:

LAW 77-27,157. The Nebraska Economic Forecasting Advisory Board shall consist of nine members, five of whom shall be appointed by and serve at the pleasure of the Executive Board of the Legislative Council and four of whom shall be appointed by and serve at the pleasure of the Governor. The original gubernatorial appointees shall serve for two-year terms. Successive gubernatorial appointees and all legislative appointees shall serve for four-year terms. After appointments are made, the board shall select a chairperson and a vice-chairperson from its membership. The chairperson and vice-chairperson shall serve for two-year terms. The chairperson of the board on September 6, 1985, shall serve until his or her successor is selected. Each member of the board shall have demonstrated expertise in the field of tax policy, economics, or economic forecasting. A majority of the members of the board shall constitute a quorum for the purpose of transacting business and every act of a majority of the members shall be deemed an act of the board. Board members shall serve without compensation but may be reimbursed for actual and necessary expenses. Board members appointed by the Legislative Council shall receive such reimbursement out of the appropriation made to the Legislature's Fiscal and Program Analysis Program. Board members appointed by the Governor shall receive such reimbursement out of the appropriation made to the Department of Revenue for administration.

6. The timeline for board meetings and deliberations in comparison to the relevant timelines and deadlines utilized in state budget deliberations.

Statute sets forth the specific timing for Board meetings, underlined below:

LAW 77-27,158. The Nebraska Economic Forecasting Advisory Board shall meet during the months of February and October of each year and during April of each odd-numbered year for the purpose of developing a consensus projection of economic activity in Nebraska. When determined to be necessary to conduct the duties of the board, additional meetings may be held at the call of the chairperson of the board, by a joint call of the Governor and the chairperson of the board, or by a joint call of the chairperson of the Executive Board of the Legislative Council and the chairperson of the board. Notice of all meetings shall be given at least ten days in advance. The board may estimate growth or decline in the state unemployment rate, statewide personal income, and such other indices of state economic activity as the board may deem appropriate. The board shall provide an advisory forecast of General Fund receipts.

7. The historical accuracy of revenue forecasts by the board in comparison to actual revenue receipts.

In this section, Board forecasts are analyzed with respect to error for the various time periods that forecasts exist. In addition, forecast errors are examined for bias with respect to actual receipts and projections provided by the economic services used to drive the forecasts. For this analysis, three methods of analyzing these data are used. The three methods used in the analysis are the arithmetic mean, the Mean Absolute Percentage Error (MAPE) and Mean Absolute Percentage Difference (MAPD). These calculations are provided for the discrete forecast horizons and for the overall total for all forecasts. The MAPD calculation is limited to an average of the "standard" services used consistently through time by the LFO and the DOR.

The first step is to calculate the Board's forecast errors through time relative to actual end-of-year receipts. This step requires adjusting every forecast for legislative changes that occurred after a forecast was made. Just as Fiscal Note estimates are used to adjust econometric forecasting models projections for new legislation, Fiscal Note estimates are used to adjust Board forecasts for error calculation. If there is "bias" anywhere in the numbers it can be found, or not found, with statistical analysis. Furthermore, bias as a percentage of error can be converted to hard numbers each fiscal year to illustrate the potential impact of such bias, were it to exist.

Three statistical measures are used to evaluate the Board's forecast. The first is the Arithmetic Mean. Where n forecasts are given, each forecast error denoted by a_i , where $i = 1, \dots, n$, the arithmetic mean is the sum of the a_i 's divided by n.

$$AM = \frac{1}{n} \sum_{i=1}^n a_i.$$

The arithmetic mean, most often simply called the mean, is the measure of bias in forecasting errors in this analysis. Econometric models are designed to produce a series of errors that are normally distributed with a mean value = 0. If there is bias in the Board forecast numbers relative to the actual tax receipts then the mean of the forecast errors will not be equal to or close to zero.

The second measure used to evaluate Board forecast is the Mean Absolute Percentage Error (MAPE). MAPE is a measure of accuracy in a fitted time series. It usually measures accuracy as a percentage, and is defined by the formula:

$$M = \frac{1}{n} \sum_{t=1}^n \left| \frac{A_t - F_t}{A_t} \right|$$

Where A_t is the actual value of end-of-year tax receipts and F_t is the Board forecast value for each forecast adjusted for new legislation. The difference between A_t and F_t is divided by the actual value A_t . The absolute value of this calculation is summed for every regular forecast point in time and divided again by the number of observations n. simply stated,

using absolute values of the forecasting errors in the calculation prevents the percent errors from canceling each other.

**Table 1 Nebraska Economic Forecasting Board Forecast Errors
(State General Fund Receipts)**

	Oct 32 Mos.	Feb 28 Mos.	Apr 26 Mos.	Oct 20 Mos.	Feb 16 Mos.	Apr 14 Mos.	Oct 8 Mos.	Feb 4 Mos.	Apr 2 Mos.	1 % Error Equals (mil \$)
FY 1989-90				6.34%	2.17%	-0.95%	-0.03%	3.27%		12
FY 1990-91	9.42%	5.17%	2.83%	2.06%	1.69%		-1.60%	-0.25%	-0.25%	14
FY 1991-92				-1.40%	-0.06%	-0.06%	-0.24%	-0.18%		15
FY 1992-93	1.80%	3.12%	3.12%	2.32%	2.32%		3.27%	0.17%	0.27%	15
FY 1993-94				0.23%	-0.65%	-0.65%	-0.68%	-1.89%		17
FY 1994-95	-0.73%	-0.70%	-0.70%	-0.73%	-0.73%		-2.08%	-2.08%	-1.91%	17
FY 1995-96				-1.51%	-1.29%	-1.29%	0.37%	1.07%		18
FY 1996-97	3.59%	3.59%	4.09%	3.96%	4.56%		2.57%	2.17%	1.67%	20
FY 1997-98				4.35%	3.97%	3.02%	1.78%	1.30%		21
FY 1998-99	5.39%	4.40%	3.65%	1.55%	0.99%		0.01%	0.01%	0.01%	21
FY 1999-00				3.77%	3.39%	3.23%	2.58%	2.28%		24
FY 2000-01	0.62%	0.50%	0.50%	-0.97%	-1.46%		-2.98%	-2.65%	-2.33%	25
FY 2001-02				-13.42%	-13.42%	-11.86%	-7.75%	-5.31%		24
FY 2002-03	-19.26%	-19.26%	-17.43%	-13.92%	-10.87%		-4.05%	-2.02%	-2.39%	25
FY 2003-04				-1.52%	-0.49%	-0.49%	2.49%	4.00%		27
FY 2004-05	3.09%	2.80%	2.70%	6.54%	8.62%		5.64%	2.90%	1.59%	30
FY 2005-06				9.78%	7.10%	6.50%	2.99%	2.21%		34
FY 2006-07	13.28%	10.05%	9.46%	6.48%	5.62%		2.71%	1.83%	1.39%	34
FY 2007-08				4.85%	4.08%	3.34%	1.37%	2.83%		35
FY 2008-09	-5.02%	-5.80%	-6.21%	-7.66%	-5.42%		-5.85%	-3.43%	-1.42%	34
FY 2009-10				-13.04%	-8.36%	-7.55%	-3.64%	-2.38%		32
Average	1.22%	0.39%	0.20%	-0.09%	-0.08%	-0.62%	-0.15%	0.18%	-0.34%	
MAPE	6.22%	5.54%	5.07%	5.07%	4.15%	3.54%	2.60%	2.11%	1.32%	
Ave All									0.06%	
MAPE All									3.80%	

Table 1 displays Board forecast errors by fiscal year beginning in FY 1989-90 and ending in FY 2009-10.¹ The errors are lined up according to the forecast time period of each forecast. There are a few errors from emergency Board meetings that are excluded because the time periods do not match up with any forecasts for direct comparisons.

In addition to calculating the overall average forecasting error and MAPE, average errors and MAPE were calculated for each forecast horizon. It is no surprise that in general, average errors are larger for the longer time horizon than near term forecasts ranging from a high of -19.26% for 32 months ahead to as little as -0.01% for 2 months ahead. It is interesting that there may be a little optimism or upward bias in forecasts made 32

¹ Forecast intervals were consistent beginning with October 1989.

months, and to a lesser extent, 20 months ahead. The source of this long run optimism will become apparent later in the analysis.

When all forecast errors for all time periods (the measure of overall bias) are included in the calculation the result is a mere 0.06%. The conclusion is inescapable, the Nebraska Economic Forecasting Board has been making unbiased forecasts of Nebraska General Fund Receipts for the 21-year period analyzed. While this does not prove that ex parte communications have not occurred with the Board, it provides very strong evidence that such communications, if they existed, had little or no deleterious effect that resulted in forecast bias.

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The overall MAPE of 3.80% is the second measure of how the Board did over all forecasts in the fiscal years analyzed. While this measure has little to do with measuring bias, it does show that the Board has performed its task admirably since 1989, a time period that includes the Y2k-Dot.com bubble, the housing bubble and two very severe downturns in the US and Nebraska economy, while improving the accuracy of estimates in the second downturn.

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The third method displayed in Table 2 takes the analysis one step further by calculating the percent difference and Mean Absolute Percentage Difference (MAPD) between the Board forecast and average of the technical forecasts presented to the board by the LFO and the NDR.² A difficulty with this method is that the econometric services used by the LFO and the NDR are not 100% consistent through time. At the beginning of the time period analyzed, both agencies used Wharton Econometric Forecasting Associates and Data Resources Inc. (DRI). Those companies later merged into just DRI which later became Global Insight.

During the time period when only Global Insight was available various other models were used to supplement that service. Other models used were a long run ARIMA (Auto Regressive Integrated Moving Average) driven structural model (LFO), a Co integration model (NDR) and the FAIR model (NDR and LFO). However, it is not clear how much the Board relied on or paid attention to the alternative supplemental methods compared to the professional services subscribed to by the State. Therefore, only the professional model runs provided by LFO and NDR are averaged and used to calculate the differences through time. At any rate, the calculations in the table will reveal how much the Board

² MAPD is calculated the same as MAPE in Table 1 but substituting forecast provided by the LFO and DOR for actual receipts.

relied on the professional subscription based model runs and whether on not the Board displayed any bias away from those models, referred to as the "standard" Economic Services.

**Table 2 Nebraska Economic Forecasting Board Forecast Difference
("Standard" Economic Services)**

	Oct 32 Mos.	Feb 28 Mos.	Apr 26 Mos.	Oct 20 Mos.	Feb 16 Mos.	Apr 14 Mos.	Oct 8 Mos.	Feb 4 Mos.	Apr 2 Mos.	1 % Error Equals (mil S)
FY 1989-90				0.00%	0.19%	-0.68%	-0.32%	0.42%		12
FY 1990-91	-0.45%	-0.63%	-2.26%	-4.54%	-0.77%		-0.18%	1.24%	0.60%	14
FY 1991-92				-0.44%	1.50%	0.67%	0.03%	0.83%		15
FY 1992-93	0.93%	0.24%	-0.81%	0.04%	0.23%		0.23%	0.34%	-0.03%	15
FY 1993-94				-0.12%	-0.17%	-0.46%	0.50%	0.23%		17
FY 1994-95	0.10%	-0.66%	-0.63%	0.23%	0.47%		0.41%	0.62%	0.40%	17
FY 1995-96				0.39%	0.01%	0.69%	-0.66%	0.38%		18
FY 1996-97	-0.18%	0.21%	0.35%	0.53%	0.34%		0.08%	0.36%	0.03%	20
FY 1997-98				0.23%	-0.09%	0.09%	-0.03%	-0.03%		21
FY 1998-99	-0.52%	-0.07%	-0.29%	-0.88%	-0.14%		-0.04%	-0.09%	0.18%	21
FY 1999-00				0.55%	-0.18%	-0.33%	-0.08%	-0.17%		24
FY 2000-01	0.68%	0.01%	-0.07%	0.13%	-0.37%		0.12%	0.22%	0.09%	25
FY 2001-02				-0.02%	-0.05%	-0.01%	-0.74%	0.17%		24
FY 2002-03	-0.13%	0.04%	0.07%	-1.20%	0.15%		-0.16%	-0.13%	-0.69%	25
FY 2003-04				-0.82%	-1.16%	0.46%	0.10%	-1.01%		27
FY 2004-05	-1.12%	-1.29%	0.05%	-0.15%	-1.92%		-0.16%	0.36%	0.89%	30
FY 2005-06				-0.61%	0.40%	0.46%	0.27%	0.32%		34
FY 2006-07	-0.93%	0.54%	0.65%	0.17%	0.84%		0.16%	0.29%	-0.05%	34
FY 2007-08				1.05%	0.75%	0.53%	0.21%	0.05%		35
FY 2008-09	1.09%	0.97%	0.85%	0.73%	0.46%		-0.24%	-0.12%	0.19%	34
FY 2009-10				-0.27%	0.07%	-1.42%	0.00%	-0.07%		32
Average	-0.05%	-0.07%	-0.21%	-0.24%	0.03%	0.00%	0.04%	0.20%	0.16%	
MAPD	0.61%	0.47%	0.60%	0.62%	0.49%	0.53%	0.23%	0.36%	0.18%	
Ave All									-0.01%	
MAPD All									0.44%	

The first thing that pops out from this table analytically is that the Board followed the average of the standard services quite closely. Furthermore, the average differences for the different time periods show very little difference whether the forecast is 23 months ahead or 2 months ahead. Hence, it would seem that what may have appeared to have been a slight upward bias (Table 1) in the long run forecasts does not stem from the Board but from the economic services.

In fact, the average of all differences between the Board's forecast and the average of the standard services from the LFO and the NDR is only -0.01% and the MAPD is only 0.44%. These statistics speak for themselves. Long run Board forecasts are unbiased with respect to actual receipts. Long run forecasts are also unbiased when compared to

an average difference between Board forecasts and an average of forecasts from the standard economic services presented by the LFO and the NDR.

The notion that ex parte communications, as previously defined, may have been used to bias Board forecasts detrimentally implies that this bias is, or can be, a substantial part of forecast error. Experience has shown that there are multiple sources of forecast error that do not require Machiavellian intervention.³ One source of error is in key driver variables predicted by the economic service(s) subscribed to by the state agencies providing forecasts to the Board.

Table 3 displays the forecast errors of some of the primary variables provided by Global Insight that drive LFO forecasts of tax receipts. Annual values are used for comparison purposes between forecast and actual because of the fewer number of computations and data points necessary to calculate forecast errors for even a few years. Since annual data is used for comparison purposes the errors compare only generally to Fiscal Year tax receipts.

U.S. Personal Income, Prime Interest Rate and Consumer price index are important variables in the LFO econometric model used for estimating Sales Tax receipts. U.S. Personal Income and U.S. Wages and Salaries are important variables for estimating Personal Income Tax receipts and a few miscellaneous tax categories. U.S. Corporate Profits Tax with inventory and capital consumption allowance is a key variable for estimating Corporate Tax receipts.

In general, projection errors of driver variables were moderate and mostly positive for calendar year 2007. Projection errors for 2008 were moderate and mostly negative for the income variables while relatively large errors for the Prime Interest Rate and CPI appear in the longer term projections. Corporate Profits projections display very large projection errors for most of the forecast of calendar year 2008.

To put in bluntly, in 2009 the “wheels fell off.” Except for projections of CPI, forecast errors of the remaining variables provided by Global Insight were quite large for everything but the shorter time periods. It is too early to calculate forecast errors for 2010 forecast variables but there is no reason to believe that projections of variables by GI for 2010 are much better.

One further note about the forecast driver variables is that some of the errors go to 0% error at the end of the calendar year but others do not. That is because income numbers are continually revised for a number of months or even years. These data are never truly actual numbers but estimates based on federal income tax receipts and sample data that is mathematical manipulated to arrive at state income data. Other than the interest rates, the only true actual data that the state agencies have for forecasting purposes are state tax receipts, tax base definitions and tax rates.

³ Machiavellian in this instance is defined as employing cunning and deception in political conduct with a tendency to deceive and manipulate others for political gain

Table 3 Errors in US Economic Variables Forecasted by Global Insight

Forecast Lead	U.S. Personal Income	% Error	U.S. Wages & Salaries	% Error	Prime Interest Rate	% Error	Consumer Price Index	% Error	Corporate Profits	% Error
Calendar Year 2009										
Oct '07 32 Mos.	12874.6	-6.6%	6998.8	-10.3%	5.72	-43.2%	2.160	-0.7%	1762.7	-25.7%
Feb '08 28 Mos.	12676.3	-5.2%	6868.6	-8.6%	5.09	-36.1%	2.179	-1.6%	1816.0	-27.9%
Apr '08 26 Mos.	12588.6	-4.5%	6839.9	-8.2%	4.25	-23.5%	2.195	-2.3%	1777.1	-26.3%
Oct '08 20 Mos.	12502.9	-3.9%	6735.7	-6.8%	7.57	-57.1%	2.145	0.0%	1709.2	-23.4%
Feb '09 16 Mos.	12180.7	-1.3%	6514.2	-3.6%	3.25	0.0%	2.112	1.6%	1659.7	-21.1%
Apr '09 14 Mos.	12120.5	-0.8%	6492.6	-3.3%	3.25	0.0%	2.123	1.0%	1264.9	3.5%
Oct '09 8 Mos.	11976.4	0.4%	6253.4	0.4%	3.25	0.0%	2.144	0.0%	1279.7	2.3%
Feb '10 4 Mos.	12072.1	-0.4%	6330.6	-0.9%	3.25	0.0%	2.146	0.0%	1300.3	0.7%
Apr '10 2 Mos.	12026.1	-0.1%	6284.1	-0.1%	3.25	0.0%	2.145	0.0%	1308.9	0.0%
Jun '10 0 Mos.	12019.0	0.0%	6276.5	0.0%	3.25	0.0%	2.145	0.0%	1308.9	0.0%
Calendar Year 2008										
Oct '06 32 Mos.	12197.1	-0.8%	6717.4	-2.5%	7.50	-32.1%	2.102	2.4%	1738.7	-21.8%
Feb '07 28 Mos.	12153.7	-0.4%	6662.9	-1.7%	8.00	-36.4%	2.093	2.8%	1787.7	-23.9%
Apr '07 26 Mos.	12065.1	0.3%	6614.0	-1.0%	8.00	-36.4%	2.098	2.6%	1741.5	-21.9%
Oct '07 20 Mos.	12255.3	-1.3%	6680.3	-2.0%	7.25	-29.8%	2.108	2.1%	1626.8	-16.4%
Feb '08 16 Mos.	12144.7	-0.4%	6599.0	-0.8%	5.35	-4.9%	2.125	1.3%	1604.8	-15.2%
Apr '08 14 Mos.	12146.8	-0.4%	6594.1	-0.7%	5.02	1.4%	2.145	0.3%	1569.4	-13.3%
Oct '08 8 Mos.	12174.0	-0.6%	6587.8	-0.6%	5.23	-2.7%	2.164	-0.6%	1534.0	-11.3%
Feb '09 4 Mos.	12099.1	0.0%	6543.2	0.1%	5.09	0.0%	2.152	0.0%	1511.2	-10.0%
Apr '09 2 Mos.	12102.7	0.0%	6550.1	0.0%	5.09	0.0%	2.152	0.0%	1476.5	-7.9%
Jun '09 0 Mos.	12100.7	0.0%	6548.0	0.0%	5.09	0.0%	2.152	0.0%	1360.4	0.0%
Calendar Year 2007										
Oct '05 32 Mos.	11580.2	0.7%	6426.1	-0.9%	7.60	5.9%	2.035	1.9%	1576.0	4.2%
Feb '06 28 Mos.	11460.4	1.8%	6326.1	0.6%	7.75	3.9%	2.037	1.8%	1548.4	6.1%
Apr '06 26 Mos.	11450.4	1.9%	6303.5	1.0%	7.98	0.9%	2.035	1.9%	1598.8	2.7%
Oct '06 20 Mos.	11547.4	1.0%	6387.5	-0.3%	7.83	2.8%	2.060	0.6%	1649.3	-0.4%
Feb '07 16 Mos.	11501.5	1.4%	6338.0	0.4%	8.18	-1.6%	2.047	1.3%	1681.2	-2.3%
Apr '07 14 Mos.	11474.7	1.7%	6325.5	0.6%	8.15	-1.2%	2.145	-3.4%	1698.4	-3.3%
Oct '07 8 Mos.	11694.6	-0.2%	6400.1	-0.5%	8.05	0.0%	2.070	0.1%	1599.3	2.7%
Feb '08 4 Mos.	11667.3	0.0%	6367.5	0.0%	8.05	0.0%	2.073	0.0%	1601.9	2.5%
Apr '08 2 Mos.	11659.5	0.1%	6359.6	0.1%	8.05	0.0%	2.073	0.0%	1622.2	1.2%
Jun '08 0 Mos.	11665.6	0.0%	6366.1	0.0%	8.05	0.0%	2.073	0.0%	1642.4	0.0%

Another source of forecast errors is the forecasting models equations. A standard statistical measure used to evaluate econometric equations is R-Squared, a measure of goodness of fit.

$$R^2 \equiv 1 - \frac{SS_{err}}{SS_{tot}}$$

Where SS_{err} = error sum of the squares and SS_{tot} = total sum of the squares. R-squared values range from 0 to 1. An R-squared of 1 means that all movements of a dependent (estimated) variable are explained by movements in the independent (given) variables. In

other words, when R-Squared is 1.0 there is a 1 to 1 relationship between the dependent variable and the independent variable(s). An R-Squared of, say 0.85 would indicate that only 85% of the movement of the estimated variable is explained by the equation. One caveat is that a high R-Squared does not define causality. Causality requires logic that supersedes statistics, or some other complex models that can imply causality that are beyond the scope of this study.

Table 4 R-Squared of Selected LFO Model Equations

Dependent Variable Estimated by Equation	R-Squared
Nebraska Personal Income	0.9998
NE Non Farm Personal Income	0.9986
NE Farm Income	0.8872
Net Taxable Non Motor Vehicle Sales	0.9966
City Employment and Investment Sales Tax Refunds	0.8862
State Employment and Investment Sales Tax Refunds	0.9198
Gross Sales and Use Tax Receipts	0.9983
Individual Income Tax Withholding Payments	0.9976
Individual Income Tax Estimated Payments	0.9688
Individual Income Tax Final Payments	0.9832
Fiduciary Income Tax	0.8647
Corporate Income Tax Receipts	0.9702
Liquor Tax Receipts	0.9657
Tobacco Products Tax Receipts	0.9319
Interest Receipts on General Fund Balance and Cash Res.	0.9607
Insurance Tax Receipts	0.9681
Sales and use Tax Refunds	0.9959
City Sales Tax Collection Fees	0.9986
Individual Income Tax Final Refunds	0.9800
Corporate income Tax Refunds	0.8488

A perusal of Table 4 reveals that most of the equations have excellent fit. So, where does forecasting error come from? According to the R-Squared values, errors should be coming from sales tax credit refunds, fiduciary income tax and corporate income tax refunds while the rest of the equations should be producing very little error beyond that caused by the econometric service.

Fiduciary income tax is a relatively small tax series being only \$8.4M total in FY 2009 – 10. However, a tracking of sales tax credit refunds shows that the average error over the past 16 years is -4.4 percent (\$2.2M) and the MAPE is 15.4% (\$12.4M). This leads to a clearer understanding of error. While a MAPE of 15.4% (\$12.4M) is relatively small, this error is calculated over a range of errors from -0.1%(\$.2M) to -53%(\$39.4M)

revealing the true nature of error in this series. Many years of low error can be followed by a few years of relatively high error. As if to punctuate this nature of error, there was a “surprise” corporate income tax refund paid out in July 2010 exceeding the estimated value by approximately \$19M.

When the R-Squared value of an equation is 0.99, or nearly 1 to 1 the error must be coming from somewhere else such as driver variables demonstrated in Table 3. But this table does not completely explain very large errors in Individual Income Tax Final Payments and Final Refunds. Those errors **ARE** coming from somewhere else. To understand the source of this error, time lags of data and taxpayer behavior must be discussed.

Individual income tax liability is based on tax year liability that does not quite correspond to calendar year receipts because of a lag in receipts that may relate to changes in withholding tables due to legislative changes or adjustments. Whenever individual income taxes are changed to the extent that withholding tables need to be changed, the new tables apply at the beginning of January but the change in receipts does not received until the following month or longer for quarterly payments. If a tax change is retroactive to the beginning of the tax year and withholding is not changed until the start of the next calendar year the change in receipts is resolved in final payments and final refunds in the first half of the following calendar year. Thus, there can be an 18-month impact of a legislative change that moves receipts from one fiscal year into the next. This 18-month impact is why fiscal notes on income tax changes usually show a bigger impact in the first fiscal year then lower in the immediate years following as the impact is (fiscal year) annualized.

This is all built into the specification and parameters of the LFO and NDR econometric models so the models track history very well as evidenced by the very high R-Squared values in Table 4 for the individual income tax final payment and final refund equations. The problem is that a very important variable, tax year liability, has a 2-year lag, meaning that 2008 tax year liability is currently being used to project FY 2010-11 and later fiscal year tax receipts. Tax year liability for tax year 2009 will not be “known” until a preliminary number is obtained by the NDR sometime between late November 2010 and early January 2011. In the mean time, tax year liability is a constructed variable based on individual income tax monthly cash flow, fiscal note adjustments when applicable and a separate estimate of the elasticity of personal income tax to personal income. Understand that fiscal note estimates of individual income usually involve the use of micro-simulation models that are also using 2-year-old tax liability data.

This is not the end of the individual income tax estimating problem. The next issue is taxpayer behavior and taxpayer error. Tax payers make withholding payments and estimated payments. While withholding based receipts can be very stable over long periods of time, when there is an economic slowdown that reduces hours worked and reduces employment, some of the reduction shows up in final payments and final refunds. This is difficult to estimate while it’s happening since there is a time lag in employment data and tax processing. Take tax year 2008-09, for example. During the latter stages of

the economic boom in 2008 estimated filers over paid their taxes beginning early in 2008 only to have those taxes returned in lower final payment and higher final refunds in 2009. In essence, excess taxes that were paid in FY 2007-08 were returned in FY 2008-09 further bloating the forecasting error.

Everything written above that applies to individual income taxes also applies to corporate income taxes, only more so. Corporate tax forecasting is further complicated because corporate actual tax year liability data is lagged an additional year relative to individual income tax liability data and corporations do not file on the same time line as most individual income taxpayers. The variability and unpredictability of the corporate process is injected into sales tax refunds through investment tax credits applied to sales taxes that have a different set of forecasting issues, such as city sales tax rates that must be factored into a population weighted composite rate.

As if that is not enough, legislatures and governors (and to some extent federal leaders) have almost continually moved the dart board. While fiscal notes have already been mentioned, it should be clearly understood that almost constant changes in the tax base and rates further complicates the forecasting process. Fiscal note estimates can derive from an ad hoc process that does not always translate well to econometric models.

Almost last but not least are data revisions. There are very little actual data beyond state tax data that are not re-estimated quarterly, redefined periodically and lagged. For example, first quarter 2010 state personal income data were released June 18, 2010 and revised for all of 2009. Eventually, these revisions bring the LFO econometric model in to good fit and tracking, but there is always a problem at the end of each series that can only be corrected by revisions. To use the dart board analogy, not only is the dart board moving but the dart must almost always be thrown from a new position!

The final comment about forecasting is related to its importance and role in the scheme of things related to government operation. Forecasting is just one important tool in the financial tool box that is designed to project history forward and give some lead time and tracking of tax receipts while indicating future revenue opportunities or problems. It is the cyclical nature of the economy and related tax receipts that are the problem. Even if forecasts had accurately predicted the recent catastrophic collapse of receipts, and those forecasts were believed (unlikely), the problem is still the same. Ultimately, the bulk of problem is tax receipts, not forecasting.

8. A comparative analysis of other states' mechanisms, procedures, and policies for conducting economic forecasts.

Attached as part of the appendix is a copy of the most recent survey by NCSL of state practices for revenue forecasting.

9. The extent historically to which the Legislature and Governor have relied on the forecasts recommended by the board to make budget decisions and adjustments.

Anecdotally, in our experience and recollection, there has been no deviation among Governor's and Legislatures in coming out with budget recommendations that did not use current forecasts of the NEFAB, as a basis for their respective recommendations.

Appendix 1 NCSL Survey of State Practices for Revenue Forecasting

Revenue Forecast

State or Other Jurisdiction	Which Branch/ Group Has Primary Responsibility for Developing the Official State Revenue Forecast? †	Who Participates in the Development of the Official State Revenue Forecast?	Does the Official State Revenue Forecast Bind the Budget?
Alabama	C*	Executive Budget Office, Legislative Fiscal Office, Department of Revenue, State Treasury, other Finance Department officials	No*
Alaska	E*	Department of Revenue, Department of Natural Resources, Department of Labor, University of Alaska, Legislature	Yes
Arizona	C*	Executive and Legislative Budget Offices	No
Arkansas	E	Department of Finance and Administration	Yes*
California	E*	Department of Finance	No
Colorado	O*	Office of State Planning and Budgeting, Legislative Council	No
Connecticut	O	Joint Committee on Finance, Revenue and Bonding	Yes*
Delaware	C	25 members appointed by the governor: includes members of House and Senate and cabinet, Office of the Controller General, private sector and university	Yes*

			representatives	
Florida	C*		One representative each from governor's office, House, Senate and Joint Legislative Management Committee	No*
Georgia	E		Governor and executive staff	Yes
Hawaii	O		Council on Revenues*	No
Idaho	E*		Division of Financial Management and Economic Outlook and Revenue Assessment Committee	No
Illinois	O*		Governor and/or General Assembly staff	No
Indiana	C		Revenue Forecast Technical Committee: fiscal analysts of the four caucuses, governor's designee, and ex-officio members, usually former fiscal analysts	No
Iowa	C*		Legislative fiscal director, governor or designee and a non-state employee (agreed upon by the other two members)	Yes*
Kansas	C		Department of Revenue, governor's Division of the Budget, Legislative Research Department and three consulting economists from three different state universities	No*
Kentucky	C		Four university	Yes*

			economists, appropriations and revenue staff administrator, Executive Financial Management and Economic Analysis (revenue estimating) staff member*	
Louisiana	C	Revenue Estimating Conference: governor or designee, Senate president or designee, speaker of the House or designee, faculty member of a Louisiana university or college	Yes	
Maine	E*	State budget officer, state tax assessor, state economist, university economist, director of Fiscal and Program Review Office	No	
Maryland	E	Board of Revenue Estimates: state comptroller, state treasurer, secretary of budget and planning	No	
Massachusetts	C*	State Department of Revenue, House and Senate committees on Ways and Means	Yes*	
Michigan	C	Director of House Fiscal Agency, director of Senate Fiscal Agency, director of the Department of Management and Budget or designee*	No*	
Minnesota	E	Department of Finance	No	

Mississippi	C	Tax Commission, University Research Center, state treasurer, Department of Finance and Administration, Legislative Budget Office	Yes*
Missouri	C*	House and Senate appropriations staffs (and chairs), Division of Budget and Planning (and governor)	Yes
Montana	O*	Legislative Revenue Oversight Committee	Yes
Nebraska	C*	Economic Forecasting Advisory Board	No
Nevada	O*	The Economic Forum	Yes*
New Hampshire	O*	Conference Committee	No
New Jersey	E*	Department of Treasury	Yes*
New Mexico	C	Taxation and Revenue Department economists, Department of Finance and Administration economists, Legislative Finance Committee economists, Highway and Transportation Department economists	No
New York	C*	Division of the Budget, Office of Fiscal Planning, Assembly Ways and Means Committee and Senate Finance Committee	No
North Carolina	C*	Legislative fiscal office, state budget office	Yes
North Dakota	E*	Tax and finance legislators, legislative	Yes*

			fiscal officer, director of OMB and analysts	
Ohio	O*		Executive and Legislative Budget Office	No
Oklahoma	E*		State Board of Equalization: governor, auditor and inspector (elected), treasurer (elected), Lt. governor, attorney general (elected), superintendent of public instruction (elected), and president of State Board of Agriculture (appointed)	Yes*
Oregon	E*		Department of Administrative Services	No*
Pennsylvania	E		Department of Revenue	Yes
Rhode Island	C		House Fiscal Advisor, Senate Fiscal Advisor, State Budget Director	Yes*
South Carolina	O*		Board of Economic Advisors: one appt. by governor to serve as chair, one appt. by the chair of the Senate Finance Committee, one appt. by the House Ways and Means Committee, and the designated representative of the Dept. of Revenue and Taxation (ex officio)	Yes*
South Dakota	O*		Joint Appropriations Committee, governor	No
Tennessee	C		Executive: governor, commissioner of finance and administration;	No

		Legislative: comptroller, treasurer, secretary of state*	
Texas	E*	Comptroller of Public Accounts	Yes*
Utah	O*	Executive branch, Executive Appropriations Committee and legislative members	Yes*
Vermont	C*	Emergency Board, Joint Fiscal Office, secretary of administration	No
Virginia	E*	Department of Taxation	Yes*
Washington	C	Executive and legislative members	Yes
West Virginia	E*	Governor	Yes*
Wisconsin	E*	Department of Revenue and Legislative Fiscal Bureau	No
Wyoming	C	Legislative: Legislative Service Office budget/fiscal manager; Executive: Economic Analysis Administration; representatives from state auditor and state treasurer; superintendent of public education, director of Department of Revenue, state geologist, oil and gas commissioner and an economics professor from University of Wyoming	Yes
American Samoa	--	--	--
District of	--	--	--

Columbia			
Guam	E*	--	Yes
Northern Mariana Islands	E*	Office of Management and Budget, Department of Finance	Yes*
Puerto Rico	E*	The governor with input from president of the Senate and speaker of the House	Yes
U.S. Virgin Islands	--	--	--
Total: States	C=22		Yes = 26
	E=17		No = 24
	O=11		
Total: States and Territories	C=22		Yes = 29
	E=20		No = 24
	O=11		

Source

† **Key:**

C = Consensus (For the purposes of this table, "consensus" defines the process used to arrive at a revenue forecast. The term does not imply, however, that the consensus forecast binds the budget.)

E = Executive

O = Other

-- = Not available

N/R = No response

***Notes:**

Alabama--There is no official revenue forecast. A consensus team builds a forecast that may or may not be adopted by the governor or the Legislature. The Executive Budget Office and the Legislative Fiscal Office arrive at estimates, and the higher of the two typically is adopted by the House and Senate appropriations committees.

Alaska--The executive branch bears primary responsibility for forecast development with legislative oversight. In recent years, language balancing expenditures and revenues through the use of reserves has been incorporated in each annual general appropriation act.

Arizona--Not required by statute, but currently is practiced.

Arkansas--The Revenue Stabilization Law provides a mechanism that limits expenditures to the actual amount of revenues received.

California--The revenue forecast contained in the governor's budget proposal is prepared by the administration's Department of Finance. Adjustments to this forecast sometimes are

made based on projections from the legislative analyst. Ultimately, however, the forecast used is jointly approved by the Legislature and the governor.

Colorado--Statutes provide that the General Assembly adopt a revenue resolution each year by February 1 after taking into consideration the estimates of the governor's office and the staff of Legislative Council.

Connecticut--A statutory provision requires that estimated revenue be not less than net appropriations (this provision applies only at the time of the original enactment of the budget). A constitutional provision states that the amount of expenditures authorized shall not exceed the estimated amount of revenue for such fiscal year. Adopted in 1992, the provision has come into play only once, in FY 1995. At that time, general fund estimates showed a small deficit; thus, sufficient revenues were not available to finance additional appropriations. Shortfalls were met by transfers from agencies that had a surplus to those agencies that needed more funding. This was done via legislative enactment.

Delaware--An official revenue resolution is passed before a budget is enacted. Delaware appropriates only up to 98 percent of revenue by constitution.

Florida--Representatives must be professional staff with estimating experience. Although the forecast does not bind the budget, there is a constitutional requirement for a balanced budget. The budget has always been within revenue estimates.

Guam--With legislative input, the executive branch has primary responsibility.

Hawaii--The Council of Revenues is an advisory board that consists mainly of economists appointed by the governor.

Idaho--An Economic Outlook and Revenue Assessment Committee of the Legislature determines if the executive estimate is "reasonable."

Illinois--The executive branch is required to submit estimated revenues with the spending plan. The General Assembly staff produces its forecast. A final forecast may be adopted by the General Assembly.

Iowa--The three-member consensus board is statutory. Code specifies that the Revenue Estimating Conference shall have a forecast by December 15 each year that the governor and General Assembly must use in preparing the budget. Appropriations cannot exceed 99 percent of adjusted general fund receipts.

Kansas--Although no specific provision prohibits appropriations from exceeding official revenue forecasts, statute (KSA 75-6702) requires that expenditures and demand transfers from the state general fund be limited to an amount that provides for an ending balance of 7.5 percent of total expenditures for a fiscal year.

Kentucky--This staff member is jointly selected by the secretary of the Finance and Administration Cabinet and the Legislative Research Commission. The forecast does bind the budget with modifications, however, made by the appropriations committees (KRS 48.120).

Maine--The Bureau of the Budget (executive branch) makes a recommendation from the Revenue Forecasting Committee. The bureau makes final recommendations on revenue (but

must explain why it did not accept the Revenue Forecasting Committee's recommendation when there is disagreement).

Massachusetts--On or before May 15 each year, the commissioner of the Department of Revenue meets with the House and Senate committees on Ways and Means to develop a consensus tax revenue forecast for the ensuing fiscal year. Public hearings are held before the House and Senate vote on the consensus figure. The operating budget cannot exceed the sum of tax and non-tax revenue that is expected to be received in that fiscal year. The operating budget, as recommended by the six members of a House-Senate Ways and Means Conference Committee, must be in balance according to that principle. The operating budget has not been in deficiency since FY 1990.

Michigan--In practice, the state treasurer has been the designee for the executive branch. Although the statute requires that the consensus forecast be the "official" revenue estimate, it does not legally bind the Executive budget, although, in practice, it has bound the budget.

Mississippi--State law limits appropriations to 98 percent of the official revenue estimate.

Missouri--Although the responsibility lies with the governor, consensus has been the practice for several years; it is not required, however.

Montana--Legislative staff and the executive branch provide independent estimates, which are evaluated and enacted by the Legislature upon the recommendation of the interim revenue oversight committee, which consists entirely of legislators.

Nebraska--Five appointees by the Legislature's Executive Board and four by the governor meet on a set schedule to produce general fund revenue estimates. Estimates are derived from information provided by the legislative fiscal analyst and the Department of Revenue.

Nevada--The Economic Forum, a group of five laypersons, usually tries to develop a consensus between the executive and legislative forecasts. The governor must propose or the Legislature must approve revenue enhancements if the forecast is to be exceeded.

New Hampshire--The executive branch prepares an initial forecast in February. The House and Senate prepare their own forecasts throughout the session. The committee of conference process produces the official state revenue forecast.

New Jersey--The Department of the Treasury produces the basic revenue forecast that the governor certifies. The governor has the constitutional responsibility to "certify" that revenues will be sufficient to support appropriations. That certification constitutes the official revenue forecast at the time the budget is signed into law. The office of Legislative Services produces informal, advisory forecasts for the Legislature in drafting the budget bill and at other times.

New York--The legislative houses develop their own forecasts and a consensus process is used to negotiate a final forecast for the enacted budget.

North Carolina--There are no statutory guidelines, but during the 1997 session the Legislative Fiscal Office and State Budget Office were directed to reach a consensus. In other years the two offices have been encouraged to discuss independent estimates and to

try to reach agreement. In years in which agreement is not achieved, the General Assembly uses the legislative fiscal office estimate.

North Dakota--With legislative input, the executive branch has primary responsibility for the forecast. In addition, the Legislative Assembly must approve a balanced budget.

Northern Mariana Islands--The Office of Management and Budget, using Department of Finance revenue collections, develops the forecast. By constitutional mandate, the governor must submit a balanced budget with an accompanying detailed statement of the projected resources. Once the Legislature certifies and adopts the estimates as the official revenue for a particular fiscal year, the resulting appropriations act cannot provide for expenditures in excess of such resources. Also the governor may exercise his line-item veto power in order to comply with the constitutional mandate of a "balanced budget."

Ohio--Both the executive branch and the Legislative Budget Office produce separate revenue forecasts. The executive branch uses its forecast for the preparation of the executive budget. Members of House finance, Senate finance, and conference committees judge which forecast or combination of forecasts they will use at each step in the process.

Oklahoma--The Board of Equalization is a constitutionally created entity. It is provided information by the Tax Commission and the Office of State Finance (both are state agencies) to make the forecast. The constitution limits appropriations to no more than 95 percent of the official revenue estimate.

Oregon--A council composed of private economists reviews the economic assumptions used, but not the revenue numbers. Although there is no provision that binds the budget to the forecast, the Legislative Assembly does not substitute its own forecast. The requirement for a balanced budget is the primary reason; also, imposition of the revenue "kicker" law is based on the official revenue forecast.

Puerto Rico-- With legislative input, the executive branch has primary responsibility.

Rhode Island--The constitution requires that only 98 percent of available resources be appropriated.

South Carolina--State law requires that the Board of Economic Advisors provide advice to the State Budget and Control Board by evaluating total revenues and expenditures, and by certifying amendments to the appropriations act that decrease or increase revenue. The Budget and Control Board monitors agency expenditures and revenues.

South Dakota--There is no "official" revenue forecast. The governor submits a new estimate for the ensuing fiscal year that is carried into session. Legislative staff develop an estimate. As part of the political process, an estimate is agreed upon and is adopted by the Joint Appropriations Committee.

Tennessee--The comptroller, treasurer and secretary of state are legislative branch positions.

Texas--The comptroller, who is a constitutional, statewide elected official, develops a forecast. The Legislature can override with a four-fifths vote of membership of each house, but this has not happened. The comptroller must certify that funds are available to finance

the budget before the bill is sent to the governor for signature and line item veto. The comptroller may vary from his previously published revenue forecast as conditions merit.

Utah--Both executive branch and legislative branch develop forecasts. The Executive Appropriations Committee, comprising legislators, adopts the official estimate. The constitution mandates that appropriations not exceed estimated revenues.

Vermont--From the legislative Joint Fiscal Office and the executive secretary of administration, two estimates are merged into an official forecast by the "Emergency Board," which includes the four money chairs and the governor.

Virginia--The revenue forecast involves a two-step process: 1) review of the Tax Department's economic forecast by a Board of Economists appointed by the governor; and 2) review of the department's revenue forecast by a group of business leaders appointed by the governor. Although legislators attend the second meeting and legislative staff attend both meetings, responsibility for the forecast resides with the executive branch. The official forecast binds the budget. Total general fund appropriations are less than projected revenues, and total non-general fund appropriations are less than non-general fund revenues.

West Virginia--The governor can consider information from whomever he chooses, but the ultimate responsibility is his. The Legislature *could* pass and the governor *could* sign into law a bill that would increase state revenues considerably, but that increase cannot be utilized in the budget process unless the governor amends his official estimate. Traditionally, the governor makes such an amendment after reviewing legislation that has been passed and after monitoring another two or three months of receipts during the current fiscal year and watching the performance of the various sources of revenue.

Wisconsin--The Department of Revenue prepares an estimate, under statute, on November 20 of each even-numbered year. This estimate is used by the governor to prepare the executive budget. The Legislative Fiscal Bureau prepares an estimate each January. The Legislature incorporates the Fiscal Bureau's estimate in its budget legislation. There is no official state revenue forecast.

NEBRASKA STATE LEGISLATURE
EIGHTY-EIGHTH LEGISLATURE, SECOND SESSION
INTRODUCER'S STATEMENT OF INTENT

LB 892

Senator Calvin F. Carsten, Chairman
Committee on Revenue

The following constitute my reasons for this bill and the purposes which are sought to be accomplished thereby:

The purpose of LB 892 is to statutorily set the sales and income tax rates at 3½ percent and 20 percent respectively for tax years 1984 and 1985.



Revenue Committee, Principal Introducer
Calvin F. Carsten, Chairman

February 28, 1984

EIGHTY-NINTH LEGISLATURE, FIRST SESSION

INTRODUCER'S STATEMENT OF INTENT

LB 283

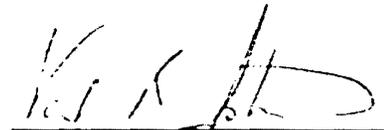
Senator Vard Johnson, Chairperson

Committee on Revenue

The following constitute the reasons for this bill and the purposes which are sought to be accomplished thereby:

This bill changes several administrative details in regard to the Economic Forecasting Advisory Board's membership and expenses. It sets terms of appointment for original and subsequent members at staggered four year periods. It requires the selection of a chairperson and vice-chairperson. It also requires expenses of gubernatorial appointees to be paid from the Department of Revenue's Administration Program and expenses of legislative appointees to be paid from the Legislative Fiscal and Program Analysis Program.

Date: January 30, 1985



Senator Vard R. Johnson
Principal Introducer

NINETIETH LEGISLATURE, FIRST SESSION

INTRODUCER'S STATEMENT OF INTENT

LB 343

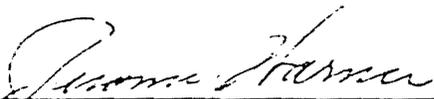
Senator Vard Johnson, Chairperson

Committee on Revenue

The following constitute the reasons for the bill and the purposes sought to be accomplished thereby:

- A) To eliminate from statute specification of March, June, September and December as months the Nebraska Economic Forecasting Advisory Board is to meet. In its' place the bill provides for meetings in February and October, plus an April meeting date during odd-numbered calendar years. The change results in potentially one less meeting per year and the revised schedule better conforms to data availability and the typical time-frames in the budget process.
- B) Provide for a mechanism to call the Board into extraordinary sessions beyond that set forth in statute. No such mechanism exists at present.
- C) Require a 10 day notice for meetings of the Board.
- D) Revise and add language that conforms to the actual role of the Board as it has evolved, primarily one of providing an advisory forecast of General Fund receipts.

February 26, 1987


Sen. Jerome Warner, 25th Dist.
Principal Introducer