

The Governor's Consensus Revenue Estimating Panel was formed by Executive Order 2013-1 on January 23, 2013 and charged with the following responsibilities:

- A. To review revenue estimates and confirm accuracy and reliability;
- B. To monitor variables materially impacting estimates such as employment, population trends, interest rates, income, business growth trends and other indices as are appropriate; and
- C. To provide periodic revenue estimates to the Executive branch and to share such estimates with the Legislative branch.

Given the short time frame between the formation of the Panel and the delivery of the Governor's recommended budget, efforts were focused on providing prudent advice based on the most current information we had before us.

The first task was a determination of a reasonable estimate of where FY 2013 revenues would end the year. Utilizing short term trend analysis and current year to date activity as compared to the prior year, our forecast indicated that state general and education trust fund revenue, excluding the Medicaid Enhancement tax, would come in \$5.3 million below the plan amount. The Panel based its recommendations in large part on the information contained in the January FY 2013 Revenue Focus. The most significant downward revision concerned Business Taxes, which the Panel estimated will be \$10 million below the budgeted amount of \$518 million. This was recently recognized in connection with unprocessed tax refunds and is directly related to a reduction in tax notices. This expected shortfall was not reflected in the January FY 2013 Revenue Focus year to date amounts.

The Panel then used revised FY 2013 as a basis for decisions on reasonable estimates for FY 2014 and FY 2015. The Panel used a combination of economic modeling, trend analysis with the prior year comparisons, along with reliance on recently updated agency estimates, to estimate state general and education trust fund revenues, excluding the Medicaid Enhancement Tax, for the FY 2014 and FY 2015 biennium. The Panel included assumptions as to the effects of recently enacted tax law changes set to take effect in the next biennium. Most of the tax law changes examined by the Panel affect business taxes. However, based on the FY 2012 and year to date FY 2013 actual tobacco revenues collected, the Panel also assumed tobacco tax revenue collections over the FY 2012-2013 biennium would not be greater than collections over the prior biennium, thereby triggering the contingent increase in the tax. Overall, The Panel concluded that reasonable estimates of total state general and education trust fund revenue growth, excluding the Medicaid Enhancement Tax and including changes under current law, are approximately 2.0% in FY 2014 and 1.9% in FY 2015.

The Panel's estimates on the individual revenue categories can be seen on the accompanying worksheets.

In the future, the Panel will meet on a monthly basis, with the next meeting scheduled for March 14, at 2pm.