Alabama

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.
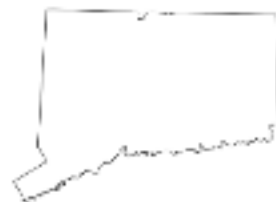
Baseline information

- We did not identify long-term revenue or spending projections in Alabama. Key fiscal documents from the executive branch and legislative branch generally do not look beyond the upcoming fiscal year.

- At least once a year, the Legislature's Fiscal Division staff present to lawmakers on Alabama's financial condition. These presentations analyze the balance between revenue and spending in the upcoming year. They also provide historic and current fiscal data and describe the condition of the Alabama and national economies.

- By law, governors are responsible for developing a "four-year strategic plan" once per four-year term that includes "long-range revenue and expenditure plans for the quadrennium."

- The most recent strategic plan, published in February 2020, focused on the governor's key programmatic priorities, but did not provide fiscal analysis.

- We did not identify a budget stress test in Alabama.

Questions for consideration

- How have lawmakers used the Fiscal Division's financial condition presentations and the governor's four-year strategic plan? Do they help inform lawmakers' decisions? Are there ways they could be more valuable?

- Are there other documents, analyses, or tools that Alabama policymakers use to understand the state's long-term fiscal position beyond those mentioned above?

- Do Alabama lawmakers know whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid-19 relief could cause budget shortfalls? Would additional data and analysis be helpful?

- Could the state incorporate long-term projections into the Fiscal Division's financial condition reports or the governor's strategic plan? If so, what steps are necessary to do so?

- Do Alabama lawmakers have a good handle on the risks the budget faces from a recession? Would a budget stress test be helpful?

Connecticut

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- By law, each November both the Office of Policy and Management (OPM) and the Office of Fiscal Analysis (OFA) produce separate reports with projections of revenue and spending that include the current biennium and three additional years.

- The OPM and OFA reports are more comprehensive than similar forecasts in many other states, including projections for not only the General Fund but also other accounts such as the Special Transportation Fund. They also discuss and analyze key factors affecting long-term fiscal health such as public employee retirement costs, the size of the state workforce, and Medicaid enrollment.

- OPM and OFA present the reports to a meeting of the joint Appropriations Committee and joint Finance, Revenue and Bonding Committee, providing lawmakers an opportunity to consider and discuss the findings.

- The projections forecast expenditure growth from "fixed costs" such as debt service and entitlement programs but do not attempt to forecast expenditure growth from non-fixed costs.

- We did not identify a budget stress test in Connecticut.

Questions for consideration

- How are the OPM and OFA projections used? Do they help inform lawmakers' decisions? Are there ways they could be more valuable?

- What's the rationale for not forecasting growth in spending on non-fixed costs? Given the high rate of inflation, would the projections be more realistic if they estimated inflation-driven growth in these costs?

- Does having separate projections from the legislative and executive branches help broaden perspectives or complicate policymaking due to conflicting data? Would a consensus process for making projections be an improvement?

- Do Connecticut lawmakers have a good sense of whether the state is prepared for a new economic downturn? Would the development of a budget stress test help inform decisions such as how much to save?

- Are there other documents, analyses, or tools that Connecticut policymakers use to understand the state's long-term fiscal position beyond those mentioned above?

Delaware

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- Once a year, the Delaware Forecasting and Advisory Commission (DEFAC) publishes a revenue forecast that goes four years beyond the current year. The forecasts are broken into multiple revenue streams and show whether DEFAC has increased or decreased its estimates since the previous update.

- Five times a year, DEFAC publishes a revenue forecast that includes two years beyond the current year.

- Five times annually, DEFAC also publishes expenditure forecasts that include four years of data beyond the current year.

- We have not identified a stress test in Delaware.

- Delaware has above-average revenue volatility, so assessing the state's budget vulnerabilities and susceptibility to downturns is particularly important.

Questions for consideration

- How do lawmakers use DEFAC's forecasts? Have they helped inform policy decisions? Are there ways they could be more valuable?

- Have policymakers compared DEFAC revenue forecasts and expenditure forecasts to judge whether the state is likely to face deficits in the future? If not, could the forecasts be used in this way?

- Besides the forecasts mentioned above, are there other documents, analyses, or tools that stand out for helping Delaware determine whether its budget is on a sustainable path?

- Has Delaware identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

- How has Delaware prepared financially for future downturns? Would a budget stress test be helpful in assessing the state's preparedness?

Georgia

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- Each year, the governor's budget proposal includes revenue and spending projections for the current year, upcoming year, and three additional years in an appendix.
- These projections use the governor's spending recommendations for the current year and upcoming year and then project spending increases based on "agency caseload growth and an inflation factor." The State Economist provides the revenue projections.
- The budget proposal provides a brief explanation of how the state generates the long-term projections but doesn't provide analysis of factors driving the numbers or potential risks.
- Georgia policymakers have used budget surpluses to invest in priorities such as increases in public employee pay and a series of income tax cuts that phase in over six years starting in 2024. Given these long-term commitments, analyzing whether future budgets are structurally balanced may be particularly important for the state.
- We did not identify a budget stress test in Georgia.

Questions for consideration

- How are the projections in the governor's budget proposal used? Do they help inform policy decisions? Are there ways they could be more valuable?
- Are there other documents, analyses, or tools that Georgia policymakers use to understand the state's long-term fiscal position?
- Do Georgia lawmakers have a good handle on whether the budget will continue to be structurally balanced after recent investments such as pay raises and tax cuts are phased in? Would extending the timeframe of the long-term projections be helpful to determine whether revenue will continue to support spending?
- Has Georgia identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?
- Do lawmakers have data on how a potential recession could affect revenue and spending demands? Would a budget stress test be helpful?

Illinois

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- The Commission on Government Forecasting and Accountability (COGFA) publishes the Three-Year Budget Forecast, which includes revenue projections and compares these projections to various expenditure scenarios.
- COGFA's forecast also inventories potential "threats and opportunities" for the budget.
- Annually, in November, the Governor's Office of Management and Budget (GOMB) releases the Economic and Fiscal Policy Report, which includes revenue and spending projections for the current fiscal year and five subsequent years.
- The GOMB report uses these projections to estimate the size of Illinois' ongoing structural deficit and discusses policies to help reduce the deficit.
- We have not identified a budget stress test in Illinois.

Questions for consideration

- Do the COGFA and GOMB projections help inform lawmakers' decisions? Is the focus on policy options to improve the state's fiscal position helpful? Are there ways they could be more valuable?
- Does having separate projections from COGFA and GOMB help broaden perspectives or complicate policymaking due to conflicting data? Would a consensus process for making projections help?
- How has Illinois prepared financially for future economic downturns? Are there ways the state could be more prepared?
- Has Illinois identified economic, demographic, or policy factors that pose threats to the state's fiscal health beyond the timeframe of the COGFA and GOMB reports? Has the state estimated the magnitude of these risks?
- Are there other documents, analyses, or tools that Illinois policymakers use to understand the state's long-term fiscal position beyond those mentioned above?

Iowa

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- The Department of Management (DOM) includes long-term financial projections in their annual "Vision for Iowa" reports that accompany the governor's "Condition of the State" speech.
- The 2022 edition of the Vision for Iowa report included a five-year projection of appropriations but did not include a revenue projection. The 2021 edition included both an appropriations projection and a projection of ongoing revenue. Both reports compared the appropriation projections to forecasts of the state's expenditure limit.
- In presenting the projections, the Vision for Iowa report does not include any explanation on how the numbers should be interpreted or the methodology and assumptions DOM used to produce them.
- We did not identify a publicly available budget stress test in Iowa.
- The Legislative Services Agency (LSA) used to analyze how baseline and recession scenarios would affect revenues and expenditures over multiple years but discontinued this practice nearly a decade ago.

Questions for consideration

- How are the multi-year projections in the Vision for Iowa reports used? Are there ways they could be more valuable? Would lawmakers benefit from more detail on their methodology and assumptions?
- Do lawmakers have data to understand how a potential recession could affect revenue and spending pressures? Would analysis similar to LSA's former recession scenario modeling be helpful? If so, should anything be done differently?
- Are there other documents, analyses, or tools that stand out for helping Iowa determine whether its budget is on a sustainable path?
- Do Iowa lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would additional data provide a more complete picture?
- Has Iowa identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health?

Kansas

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.
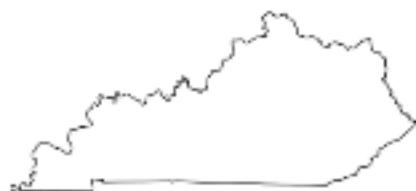
Baseline information

- We did not identify any publicly available long-term revenue or spending projections in Kansas.
- Revenue estimates prepared by the Consensus Revenue Estimating Group only include the current year and upcoming year, with no longer-term analysis. Likewise, the governor's budget doesn't look beyond the upcoming year.
- This year, Kansas used its budget surplus to achieve policy priorities such as phasing out the tax on groceries and increasing education funding. Long-term projections could show whether further investments are affordable without causing structural budget problems.
- We did not identify any publicly available budget stress tests in Kansas.
- Kansas made record deposits into its rainy day fund this year. A stress test could assess whether these reserves are sufficient to offset likely recession scenarios.

Questions for consideration

- Are there other documents, analyses, or tools that stand out for helping Kansas determine whether its budget is on a sustainable path?
- Do Kansas lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would additional data, including spending forecasts, provide a more complete picture?
- Do the analyses produced to date sufficiently measure the size of potential budget gaps in the event of an economic downturn? Would additional data and analysis be helpful?
- If Kansas decides to adopt long-term projections or stress tests, who inside or outside of state government is best-positioned to produce the analyses?
- Has Kansas identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

Kentucky

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- Every odd-numbered year, by law Kentucky's Office of the State Budget Director works with the Consensus Forecasting Group to develop a Budget Planning Report that includes four years of revenue projections beyond the current year.

- This planning report includes an overall economic outlook that is used to develop baseline revenue projections for both the General Fund and the Road Fund.

- We have not identified a publicly available budget stress test or long-term spending projections in Kentucky.

- Kentucky has worked to rebuild its budget reserves over the last two years; a stress test could analyze whether reserves are sufficient to prepare for plausible recession scenarios.

- Pew data shows that spending exceeded revenue in Kentucky in the 15-year period beginning in FY2005, so, despite an improving fiscal outlook recently, analyzing whether future budgets are structurally balanced is important for the state.

Questions for consideration

- How are the Budget Planning Report revenue projections used? Do they help inform lawmakers' decisions? Are there ways they could be more valuable?

- Do Kentucky lawmakers have a clear sense of whether the budget is structurally balanced? Would additional data and analysis, including spending projections, help?

- Would Kentucky's four-year planning report benefit from analyzing more than just a baseline scenario to provide a sense of the range of outcomes?

- Has Kentucky identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

- With the recent increase in reserves, is Kentucky prepared financially for future economic downturns? Are there ways the state could be more prepared? Would a stress test help provide the state with answers?

Maine

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.
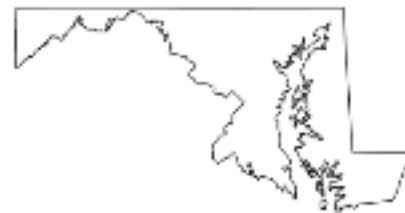
Baseline information

- Every other year, by law Maine's Consensus Economic Forecasting Commission and Revenue Forecasting Committee publish a budget stress test.

- Maine's stress test analyzes how hypothetical moderate and severe recession scenarios would affect state revenue. This analysis does not include the effects of the scenarios on expenditures.

- This report also analyzes whether Maine has sufficient reserves in the Budget Stabilization Fund to fully offset the revenue declines in the recession scenarios.

- Additionally, Maine's Revenue Forecasting Committee regularly publishes a long-term forecasting report that projects revenue for the current year and three upcoming fiscal years.

- We did not identify spending projections in Maine.

Questions for consideration

- Does Maine's budget stress test inform lawmakers' decisions such as how much money to save in the Budget Stabilization Fund? Are there ways it could be more valuable?

- Do spending demands typically increase in Maine during downturns? Would adding expenditures to the stress test give lawmakers a more complete estimate of potential budget risk?

- How are the multi-year revenue forecasts in the long-term forecasting report used? Do they help lawmakers determine how much to spend or how to change tax policy?

- Do Maine lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid-19 relief could cause budget shortfalls? Would additional data and analysis, including spending projections, be helpful?

- Has Maine identified economic, demographic, or policy factors that pose threats to the state's fiscal health? Has the state estimated the magnitude of these risks?

Maryland

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- Maryland produces long-term projections multiple times a year. The governor's budget proposal includes a four-year forecast of revenue and spending. The Department of Legislative Services (DLS) makes its own forecasts when analyzing the governor's budget, when summarizing the outcomes of the legislative session, and for the Spending Affordability Committee.

- These projections isolate recurring revenue and recurring spending, allowing the state to determine whether it has a structural surplus or deficit.

- The Spending Affordability Committee uses the projections to inform recommendations on topics such as whether the state can afford new ongoing spending and how large the state's reserves should be.

- The state has also produced several stress tests, including an analysis from the State Comptroller early in the pandemic of how economic scenarios would affect revenue and multiple analyses from DLS.

- The stress tests have focused on how recessions might affect revenue but have not analyzed spending.

Questions for consideration

- How have lawmakers used the DLS and executive projections and the Spending Affordability Committee recommendations? Do they help inform policy decisions?

- Does having separate projections from the legislative and executive branch help broaden perspectives or complicate policymaking due to conflicting data? Would a consensus process for making projections help?

- Do spending demands typically increase in Maryland during downturns? Would adding spending to stress tests make them more complete estimates of potential budget risk?

- Has Maryland identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

- Are there other documents, analyses, or tools that Maryland policymakers use to understand the state's long-term fiscal position beyond those mentioned above?

Minnesota

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- Each year, the Minnesota Department of Management and Budget (MMB) produces a Budget Reserve Recommendation designed to help policymakers decide how much money they need to save to be prepared for potential revenue declines.
- The recommendation identifies the size of reserves needed to ensure that 95% of the time they will be large enough to fully cover any biennial deficit caused by a decline in revenue.
- Twice annually, MMB also produces a Forecast Uncertainty Report that estimates the plausible range of revenue collections for the reminder of the biennium.
- By law, MMB's twice-a-year Budget and Economic Forecast projects revenue and spending through the rest of the current biennium and up to two additional biennia.
- By law, the spending projections in the Budget and Economic Forecast are forbidden from accounting for inflation. However, in its recent Forecast, MMB estimated that accounting for inflation would raise projected spending by over $1 billion for FY24-FY25.

Questions for consideration

- How have lawmakers used the various MMB reports? Do they help inform lawmakers' decisions? Are there ways they could be more valuable?
- Are there other documents, analyses, or tools that Minnesota policymakers use to understand the state's long-term fiscal position beyond those mentioned above?
- Do spending demands typically increase in Minnesota during downturns? Would adding spending to the Budget Reserve Recommendation and Forecast Uncertainty Report make them more complete estimates of potential budget risk?
- What's the rationale for forbidding MMB from accounting for inflation in its spending projections? Given the high rate of inflation, would the projections be more realistic if they accounted for this factor?
- Has Minnesota identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

Missississippi

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- The Joint Legislative Budget Committee's (JLBC) annual Legislative Budget Report, includes a chart of "out-year projections for revenues and expenditures" that includes data for the upcoming year and three additional fiscal years.

- These out-year projections use revenue forecasts from the University Research Center (URC). They do not appear to forecast expenditures based on current laws or policies, but rather present the amount of money from tax revenue and other sources that would be available for expenditure.

- The Legislative Budget Office (LBO) reports that they are updating their approach to producing out-year projections for the JLBC's budget report.

- We have not identified a budget stress test in Mississippi.

- The URC discusses alternative economic scenarios in their quarterly "Mississippi Economic Outlook" publications but doesn't analyze how these scenarios would affect state revenue or spending.

Questions for consideration

- How are the out-year projections in the Legislative Budget Report used? Do they inform policy decisions? Are there ways they could be more valuable?

- Is there additional information that lawmakers would like to see included in the out-year projections, as LBO works to update its approach? Would more rigorous expenditure projections provide a more complete picture of the state's long-term fiscal position?

- How has Mississippi prepared financially for future economic downturns? Are there ways the state could be more prepared? Would the development of a budget stress test help?

- Could the economic scenarios discussed in the URC's economic outlooks serve as the starting point for stress tests?

- Are there other documents, analyses, or tools that stand out for helping Mississippi determine whether its budget is on a sustainable path beyond those mentioned above?

Missouri

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- We have not identified any long-term revenue or spending projections in Missouri.
- The Missouri Department of Revenue releases monthly and annual revenue reports that compare the current fiscal year to the prior year, but don't include future forecasts.
- The executive budget only includes the upcoming year, with no longer-term projections.
- Missouri has used budget surpluses in the last two years to cut taxes and increase pay for teachers and other public workers. Long-term projections could show whether further investments in priorities such as these are affordable without causing structural budget problems.
- We have not identified a budget stress test in Missouri.

Questions for consideration

- Are there documents, analyses, or tools that Missouri policymakers use to understand the state's long-term fiscal position?
- Do Missouri lawmakers have a clear sense of whether the budget is structurally balanced? Would additional data and analysis help?
- How are the Department of Revenue's monthly projections used? Are there ways they could be more valuable?
- How has Missouri prepared financially for future economic downturns? Are there ways the state could be more prepared? Would a stress test help provide the state with answers?
- Has Missouri identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health?

New Hampshire

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- We have not identified any long-term revenue or spending projections in New Hampshire.
- Key budget documents such as official revenue estimates and the governor's proposed budget do not look beyond the upcoming biennium.
- In presenting their revenue estimates to legislative committees, the Department of Revenue Administration (DRA) offers "low range" and "high range" forecasts for different taxes.
- To develop these ranges, DRA considers factors such as historic growth trends for each tax, GDP forecasts, and recent policy developments.
- New Hampshire has recently increased its rainy day fund balance to record levels; further analysis could determine whether reserves are sufficient to prepare for plausible recession scenarios.

Questions for consideration

- How are DRA's low range and high range forecasts used? Do they help lawmakers consider different scenarios when writing the budget? Are there ways they could be more valuable?
- Do the ranges help lawmakers understand how much risk the budget faces in an economic downturn? If not, could they serve this purpose if supplemented with additional data and analysis?
- Are there other documents, analyses, or tools that stand out for helping New Hampshire determine whether its budget is on a sustainable path?
- Do New Hampshire lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would long-term projections provide a more complete picture?
- Has New Hampshire identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

North Dakota

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- We have not identified any long-term revenue or spending projections in North Dakota.
- Key budget documents such as the governor's proposed budget and official revenue forecasts do not look beyond the upcoming biennium.
- The Legislature contracts with IHS Markit to produce revenue forecasts that are separate from the official executive branch forecasts. The IHS Markit forecasts analyzes multiple revenue streams under baseline, optimistic, and pessimistic scenarios for the current biennium and upcoming biennium.
- The Office of Budget and Management has also informally studied budget scenarios involving oil price fluctuations internally but has not published the results.
- North Dakota has one of the most volatile revenue systems in the country, so preparing for economic downturns is particularly important. The state mitigates this risk with some of the nation's largest reserves.

Questions for consideration

- How are IHS Markit's baseline, optimistic, and pessimistic forecasts used? Do they help inform lawmakers decisions? Are there ways they could be more valuable?
- How do lawmakers decide how much money to save in reserves? Do the HIS Markit forecasts play a role? Is there additional data that would help the state set savings levels?
- Do North Dakota lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would long-term projections provide a more complete picture?
- Are there documents, analyses, or tools that North Dakota policymakers use to understand the state's long-term fiscal position?
- Has North Dakota identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?

Pennsylvania

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- By law, each year the Independent Fiscal Office (IFO) produces the Economic and Budget Outlook, which includes five years of revenue and spending projections.

- The IFO's Outlook compares the revenue and spending projections—while removing temporary factors—to determine the size of the state's structural surplus or deficit. The most recent report found that Pennsylvania would face a $1.7 billion structural deficit by the end of Fiscal Year 2026-2027.

- The Outlook provides data and analysis of growth trends for individual revenue sources and spending categories.

- The governor's budget proposal also includes 5 years of revenue and spending projections.

- We did not identify a regularly produced budget stress test in Pennsylvania. However, early in the pandemic IFO produced a one-time study presenting multiple revenue scenarios based on difference lengths of business closures.

Questions for consideration

- How are the long-term projections in the IFO's Outlook report and the governor's budget proposal used? Do they help inform lawmakers' decisions? Are there ways they could be more valuable?

- How have policymakers responded to IFO's finding that the state faces a structural deficit? Do lawmakers have a good understanding of the factors causing the deficit?

- Does having separate projections from IFO and the executive branch help broaden perspectives or complicate policymaking due to conflicting data? Would a consensus process for making projections help?

- How has Pennsylvania prepared financially for future economic downturns? Are there ways the state could be more prepared?

- Are there other documents, analyses, or tools that Pennsylvania policymakers use to understand the state's long-term fiscal position beyond those mentioned above?

Tennessee

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- As part of the 2018 "Tax Review" report, Tennessee executive branch agencies partnered with the Boyd Center for Business and Economic Research to prepare a "Recession Study" that functions as a budget stress test.
- The Recession Study analyzed the size of potential budget shortfalls under mild and severe recession scenarios.
- The study concluded that Tennessee could balance its budget through a mild recession by tapping reserves and limiting spending growth, but that a severe recession could potentially exhaust the state's reserves.
- The Tax Review Report was a one-time publication and was not required by statute.
- The Department of Finance and Administration produces long-term revenue and spending projections to help inform the development of the governor's budget proposal and includes the projections in the annual presentation to bond-rating agencies. The department does not formally publish the projections, however.

Questions for consideration

- How did lawmakers use the Recession Study? Did it help inform policy decisions? Are there ways it could have been more valuable?
- Do Tennessee lawmakers have a good handle on the risk the budget faces from a recession? Would more frequent budget stress tests be helpful?
- Could a "fiscal cliff" from the expiration of federal Covid relief cause budget shortfalls? Would more detailed, widely available revenue and spending projections help inform this determination?
- Has Tennessee identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health? Has the state estimated the magnitude of these risks?
- Besides those mentioned above, are there other documents, analyses, or tools that stand out for helping Tennessee determine whether its budget is on a sustainable path?

Vermont

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
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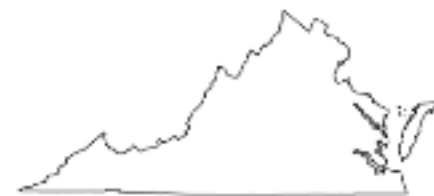
Baseline information

- Vermont works with private economists to produce long-term revenue forecasts. Five-year versions of these forecasts are published twice a year as part of Vermont's consensus revenue forecasting process, while a ten-year version is published once annually in a report from the Capital Debt Affordability Advisory Committee.

- The projections are more comprehensive than similar forecasts in other states, including not only the General Fund, but also other accounts such as the Transportation Fund.

- In 2021, the final report of the Tax Structure Commission discussed long-term threats to the sustainability of the state's tax system, including climate change, an aging population, and technological changes.

- An earlier report from the commission analyzed the effects of demographic changes on future tax revenue, finding that the aging of the population would decrease personal income tax revenue.

- We have not identified long-term spending projections or a budget stress test in Vermont.

Questions for consideration

- How do lawmakers use the long-term revenue projections? Have they helped inform policy decisions? Are there ways they could be more valuable?

- Do Vermont lawmakers have a good handle on whether the budget is structurally balanced? Would developing expenditure projections to complement the revenue projections provide a more complete picture of the state's long-term fiscal position?

- Have lawmakers taken actions to mitigate the long-term threats identified in the Tax Structure Commission report? What actions could the state take?

- How has Vermont prepared financially for future economic downturns? Are there ways the state could be more prepared? Would the development of a budget stress test help?

- Are there other documents, analyses, or tools that stand out for helping Vermont determine whether its budget is on a sustainable path?

Virginia

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- Each year, the Virginia Department of Taxation produces the Economic Outlook and Revenue Forecast book, which includes a baseline forecast and a pessimistic alternative forecast for general fund revenue, spanning three fiscal years (including the current fiscal year).

- The book also shows how recent legislative actions are estimated to impact the revenue forecast over the three fiscal years.

- When the secretary of finance presents the book to legislative committees, he or she incorporates general and non-general fund revenue estimates that look six fiscal years beyond the current fiscal year.

- The Code of Virginia requires the governor to submit a six-year financial plan to the legislature before or at the start of each regular legislative session that takes place in an even-numbered year. The plan must include general and non-general fund revenue and appropriations estimates.

- The most recent six-year plan that we were able to locate was published in 2016.

Questions for consideration

- When was the six-year plan last produced? If the plan has been discontinued, why? Are there ways it could have been more valuable?

- Are there other documents, analyses, or tools that stand out for helping Virginia determine whether its budget is on a sustainable path?

- Do the pessimistic alternative forecasts in the Economic Outlook and Revenue Forecast book sufficiently measure the size of potential budget gaps in the event of an economic downturn? Would additional data and analysis be helpful?

- Do Virginia lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would additional data, including spending forecasts, provide a more complete picture?

- Has Virginia identified economic, demographic, or policy factors that pose threats to the state's long-term fiscal health?

Washington, D.C.

Definitions

- **Long-term financial projections** forecast revenue and spending several years into the future.
- **Budget stress tests** estimate how revenue and spending would change under adverse scenarios such as recessions.

Baseline information

- The mayor's annual budget proposal includes a "Financial Plan" that projects revenue and spending in the upcoming year and three additional years.

- The Financial Plan projections are based on the mayor's proposed budget. They use the spending levels from the proposed budget for the upcoming year, then forecast forward from that starting point.

- According to the budget proposal, "The District uses the multi-year financial plan as a working tool throughout the fiscal year to monitor the impact of legislative proposals, programmatic initiatives, and economic changes on the District's near-term fiscal outlook."

- The Office of the Chief Financial Officer (CFO) publishes long-term revenue forecasts four times a year. The forecasts include the upcoming year and three additional years.

- We did not identify a budget stress test in the District. However, the revenue forecasts do identify possible risks to revenue collections, including geopolitical instability, population loss, and office vacancy.

Questions for consideration

- Has the Financial Plan successfully served the purposes mentioned in the mayor's budget proposal? Does the plan also serve other purposes?

- Do Council members have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would additional data provide a more complete picture?

- How are the CFO's long-term revenue forecasts used? Do they help inform policy decisions? Are there ways they could be more valuable?

- Do Council members have data to understand how a potential recession could affect revenue and spending pressures? Would a stress test be helpful?

- Are there other documents, analyses, or tools that stand out for helping the District determine whether its budget is on a sustainable path?

Wisconsin

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Baseline information

- Both the Legislative Fiscal Bureau (LFB) and the Department of Administration (DOA) regularly produce various revenue and expenditure projections, but none look beyond the upcoming biennium.
- LFB and DOA each produce general fund condition statements that compare revenue and spending estimates for the upcoming biennium.
- As LFB has noted, the spending estimates in the condition statements do not account for "changes in caseloads, population estimates, enrollments, employee compensation, or inflation" and, as a result, should not be used to project future surpluses and deficits.
- By law, in even-numbered years, DOA prepares a report for the governor and legislature on revenue estimates and agency budget requests, showing whether they would balance in the next biennium if all requests were approved—while noting that it is unlikely all will be.
- We did not identify any publicly available stress tests in Wisconsin, but the Department of Revenue reports that stress tests were produced in the past.

Questions for consideration

- Beyond those mentioned above, are there other documents, analyses, or tools that stand out for helping Wisconsin determine whether its budget is on a sustainable path?
- Do the analyses produced to date sufficiently measure the size of potential budget gaps in the event of an economic downturn? Would additional data and analysis be helpful?
- When were budget stress tests last produced by the state? If they have been discontinued, why? Are there ways they could have been more valuable?
- Given the high rate of inflation, would the spending projections in the condition statements be more realistic if they accounted for this factor?
- Do Wisconsin lawmakers have a good handle on whether the budget is structurally balanced and whether a "fiscal cliff" from the expiration of federal Covid relief could cause budget shortfalls? Would additional data and analysis be helpful?