

Comparison of Legislative and Executive Revenue Estimates: Methodology Differences

The recent release of the April 4-Sector estimates has raised questions on how to compare those projections with the Executive's revenue forecast. The 4-Sector growth rates are calculated relative to "base revenues." Base revenues attempt to portray only economic activity and, as a result, exclude external changes like Urban Revenue Sharing (URS), tax law changes, and one-time adjustments.

In order to compare Executive and Legislative forecasts, the revenues must be defined in the same manner. For example, since the Executive uses a different definition in calculating their growth rates, the Executive's stated 5.0% growth in FY 2013 is not comparable to the January 4-sector growth rate of 5.1% or the April 4-sector growth rate of 3.4%.

Once adjusted for the same methodology, the Executive's FY 2013 projected base revenue growth rate is 6.4%. For FY 2013, there are 3 adjustments to make the Executive estimates comparable to the 4-Sector forecasts.

1. Urban Revenue Sharing – The Executive estimate includes Urban Revenue Sharing (URS). URS is based on income tax collections from 2 years prior, not on current economic conditions. The cost of URS will increase \$89 million in FY 2013. Excluding URS would raise the Executive's revenue estimate from 5.0% to 5.9%.
2. 1¢ Estimated Payments – In FY 2013, the elimination of the 1¢ Sales Tax will reduce estimated payments by about \$(30) million. As this loss is directly related to the 1¢ Sales Tax, JLBC accounts for it in the 1¢ Sales Tax line, not in base revenue. The Executive, however, includes it as part of the general estimated payments in the normal sales tax. Moving the \$(30) million loss to the 1¢ sales tax raises the Executive revenue estimate from 5.9% to 6.3%.
3. Tax Law Changes – The Executive excludes tax law changes from their base revenue; however, this is not consistently applied in their numbers. Adjusting tax law changes raises the Executive revenue estimate from 6.3% to 6.4%.

Making similar adjustments in FY 2014 and FY 2015 changes the Executive's growth rates from 6.1% to 5.9% and from 5.8% to 5.9%, respectively.

Additionally, to make a useful comparison, the growth rates may also be compared to the same base. For example, compared to the Executive's FY 2012 revenue forecast, the FY 2013 Executive growth rate would be 6.4%; however, compared to the January FY 2012 4-Sector forecast, the growth rate is 6.5%. Alternatively, compared to the higher April 4-sector forecast for FY 2012, the growth rate would be 6.1%.