Public Hearing

before

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

The Committee will meet on the following Senate Concurrent Resolution:

Senate Concurrent Resolution 132

"Amends State Constitution to create joint legislative and executive branch New Jersey Revenue Certification Board to provide consensus certification of revenues for State budget purposes"

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: July 23, 2018
1:00 p.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Paul A. Sarlo, Chair
Senator Linda R. Greenstein
Senator M. Teresa Ruiz
Senator Stephen M. Sweeney
Senator Dawn Marie Addiego
Senator Anthony R. Bucco
Senator Declan J. O'Scanlon, Jr.
Senator Samuel D. Thompson

ALSO PRESENT:

Brad M. Schavio
Office of Legislative Services
Committee Aides

Luke Wolff
Senate Majority
Committee Aide

Christopher Emigholz
Senate Republican
Committee Aide

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

SENATE CONCURRENT RESOLUTION No. 132

STATE OF NEW JERSEY

218th LEGISLATURE

INTRODUCED JUNE 27, 2018

Sponsored by:
Senator STEPHEN M. SWEENEY
District 3 (Cumberland, Gloucester and Salem)

SYNOPSIS

Amends State Constitution to create joint legislative and executive branch New Jersey Revenue Certification Board to provide consensus certification of revenues for State budget purposes.

CURRENT VERSION OF TEXT

As introduced.

A **CONCURRENT RESOLUTION** proposing to amend Article VIII, Section II, paragraph 2 of the Constitution of the State of New Jersey.

BE IT RESOLVED *by the Senate of the State of New Jersey (the General Assembly concurring):*

1. The following proposed amendment to the Constitution of the State of New Jersey is hereby agreed to:

PROPOSED AMENDMENT

Amend Article VIII, Section II, paragraph 2 to read:

2. a. No money shall be drawn from the State treasury but for appropriations made by law. All moneys for the support of the State government and for all other State purposes as far as can be ascertained or reasonably foreseen, shall be provided for in one general appropriation law covering one and the same fiscal year; except that when a change in the fiscal year is made, necessary provision may be made to effect the transition. No general appropriation law or other law appropriating money for any State purpose shall be enacted if the appropriation contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of revenue on hand and anticipated which will be available to meet such appropriations during such fiscal period, as certified by the **[**Governor**]** New Jersey Revenue Certification Board.

b. There is established the New Jersey Revenue Certification Board, which shall consist of three members as follows: the State Treasurer, ex officio, or its successor in the executive branch of State government, the Legislative Budget and Finance Officer, ex officio, or its successor in the legislative branch of State government, and a third public member who shall be jointly selected thereby. The public member shall serve for a term of four years and shall hold minimum qualifications established by law. A vacancy in the public member position of the group shall be filled by the joint selection of the other members. The New Jersey Revenue Certification Board shall provide a consensus certification of State revenues on hand and anticipated to be received by the State during the present and next commencing State fiscal years to support annual State appropriations. The New Jersey Revenue Certification Board shall convene one or more public hearings at the place or places it designates during the second quarter of each State fiscal year. The board shall receive public testimony and may invite other participants who, in the judgment of the board, may

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

provide guidance on the current conditions in, and probable outlook for, the performance of the economy of the State, as well as the effect of such conditions and such performance on State revenues.
(cf: Art.VIII, Sec.II, par.2, effective January 1, 1948)

2. When this proposed amendment to the Constitution is finally agreed to pursuant to Article IX, paragraph 1 of the Constitution, it shall be submitted to the people at the next general election occurring more than three months after the final agreement and shall be published at least once in at least one newspaper of each county designated by the President of the Senate, the Speaker of the General Assembly and the Secretary of State, not less than three months prior to the general election.

3. This proposed amendment to the Constitution shall be submitted to the people at that election in the following manner and form:

There shall be printed on each official ballot to be used at the general election, the following:

a. In every municipality in which voting machines are not used, a legend which shall immediately precede the question as follows:

If you favor the proposition printed below make a cross (X), plus (+), or check (✓) in the square opposite the word "Yes." If you are opposed thereto make a cross (X), plus (+) or check (✓) in the square opposite the word "No."

b. In every municipality the following question:

	YES	CREATES NEW JERSEY REVENUE CERTIFICATION BOARD TO CERTIFY REVENUE FOR STATE BUDGET PURPOSES Do you approve amending the State Constitution to create a New Jersey Revenue Certification Board? The board would certify the amount of revenue on hand and anticipated for the current and upcoming State fiscal years. The revenue for the upcoming fiscal year would have to be equal to or greater than the amount of proposed spending for the State to adopt a budget.
	NO	INTERPRETIVE STATEMENT This amendment creates a New Jersey Revenue Certification Board. The board would have three members: one from the executive branch of government; one from the legislative branch of government; and one public member selected by the other two members. The board would certify the amount of revenue on hand and anticipated for the current and upcoming State fiscal years. The revenue certified by the board for the upcoming fiscal year would have to be equal to or greater than the amount of proposed spending for the State to adopt a budget. Currently, the governor alone certifies the amount of revenue on hand and anticipated for the current and upcoming State fiscal years.

SCHEDULE

This constitutional amendment shall take effect and shall apply to the next State fiscal year following voter approval of this amendment.

STATEMENT

This constitutional amendment creates a New Jersey Revenue Certification Board. The board consists of three members: the State Treasurer, or its successor in the executive branch of State government, the Legislative Budget and Finance Officer, or its successor in the legislative branch of State government, and a third public member selected by the other two members. The public member serves for a term of four years and is required to have certain qualifications set forth by law.

The New Jersey Revenue Certification Board will provide a consensus certification of State revenues on hand and anticipated to be received by the State during the present and next commencing State fiscal years to support annual State appropriations. The amendment requires the New Jersey Revenue Certification Board to convene one or more public hearings at the place or places it designates during the second quarter of each State fiscal year, at which the board will receive public testimony.

The revenue certified by the board for the upcoming State fiscal year would be required to be equal to or greater than the amount of proposed spending for the upcoming State fiscal year in order for the State to adopt an annual appropriations act. Currently, the governor alone certifies the amount of revenue on hand and anticipated for the current and upcoming State fiscal years.

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New Jersey State Legislature

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATE HOUSE ANNEX
PO BOX 068
TRENTON NJ 08625-0068

PUBLIC HEARING NOTICE

The Senate Budget and Appropriations Committee will hold a public hearing on Monday, July 23, 2018 at 1:00 PM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The public may address comments and questions to Jordan M. DiGiovanni, Brad M. Schavio, Committee Aides, or make bill status and scheduling inquiries to Samantha Cappas, Secretary, at (609)847-3835, fax (609)943-5995, or e-mail: OLSAideSBA@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The public hearing will be held in accordance with Article IX, paragraph 1 of the New Jersey Constitution and Rule 24:3 of the New Jersey Senate on the following Senate Concurrent Resolution.

SCR-132 Sweeney	Amends State Constitution to create joint legislative and executive branch New Jersey Revenue Certification Board to provide consensus certification of revenues for State budget purposes.

Issued 7/16/18

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SENATOR PAUL A. SARLO (Chair): Let's call the meeting to order.

I want to welcome everybody back.

I'd like to call the Senate Budget and Appropriations meeting together for July 23, 2018, at 1 p.m.

This is a public hearing; there will be no action taken by this body today. This is a public hearing. The public hearing will be held in accordance with Article IX, paragraph 1, of the New Jersey Constitution; and Rule 24:3 of the New Jersey Senate on the following Senate Concurrent Resolution.

Before we go any further, roll call.

MR. SCHAVIO (Committee Aide): Senator O'Scanlon.

SENATOR O'SCANLON: Here.

MR. SCHAVIO: Senator Addiego.

UNIDENTIFIED MEMBER OF COMMITTEE: She's here.

MR. SCHAVIO: Here?

Senator Thompson.

SENATOR THOMPSON: Here.

MR. SCHAVIO: Senator Oroho.

UNIDENTIFIED MEMBER OF COMMITTEE: He's absent.

MR. SCHAVIO: Senator Bucco--

UNIDENTIFIED MEMBER OF COMMITTEE: (off mike) He's here.

MR. SCHAVIO: --is here.

Senator Sarlo.

SENATOR SARLO: Here.

MR. SCHAVIO: Senator Stack. (no response)

Senator Greenstein.

SENATOR GREENSTEIN: Here.

MR. SCHAVIO: Senator Sweeney.

SENATOR SARLO: He's here.

MR. SCHAVIO: Senator Ruiz.

SENATOR RUIZ: Here.

MR. SCHAVIO: Present.

Senator Cruz-Perez. (no response)

Senator Diegnan. (no response)

Senator Singleton. (no response)

SENATOR SARLO: Okay.

Today we have one item on the agenda, SCR 132; Senator Sweeney's Bill. It amends the State Constitution to create joint legislative and executive branch New Jersey Revenue Certification Board to provide consensus certification of revenues for State budget purposes.

Again, this is a public hearing; there will be no vote taken or action taken by this body today. There are no amendments to read or -- it's as introduced.

So we have three folks who have signed up to testify.

Is William Glasgall-- Mr. Glasgall, I see you have a presentation for us.

Mr. Glasgall represents the nonpartisan Volcker Alliance group. I'd like to bring you up, sir; and if you have any other folks who you would like to bring up with you, please do so.

And just introduce the folks who are going to be testifying with you.

And then, after that, we're going to hear from New Jersey Policy Prospective.

And John Tomicki has signed up.

WILLIAM GLASGALL: Well, thank you, Senator Sarlo; and thank you, members of the Committee, for inviting me to testify today.

As you mentioned, my name is Bill Glasgall, William Glasgall. I'm Executive -- Senior Vice President and Director of the State and Local Initiatives at the Volcker Alliance. For your information, the Volcker Alliance is a nonpartisan, nonprofit based in New York. It was set up in 2013 by former Federal Reserve Chairman Paul Volcker, a lifelong civil servant himself and a great devotee of good government.

It was launched to address the challenge of effective execution of public policies and to rebuild public trust in government. We operate in three general areas. One is State and local fiscal sustainability, the second is financial regulatory reform, and the third is public service excellence. I'll devote myself today to questions of State and local fiscal sustainability and forecasting methods. Information about the Alliance is available on our website, which is referred to in the presentation.

So what I'd like to do today is talk about the art and science of budget forecasting. I'm not a budget technician by profession or by trade. I'm actually a journalist of over 40 years standing; and most recently ran the State and local coverage for *Bloomberg News,* including the bureau in this very State House. So I'm very familiar with Trenton, both from the Press Row side and also as a resident of New Jersey for the past 30-odd years.

I care very much about this state, and I care how the budgets are put together.

So let's just go, for one second, to what we said in our 2015 report on State budgets. We described how the State puts together its revenue forecast currently, which is a very important thing. Because unlike 28 other states, by our count, New Jersey does not use a consensus of forecast from the Governor's Office, legislative leaders, and outside experts to build an estimate of revenue to include in the General Fund budget.

Instead, the Governor's proposed budget includes the Chief Executive's estimate of resources available for the upcoming fiscal year. The Office of Legislative Services provides a separate revenue forecast. While both are reviewed by the Legislature -- which can adjust the projections -- the Governor has the final say -- the certification -- because his or her certification of State revenue is required as part of the final Appropriations Act. That's, to our understanding, the way things stand now.

And I'll discuss that in a minute, but first I'd like to put this in a little bit of context in what we're researching in states right now, and why we chose revenue forecasting as one of the key areas to look at.

We've been running a 50-state budget survey, called *Truth and Integrity in State Budgeting.* We published a big report last year; we published supplementary materials this year. We're about to publish a new run of it later this year or early next year. The first one covered Fiscal Year 2015 through 2017; we'll go out to 2018 and 2019 as we go along, God willing.

We identified five key budgeting and financial reporting procedures. We graded the states' performances in each area. We decided not to do an overall grade for each state, as some other organizations do, the idea there being that even the states with the biggest challenge sometimes have practices that are worth emulating -- New Jersey among them -- and some of the states that may have Triple-A credit ratings and are shining stars have areas they can improve. We noticed that in Texas and Virginia, for example.

So as part of this, we propose best practices for states to follow based on our survey research, and also research by other academics and experts in the field. We intend to continue our evaluations annually, in cooperation with university partners -- I'll mention that in a second. We hope to help bolster the university teaching of public budgeting and finance -- and we've seen some evidence of that already -- and we want to encourage further university-based research, based on our own research and findings.

How we put together our grades and our research is unique, I think, among budget folks and organizations. We're very virtual; we are a network of 11 public universities around the country, ranging from CUNY in New York to the University of California, Berkeley, and the University of Utah in the West. They've all assigned teams to research a standard set of questions, which we then normalize and come out with grades. We have a public finance consulting firm working with us to make sure our findings are accurate and realistic, and we also have a writing team that has done work for years for the PEW on state forecasting issues.

We've done some follow-up research in debt management, tax expenditure, and transparency -- something that New Jersey is very, very good at, by the way -- infrastructure deferred maintenance costs, economic health, and city budgeting. A lot of this research is being performed by members of our network because there's nothing that excites an academic more than data and the challenge to write papers. So this has been very productive for us.

This year, as I mentioned, among our new publications are State Budget Report Cards; I think there's a copy of the New Jersey Report Card floating around here, and I'll refer to that in a minute. I have copies here if you'd like. Our State Budget Data Lab, which presents a lot of our key findings in visual fashion; it's a very nice data visualization. And of course we'll have a Phase II of *Truth and Integrity in State Budgeting* in a few months.

So among the best practices-- I don't think we need to go through all five of them, unless you wish to later. But we looked at budget forecasting; budget accounting, which is basically looking at the use of one-time actions to balance the budget; legacy costs, which are pensions and OPEB, a major consideration in this state as well as many others; reserve funds: whether they exist, whether there are policies that govern their use, withdrawals, and replenishments; and transparency, mostly the state of the State's budget website and how the State discloses things like infrastructure deferred maintenance and tax expenditures.

So we'll focus today on budget forecasting; and our idea that using a consensus approach to establishing single binding number for revenues and expenditures. We also think states should provide long-term estimates, by which we mean three years past the current fiscal year. Some states do, some states don't; but that's not a matter for this legislation.

So let's look at our budget grades for a second.

You may notice from the handouts, that I think many of you have, as well the picture on the screen that New Jersey, not surprisingly, was not a top scorer. It didn't get an *A* in any of our categories. Jersey has a lot of challenges, which are well-aired. I wish we could give an *A,* and I hope someday we will give an *A,* to New Jersey. But in budget forecasting, only nine states got an *A* grade. That means they had to meet a fairly high bar of not only having consensus forecasting, but doing long-term revenue forecasting, some version of expenditure forecasting, and some other items as well; 9 out of 50 means it's a very selective crowd.

And you'll see in there some states with significant financial challenges, like Connecticut and Rhode Island. Even Virginia had some challenges a few years ago. So you don't have to be a stressed state -- or you can be a stressed state and still look into the future with some degree of accuracy and care. And I think that's very important.

Among the worst graded states -- New Jersey did not get the worst grade in budget forecasting, which was a *D*-minus. We decided there are no failed states, so a *D*-minus is the lowest you could get. But New Jersey did rank a *D*, and I'll return to that in a second.

Not surprisingly, Jersey also ranked poorly in legacy costs; and actually did fairly well in transparency and some other areas.

In our report cards you'll see that in budget forecasting, I mentioned Jersey got a *D*; in budget maneuvers, Jersey got a *D.* Again I won't return to that today; but there are some states that have a history of using one-time actions to balance budgets. The thing about balanced budgets -- 49 states have laws, statutes, or constitutional requirements for balanced budgets. Only Vermont doesn't have an explicit requirement in the code.

But nobody really defines what a *balanced budget* is. One advantage of a good forecasting procedure is that it really helps that you keep an eye on what the state of our budget is. I might point out that Maryland does a wonderful job at long-term revenue and expenditure forecasting; publishes a very nice graphic in its annual budgets that show you what the expected deficit is, several years going out. So it's looking ahead; it's giving people an idea of -- here are the challenges we face, not just in this fiscal year, but the next fiscal year, and the next, and the next after that.

That's why I think that forecasting is really, really important; because it's a decision-making tool, it's not an expediency measure.

In the budget indicators that went into our grades, we mentioned that Jersey consistently, across the board, got a poor grade for its lack of consensus revenue forecasting. It also didn't do well in the area of mid-year expenditure forecasts or multi-year revenue forecasts. So in general, we think New Jersey has a ways to go in how it forecasts.

And we're going to turn now to the matter at hand, which is consensus forecasting and revenue forecasting challenges.

So let's put this in context.

We want to take -- we're considering, here, a very momentous bill; a constitutional amendment that really is going to change the way New Jersey does business. Constitutional amendments are very important; once they're done, they're hard to undo. So you have to think very carefully about what you're doing.

We've identified this as a best practice, and we would be very happy to see New Jersey go in this direction. And this comes at an opportune time to change the way you forecast because there are a lot of new challenges, recent challenges to budget forecasting that we've noticed. These are some data from Standard and Poor's.

But the point here is that State revenues, in general, are lagging the gains that they achieved in past recovery. That red line at the bottom of the chart there -- that red line is where revenues are roughly today, since the end of the last recession in 2009. So, in general, states have just about pulled even with where they were a decade ago. Every other recovery we've seen -- the recovery after the tech crash in 2000, the recession in the 1990s, and the recession in the 1980s -- State revenue rebounded very quickly. So all of a sudden, we have a new world. Is this an anomaly, or is this the new normal? It's a forecasting question, and it really requires a lot of attention; the more attention, the better.

Secondly, State revenues-- How the states forecast revenue is really important because there are a lot of fixed costs that are eating up General Fund budgets. Again, this is some data from S&P and NASBO, the National Association of State Budget Officers. It shows that, right now, about 30 percent of New Jersey's revenue is being consumed by Medicaid, debt service, pensions, and OPEB. It's leaving you a smaller piece of revenue to forecast on. And within those fixed costs, there's a lot of question now about what will happen to the Federal contribution for Medicaid; and how much will the State have to throw in, especially if Medicaid is translated into block grants; what the future of OPEB spending will be in this State if the government and the unions reach a different deal on healthcare spending.

So there are a lot of uncertainties that we really haven't seen in past decades that make forecasting much more challenging.

Moving on to the next picture -- this is probably the biggest thing to worry about. This is data that was compiled by Don Boyd, late of the Rockefeller Institute; and Lucy Dadayan, as well as data from the Census and the BEA, the Bureau of Economic Analysis.

And it shows that, for about 25 years, there was a pretty good correlation between real GDP growth in the United States and real state tax revenue. That seems to have broken down about 15, 16 years ago. Revenue is much more volatile today in many states, especially states that depend -- like New Jersey does -- on income taxes. This could be because of the role of capital gains and the deal cycle. It's certainly the case in California, in New York, and Connecticut. It could be for some other reasons. But whatever the cause is, it's becoming harder and harder to come up with a really good forecast of revenue, simply because you can't forecast what's going to happen in the stock market in a given year. You can guess; the pension actuaries can give us a guess on expected returns. But it's a guess; it's not really a forecast.

So the more inputs you have into this forecast, probably the better off you're going to be, or the more robust debate you're going to have.

So let's look at consensus revenue forecasting advantages.

This is a chart that's a little hard to see, but it's in your package. One thing we notice is that a lot of states with financial challenges have ranked lower in budget forecasting grades than states that have ranked higher. Jersey is kind of in the low range there, as we said before. But it's something to think about. It's really -- this is really something you need to look at to increase the financial sustainability of this state.

So why use consensus revenue forecasts at all? I'm going to give some basic principles, and then a couple of examples here.

Number one, consensus revenue forecasts are inclusive by nature. They are typically created by a group of contributors, often involving both parties of the legislature, either directly or through an office like the OLS. The Executive Branch contributes; and sometimes outside economic experts. The bill before this Committee leans towards the Virginia system, which relies on outside experts, as well as the Legislature and the Governor. Virginia, as I'll point out again, really has a good record in this area. That isn't to say they haven't had revenue misses; everybody makes mistakes. But Virginia does come to a decision on revenues with great consideration, and also with great care.

Consensus revenue estimates may allow states to avoid producing budgets with parts predicated on a variety of different estimates; one from the Legislature, for example, and another from the Governor's Office. I think it's better to have a single number to focus on so you could really spend your time debating spending priorities, which is really what this is all about.

And I'd like to just make a small quote on that very point. Liz McNichol, from the Center on Budget and Policy Priorities, a couple of years ago did a research paper quoting John Mikesell, who is at Indiana University -- probably the god of revenue forecasting, and one of the gods of budget professors in general. He said, I quote, "A consensus-type process creates a sense of ownership, consensus, and acceptance among competing actors who find political power in the budgeting process. They may struggle to come together without that sense of ownership, which could then prompt them to ignore the revenue estimate as a constraint on spending. Thus, a consensus process can improve future fiscal balance by avoiding situations where a state adopts a budget that spends more than it can reasonably expect to collect in revenues."

They've done a lot of good survey work on this subject that's very complementary of the work we have done.

Some of the other ideas of why consensus revenue estimates make sense -- they may give policymakers an opportunity to spot risks and opportunities, as well, that a single input may miss, especially if that number is certified. Now, consensus revenue forecasts are not necessarily more accurate than ones produced by the Executive Budget Office -- there's a fair amount of academic research in that area -- and that's understandable, because things change. The Federal government changes policy; a new tax law comes in; and the Medicaid funding formula comes in; we have a recession that's deeper than we expect. There are a lot of things on the negative side. And on the positive side, you have a stock market boom, it throws off a lot of capital gains revenue; the Supreme Court rules in favor of Internet sales taxes -- boom -- there's like $180 million for your budget.

So things change very quickly, and are not inherently forecastable. But we think that the forecasting process is likely to go much more smoothly when all the parties involved in forming a budget agree on a single revenue figure.

Consensus estimates, especially if they're revised periodically during the fiscal year -- or by biennium, depending on the state -- may reduce the likelihood of having to convene a special legislative session to address revenue shortfalls.

And finally, consensus forecasts may reduce the need or temptation to tap one-time revenue sources to fund continuing expenditures. This is a practice that's widely used in the states; some to a greater degree, and some to a lesser degree. Sometimes it's absolutely necessary, when the bottom falls out of the economy. But when it becomes -- when one-time revenue sources become a mainstay of the budget -- as they are in several states -- you have to wonder about the state of forecasting in general.

So let's look at a couple of best practice states right now that we've identified. And I'll cite a couple also that aren't in the handout.

Florida has an annual budget; it relies on the work of the Revenue Estimating Conference, which has almost mythical properties in the state. I talked to their debt manager about this at a conference last week, and it's where everything starts. The Conference has met twice in 2018 so far. Their estimates are based on input from the Governor's Office, the Senate, the House of Representatives, and the Department of Revenue, very much like what you're proposing here.

The principal members -- three from the legislature, one from the governor's office -- must all concur in order to have a state forecast. So this is *really* a consensus. The process is intended to ensure that multiple contributors determine a single revenue number on which to build a budget, as I've mentioned before, leaving more time to debate spending priorities.

Virginia -- Virginia has a biennial budget and, unusual among states, has a one-term governor. So the governor basically gets to do one budget in his or her term.

But Virginia has a highly structured revenue forecasting process. The revenue assumptions and methodologies themselves are subject to periodic review by a volunteer state board of professional economists. Actual revenue estimates are reviewed by a consensus group of executive and legislative political leadership. And then the law requires that governors present a forecast of economic activity each fall, with additional reviews of revenue midway through the fiscal biennium. The so-called *money committees* -- the House Appropriations and Senate Finance committees -- can adjust appropriations to address any expected revenue shortfalls.

But this is a highly structured process. It hasn't left Virginia immune to revenue misses -- and I'll get to that in a second -- but it's structured, and seems to work very well because it has buy-in from so many different communities.

And then we have Washington, which is a sales-tax state. It has no income state. Washington has a biennial budget. They rely on the Economic and Revenue Forecast Council, which includes representatives of the legislative and the executive branches, as well as the state treasurer. Four times a year the organization adopts a bipartisan revenue review, which is then used to build the state's operating budget. So four times a year, they are going back to the well to check those numbers out. So this is a very dynamic consensus process; it's not "do it once, and forget about it." And I would urge New Jersey, when it's considering adopting a consensus revenue forecasting system, to make sure that this is an ongoing system and not just a once-a-fiscal-year effort.

We should also mention Massachusetts as a good practice. Although Massachusetts does not have a budget -- it's the only state without a budget right now -- the budget is being held up by a dispute over immigration laws, and not over fiscal laws. So they are operating with, effectively, continuing resolutions.

But in Massachusetts, the Executive Budget Office develops the budget collaboratively with the legislature; emphasis on *collaborative.* The state also holds annual consensus revenue hearings, which are chaired by leadership in the Executive Budget Agency as well as the House and Senate Budget Committees. During the hearings, the executive and legislative leadership hear testimony from budget experts and economists regarding revenue projections, and adjust according. So again, it's a pretty dynamic system.

And to cycle back to Indiana -- I mentioned John Mikesell. He and his colleague, Justin Ross, at Indiana University, did a very, very good look at Indiana's revenue forecasting system; which has some unique properties, and yet is very deeply accepted.

Indiana has a reputation for having very accurate forecasts. It's very tough to say one state's forecast is more accurate than another's because the revenue mix in each state differs so much. So it's -- trying to determine whether that number is accurate or not, in comparison to another state, is -- it's tough. But Indiana, according to Mikesell and Ross -- Indiana uses something called the *Revenue Forecast Technical Committee.* They create a methodology that translates the macro forecasts in the economy into the revenue baseline in a transparent manner. And the committee operates under no constraints in regard to how it manages that process. It forecasts several tax components, including the general sales tax, individual income tax, corporate income tax, and revenues from gaming as part of producing the total revenue forecast.

And some of the other states I've seen that have consensus revenue forecasts do increduily detailed line item forecasts, down to very minute items, something that is worth paying attention to.

The RFTC -- the committee is not a product of state statute. This is something that's codified in practice. There are actually 15 states, according to Mikesell and Ross, that don't have a statutory assignment of forecasting responsibilities, but do it through common practice. Much as Vermont doesn't have a balanced budget law, but absolutely, faithfully adheres to the practice.

In Indiana, the norm is to include a representative from the State Budget Agency, usually the head of the Tax Review Office; the House Republicans; the House Democrats; the Senate Republicans; and the Senate Democrats; plus a tax economist from a state university, as a completely neutral expert; and then representatives from the legislature. (Indiscernible) the Senate Finance and House Ways and Means Committee staff -- they assist in preparing these forecasts.

So it's very broad; it's very wide. It's done through consensus, in the sense that everybody agrees on it, but it's done without law. I think doing it in law really makes a lot more sense just because -- you have it there, and you can't vary from it.

I mentioned before that revenue misses do happen. We don't need to belabor it, but New Jersey had a revenue miss in Fiscal Year 2015. We've mentioned that the revenue estimate at the time may have been overly optimistic, after some revenue estimates that were right on the nose. Was this politically driven? Was this driven by forecasting mistakes? It's hard for us to say, in our research. But the fact is, you can have good revenue forecasts and still miss it. And the idea there is, you need to keep redoing it.

I mentioned Virginia also. Even though they have a very good forecasting process, in Fiscal Year 2013 and 2014, what initially looked like a very reasonable forecast became much less reasonable. You had a $350 million unexpected shortfall in non-withholding income taxes. This affected a bunch of other states also, and it stemmed from the -- really, the state's misinterpreting the permanence of increases in capital gains tax revenue that were realized when President Bush's tax cuts expired in 2012.

Virginia also had some difficulties after the budget sequester. Virginia is very, very dependent on Federal revenues in its economy, and that's one of those inherently unforecastable items that required the state to adjust, dip into rainy day funds -- which were very appropriate, because the state replenished the funds. But the fact is that sometimes you can have the best forecast, but you can still have misses. And that's okay; this should be a dynamic process, and one that's done over and over again.

I wanted to call your attention, finally, to what's going on across the Delaware in Pennsylvania.

Pennsylvania-- I don't know if you folks know about it or not, but Pennsylvania is also considering a revenue forecasting bill. They are not taking it to the amendment route.

Seth Grove, a Republican representative, has proposed a bill; it's now in the House Finance Committee. And it's a pretty broad panel, that would forecast binding revenues under his plan. It would include the Secretary of the Revenue; Secretary of Budget; the Majority and Minority Appropriations Chairs of both House; a public representative appointed by the Governor; a public representative appointed by the President Pro-Tempore of the Senate; a public representative appointed by the Speaker; one -- another public member appointed by the Minority Leader of the Senate; similarly, one from the Minority Leader of the House; and the Director of the Independent Fiscal Office.

The estimate must be approved by 11 members to ensure a nonpartisan estimate is approved by the committee.

And I won't go into the details; it's all on their website. But the point is, they're looking at an extremely inclusive system. Interestingly, should the estimate approved by the committee have an error rate of 3 percent or more between estimated revenues and collected revenues, the committee has to go back to work and develop a new model for forecasting revenue collection. So there's a bit of a check and a balance here. If they mis-forecast, it's time for a new model.

I should also mention that a couple of states -- Indiana and Utah among them -- are now experimenting with stress testing state revenues, basically just to see how they'll do in a downturn. Utah recently passed a bill that requires a three-year forecast of revenues and a three-year budget forecast. It was passed, partly in response to our citing of best practices and criticism. And I think that the idea that states are starting to stress test the revenue in a formal, codified sense is very interesting; and should work into the forecasting process in more states.

And with that, I'll conclude my remarks; and thank you very much.

SENATOR SARLO: Thank you; thank you for a very comprehensive presentation. I appreciate you giving us all copies of your slides as well. I appreciate you having them prepared for us as well.

Questions from our colleagues here?

Senator O'Scanlon.

SENATOR O'SCANLON: Sure.

Thanks for being here and giving us your insight.

I've been to your website; you've done a lot of respectable work across the board--

MR. GLASGALL: Thank you.

SENATOR O'SCANLON: --despite your opening statement -- the credibility-killing aspiration of restoring the public's faith in government. I share that aspiration as well, as far-fetched as it might be.

So you've seen what's prepared here in New Jersey. You've had a chance to look at it; what do you think? I mean, you all -- every member of the Legislature should have some idea of consensus forecasting; you shouldn't be in the Legislature if you haven't done a little bit of research. What do you think of this particular proposal?

MR. GLASGALL: I think it's-- What's nice about it is, it's simple; it's simple and easy. It's simple, in the sense that unlike some other systems that have many members and many constituencies, it appears to be simple and balanced. I would like to make sure that any revenue forecasting system is dynamic, as I mentioned in my remarks; and that it comes back on -- that the panel comes back at this, on a regular basis, to check their-- Not just when things go awry; but to check their work. And that's my major suggestion. But I think the proposal is simple, and easy to understand, and really gets to the heart of this issue.

SENATOR O'SCANLON: So overall, you think it's a good proposal, at this point -- with all your experience, and your experience looking at all the states.

MR. GLASGALL: I think it matches, it matches-- You know, we're a nonpartisan organization, so we haven't taken positons on specific pieces of legislation. I think that the New Jersey proposal certainly lines up really nicely with our identification of best practices, and may be something to build on.

SENATOR O'SCANLON: And it's working -- similar systems are working in the other 28 states that use consensus.

MR. GLASGALL: Yes; I mean, I think there's a reason why 56 percent of the states use this process.

SENATOR O'SCANLON: So it's simple; we're not reinventing the wheel; were looking at best practices in other states. So it's a sound proposal--

MR. GLASGALL: I think so, yes.

SENATOR O'SCANLON: --in your assessment.

MR. GLASGALL: And I just wanted to add, if I may.

I neglected, in my -- at the beginning of my talk, to credit Robert Chislett, our Program Fellow, who is sitting next to me, who did a lot of the research for this work.

SENATOR O'SCANLON: Thank you.

You mentioned volatility; and it would stand to reason that consensus forecasting would become more valuable and more necessary the more volatile your revenues are. Would you agree with the statement that the more a state relies on, for instance, higher incomes folks, the more volatile their revenues would be; particularly a state like New Jersey, that's dependent so highly on high income earners, who are then dependent on the volatility of the markets?

You agree with the statement that, as a state concentrates more of its revenue on higher income earners, consensus revenue forecasting becomes more valuable and important.

MR. GLASGALL: Yes, sir, I would. And I think that that's the case in general. California, which doesn't use a consensus revenue system-- This is an issue for California, for New York, for Connecticut -- many of the states. You know, New Jersey is number two in personal income, per capita, in the United States; Connecticut is number one, both because they have -- both states have a large -- have a good share of very high income residents. It's a deal with -- it's a bit of a deal with the devil because you're getting in when-- When years are good, your collections are great; when years aren't so good, your collections are terrible. And I think that revenue volatility is a result of this.

SENATOR O'SCANLON: Well, revenue volatility is bad for everyone, particularly bad for middle income folks, lower income folks, who depend on State services that then have to be cut when you have the bottom fall out of revenues. But that's a discussion for another day. Hopefully you'll come back and I'll be hearing on that.

But thank you for your time; I appreciate it.

And for all those reasons, I am in full support of this policy.

MR. GLASGALL: Thank you, Senator.

SENATOR O'SCANLON: Thank you.

MR. GLASGALL: Thank you.

SENATOR O'SCANLON: I commend the Senate President's efforts.

SENATOR SARLO: Thank you, Senator O'Scanlon.

Questions, comments?

Senate President Sweeney.

SENATOR SWEENEY: I just want to thank you for coming here and shedding some light on the process, and what goes on around in other states in this country.

We can always do better in every area, and this is one I think that is really critical. And I just appreciate the presentation you gave us, and your honest opinions on how we're doing. And a *D* doesn't work in my book; and the volatility and just the uncertainty, from year in and year out, doesn't work either; and we need to come up with a better process of predictability so we can run government.

So again, thank you for coming today.

MR. GLASGALL: Thank you very much, Senator.

And if there's anything we at the Volcker Alliance can do to help in your deliberations, please let us know.

SENATOR SARLO: Thank you, sir; thank you for an in-depth presentation. We appreciate it, and we appreciate you providing us with documentation as well.

Thank you.

MR. GLASGALL: Thank you, Senator.

SENATOR SARLO: We have two other folks to testify.

New Jersey Policy Perspective, Gordon MacInnes; and he will be followed by John Tomicki, League of American Families

G O R D O N A. M a c I N N E S: Thank you, Mr. Chairman, members of the Committee.

I appreciate this opportunity very much.

We have reviewed carefully, as carefully as we could, the budget as legislated and enacted. And we end up with two points of view, each of them held very strongly.

The first is, in dealing with the proposed constitutional amendment -- the content of the amendment is very positive; even though in many years, as New Jersey budgets were considered and approved, the estimates of revenues by OLS and the Executive were quite close, as they were again this year.

But nevertheless, it's important to establish what this constitutional amendment would establish -- which is, better public information, a more diverse point of view; and it would, therefore, I think strengthen the budget process, both in terms of the accuracy of what we end up with, and with the public understanding of it.

So for that I commend the Senate leadership, and this Committee, for considering the idea of amending the Constitution.

The second part of our reaction to this is as soundly negative as the first point was positive.

And here's what we're very negative about: The Constitution has been in place for 71 years, and for 71 years we've abided by the premise that the Governor should be the sole source for certifying revenues in the annual budgets. And yes, there have been all sorts of budget issues that have arisen; sometimes the difference in revenue certification and what individual Legislators or OLS thought would be the case have been important. But nevertheless, we've gone through these 71 years with a single certification required for the revenues, and that comes from the Governor.

All right; this year, we had the contentious, lively -- if you might say -- contentious budget brawl between the Governor and the Legislature, even though they both are registered in the same political party. And that was okay. The fact is that the process was, in the end, a very accelerated one. The Governor presents his budget address in March. We had 35-- I don't know; was it 35, or 37, or 34 public hearings? A great opportunity -- every cabinet officer is summoned, testimony is taken; every citizen has the chance; every lobbying group appears. Hearings are held throughout the state, so it's convenient to citizens and to the public, not just to the members of the Legislature.

We go through that, and then, on June 18, we change everything that counts; that is, the area of controversy, the area of discussion in the budget has to do with where are you going to get the money that you're now going to spend.

And there we saw a profound shift; it took place between the Governor, who said, "Let's find more revenue; let's increase the sales tax back to a number that everybody can calculate," away from 6.625, or whatever it is that is now the percentage, "And let's also do a millionaires tax that kicks in when you're a millionaire, at $1 million and north." Okay.

Well, that was changed; it was changed quickly. It was changed dramatically, in one respect, because we substituted the sales tax -- one of the three most efficient and largest sources of revenue in the budget -- with the corporate business tax, the smallest of the three major sources, and also the least predictable. And that became the main source of funding. We'll find out, down the road, with all the changes taking place in the Federal tax system, whether our projections are going to be within an acceptable margin of error on the actual revenues this year. It's taking a big chance.

So here's the point about all this. There should be time for the proposed constitutional amendment -- which changes, after 71 years, the way we make an important set of decisions, how much money do we have to spend -- there should be time for that to be reviewed, examined, debated, before it is enacted in its final form.

Now, you may say, "Well, wait a minute. If the people approve, we'll introduce a bill to implement this; and all of that will be subject to the normal, studious, prolonged legislative consideration of that bill. And so you don't have to worry about the constitutional amendment itself; we'll address those other issues later."

Well, let's find out if, in addressing those issues, we really want to change our Constitution. Let's allow the time for this debate to take place before you hustle everybody in to vote on it 90 days before the election this November.

So the second part of our testimony would be, let's stop for a moment; let's be certain that we do not do this, and present it to the people for vote in November 2019. If it takes 72 years to make the change instead of 71 years, the damage will not be that great.

Thank you, Mr. Chairman.

SENATOR SARLO: Senate President.

SENATOR SWEENEY: Thank you, Mr. MacInnes.

But just because something's been in place 71 years, or 72 years, or 75 years, if new practices come forward-- And that's why I've always respected you; you look at them, you recognize if we can do better, shouldn't we do better.

MR. MacINNES: Right.

SENATOR SWEENEY: You know, there weren't cell phones in 1947. I don't think the Governor should have to resign his seat if he goes to New York. He should still be the Governor. I mean, I know we have an Acting Governor, Lieutenant Governor; but unless the Governor's incapacitated, he should be able to serve as Governor wherever he goes.

Well, it's time to modernize our system. I hear what you're saying: Give it more time. There are always going to be those who say, "Give it more time," because there are a lot of groups that don't want to see change. Because what I found out in the nine budgets that I dealt with is we think, when we're passing a budget, we're actually funding programs -- to find out that the Departments aren't spending the money because they know the numbers aren't real. And you follow what I'm saying, too --

where we might think we have $20 million for autism to help children with autism, that the Department only spends $10 million. Because they're told, going in, "We might have a problem; we can't spend the money," because when we have those April surprises, and we have a billion dollars we have to cut -- which we've all done here from time to time -- the money comes from the programs that we said we funded.

So having a more predictable, reliable source of -- a way of doing this -- and again, I have a great deal of respect for you -- is, I think, important for us. Because as we, as legislators, vote on a budget, and we think we're funding programs, and we believe in these programs-- And then we find out that the money's not there; that's not being really honest either.

And I have seen this, and I have talked to budget experts, and they said, "Well, you know, they're just making the numbers up." You know, I was actually told that when I first became the Senate President by somebody. "You guys just agree; you make the numbers up." It's done making up the numbers.

Look, this is step one. We should have multiple-year budgeting too; that's something we need to move forward on also. But wouldn't you agree that we need to improve the way we're doing this, I guess my question is?

MR. MacINNES: I do think that we need to improve the way we do it, and that's why I support, and NJPP supports, the content of the legislation.

Here's what we fear -- that this is a major shift in the constitutional authority of both the Legislature and the Governor; it dilutes the Governor's authority. And in the end, that doesn't end the world by itself. But if it's important to have a thoughtful, reflective, careful, and contested conversation about what counts in the budget, and how the money is being raised, let's allow that same discipline to be applied to making a major change in the Constitution of the State after 71 years; and therefore, let's do it in year 72 if it holds up after it's been exposed to a robust public review and discussion.

SENATOR SWEENEY: Chairman -- and then this is not for debate, but I just want to respond.

SENATOR SARLO: Understood.

SENATOR SWEENEY: We need to fix what we're doing; it doesn't work. We just had a bad budget with numbers we don't know are real or not real. And this is not-- Listen; there are many budgets like that, you know? We've been through it; it's time to fix the process, Gordon. If we were the only state-- If we were the first, what do you think? The majority of the states now do this because they came up with a better process.

Look, I look at the grades. I want to have an *A*; I don't want to be a *D*, you know? And the only reason we're not an *F* is because they don't have them, or we would be there. (laughter)

This is not a process we should be proud of; it's horse trading that hasn't worked. And it has nothing to do with any Administration; it has to do with the Legislature getting together with the Administration.

What really surprises me -- when I hear, "Well, you don't have access to the tax information we have." Why shouldn't we? You know, in 1947, the Legislature didn't have OLS. OLS and the Treasurer were almost exact going through the process, until the end. And then we wound up

$855 million short -- was pledged or claimed. Where did the $855 million go? Because we didn't find it; where did it go? -- $855 million we were told we were off. We don't raise taxes like that; you know it and I know it.

So a better process is needed. The people of New Jersey deserve it. And you know -- and if we don't do it perfect, we can fix it some more. That's how I look at it. But whatever, we have to do better.

And with that, Chairman, thank you for holding this hearing.

And Mr. MacInnes, I have the greatest respect for your thoughts on this too, because we're all in this together. The speaker (indiscernible) is a New Jersey resident. And you know what he said? "I care about this state. I live in this state, and I care about it." I think we all do. So let's come up with a better process; let's be better than what we've been doing over the years. A Constitution changes based on the environment at times.

So thank you, Chairman.

MR. MacINNES: Just to respond very quickly.

Oh, can--

SENATOR SARLO: I'd prefer not to.

SENATOR SWEENEY: (off mike) We'll talk later.

MR. MacINNES: Okay.

SENATOR SARLO: Yes; I mean, I--

MR. MacINNES: Nice; squelch freedom of speech. That's okay. (laughter)

SENATOR SARLO: Okay; go ahead, go ahead, go ahead. (laughter)

MR. MacINNES: It's okay.

SENATOR SARLO: I don't want that to be the headline today. (laughter)

Go ahead, sir.

MR. MacINNES: Go ahead?

SENATOR SARLO: Yes, I'll give you one minute.

MR. MacINNES: So I understand what the Senate President has said, and I appreciate the intensity of his feeling that this should be done. And I actually end up sharing the feeling that it should be done. I think there is very little lost if this is given the kind of careful attention that the Senate President wants to be given to the revenue estimates in the budget.

And you can't do that if it's going to be done in a 10-day period. Let's stretch it out; let's have the examination; let's have the debate. Let's answer the questions about how it will work, and then put it to the people for a vote. And I doubt if much would be lost; and you could have it in place for every budget for the year 2020 afterwards, and afterwards.

So in the end we disagree about the timing, not about the content.

SENATOR SARLO: Understood.

MR. MacINNES: And the timing is important.

Thank you.

SENATOR SARLO: Thank you, sir.

Thank you.

John Tomicki, the final presentation.

And I think we all agree, while we're sitting here listening -- we've all sat here, clenching our fists when we hear Treasury give their report, and then we hear OLS give a report. We just hope that they're on the same page. (laughter) Because when they're that far apart, it makes everybody's life a lot more difficult.

So we've all been there; we've been there years when they are really close, and years they've been far apart.

John, this is not about pro-choice or pro-life issues. (laughter) I just want to make sure.

JOHN TOMICKI: I'm glad you raised that (indiscernible).

For the record, my name is John Tomicki, Executive Director of the League of American Families.

And Senator, you may not realize that I received my first degree at the Wharton School -- so I share that with the Governor -- in 1956.

SENATOR SARLO: I knew that.

MR. TOMICKI: And I began to argue, at that point in time, about the future use of data that was going to come from the computer field. And eventually, in 1969, the Wharton School established the Wharton Economic -- Econometrics -- because I can't get it all the way out -- at the time. Also I have been spending time at NYU graduate school in business.

And you should know, for the record, the League of American Families, and our affiliates, represents about 100,000 households in New Jersey. We try not always to get in your face on all things; but on some things, we do. We have a chapter in Virginia; and in Virginia, they do do (indiscernible). It's highly structured, and it works.

Some of you know-- I've been down here since 1979. And I've seen the budget fights. We didn't participate in as many of them as we should. Senator MacInnes-- I had to remind him that we began to discuss this issue on our television program -- which we covered about six or seven counties in New Jersey -- about the changes that had to be made.

So let me answer the question that was being raised before, Senate President: It is time for a change. It's a commonsense solution. We've been through a bunch of budget crises, a bunch of set-downs.

My closing remark was going to be -- and I'm going to use now -- that no Governor should yield to the temptation of inflating figures or conflating figures for political whim or some kind of agenda. Everybody wants hard facts. You people deal with it, because you're the ones who looks to the voters. This is a tax that we put on. You're more responsible; you feel it. And right now, most people in this state, if you ask them, "Do you realize that the Governor certifies certain figures that you're stuck with?" they don't know.

So regarding time, they know this. They want honest, trustworthy figures. They want a change; they don't want to go through the situation of a budget crisis. They don't understand it. The public looks for certainties. So I disagree with Senator MacInnes. Is it time? Yes, it is time.

The only caveat that we have, and a concern that we have -- possibly it will be changed -- is that you have-- Senator Sweeney, you have two people who are appointed there; they would pick a third individual.

That is a good thing to do. But if the two don't agree, then what solution do you have, mechanically, to resolve that so that we can get that done, so we have the third?

You're going to need enabling legislation for the qualifications of the public member. Assuming this goes forward, I hope the Governor doesn't stand in the way and not want to sign that enabling legislation.

Again, Senator, relative to volatility, how do you plan for a Daniel Tepper saying, "I'm out of here"?

So the whole thing of consensus forecasting -- you people take it seriously. I'm glad I don't hear people saying, "Why are we here, Senator Sarlo? You talked about just one issue." All of us are interested in the same thing -- we want to have honest figures that we can trust, that we can then trust you how best to spend it.

So we are in support of the concept; I think it's a good thing. I don't care about the politics; you don't care about the politics. Some people say, "Well it is, or it isn't." We could have a lot of differences with Governor Murphy with free this and free that. And I'd love to politely say to him, "What did you forget? What did you learn in the Wharton School about socialism?" (laughter)

I'm glad I brought you a smile, because I have the same problem with somebody sitting in the White House. He's also forgotten some things about tariffs.

But by the way, thank you for the time you've given me; and more importantly, the friendship. Because although we can have honest debates and honest differences, by God we love this state, and we love this country, and we're willing to risk our lives to defend it.

So with that word, I wish you all a good summer; and we will see if this will be on the agenda in November. I don't know how you work the time limits, but I thank you.

And I'm available for any questions; but I'll bet you don't have any, because you don't want to hear my answers. (laughter)

Thank you, sir.

SENATOR SARLO: Thank you.

Senator O'Scanlon, did you want to comment?

SENATOR O'SCANLON: I have a quick answer to one of your questions.

How do you prepare for a Tepper leaving New Jersey? I don't raise the taxes and trot them out in the first place, so that's the answer to that question.

But thank you, John; I appreciate it.

And we have paragons of the left and the right here today. Senator MacInnes, from the left; and John from the right. We could not have a spectrum of politics in New Jersey be more completely represented than the two of you today.

I'm going to agree with you, John, and the Senate President, that this has been talked about for 20 years. So we're not reinventing the wheel, with all due respect to Senator MacInnes. The time to do this is now, as soon as possible. We heard from the nonpartisan Volcker folks that this proposal is very similar to the ones in other states. And every member of the Legislature should be paying attention to the concept of consensus forecasting, or they shouldn't be in the Legislature. So they should be able to digest this quick enough for us to be able to vote on this and get it on the ballot right away.

SENATOR SARLO: Okay; anybody else?

SENATOR THOMPSON: Yes.

SENATOR SARLO: Senator Thompson, before we--

SENATOR THOMPSON: First, a question for the sponsor; then something else.

A question was asked of me earlier, and that was -- the third member who is appointed -- is a third member appointed every year for the budget, or does that person get appointed for some period of time?

SENATOR SARLO: It's a four-year term.

SENATOR THOMPSON: What time?

SENATOR SARLO: It's a four-year term, Senator.

SENATOR THOMPSON: Oh, it's a four-year term. Okay, that was the first question.

The second thing, as I mentioned earlier, I would like to have an amendment considered -- the Senate President has indicated that there will be some timing problems on this, but I'll mention it nonetheless.

The proposed constitutional amendment, at the moment, says, "The revenue for the upcoming fiscal year would have to be equal to or greater than the amount of proposed spending for the State to adopt a budget."

That seems to encourage -- okay, increase taxes so we can get to the spending we want. I'd like to see it rephrased that the spending for the upcoming fiscal year would have to be equal to or below the amount of the proposed revenue for the State budget to be adopted.

So if there is any way to consider that as we go along, I'd like to see that considered.

SENATOR SARLO: Thank you, Senator Thompson. We'll take it under consideration.

Okay; that's it.

Seeing none, here and now I want to thank both partisan staffs; I want to thank the press; I want to thank the Office of Legislative Services for putting this together on a Monday in July.

Thank you, everybody.

We are adjourned.

(HEARING CONCLUDED)