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## A better budget for process New Hampshire

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BY BILL DUNCAN

New Hampshire state government revenues for this fiscal year are now \$50 million less than the Legislature projected when writing the budget last spring. Total revenue for the year ending this June could be \$100 million short, according to Dennis Delay of the New Hampshire Center for Public Policy.

The revenue shortfall last year, the second year of the last two-year budget, was \$300 million. That budget was passed in July 2007, well before the budget makers could have anticipated The Great Recession.

While some will try to make a partisan issue of this, these revenue shortfalls happen in New Hampshire regardless of the party in control of the Statehouse. We had an \$11 million shortfall in 1996, a \$50 million shortfall in 2002. In the other years, there was a surplus, which some would say is almost as bad.

But there's an important issue here beyond the finger pointing. New Hampshire is one of the states without an independent and formal consensus budget estimating process that reviews all the factors, including the economy, and projects anticipated revenues.

State revenue projections are almost always wrong. Every state has to contend with that. But we in New Hampshire have a very odd budgeting system — one that makes it much harder than it needs to be. Each odd numbered year, the House Ways and Means Committee gathers some advisers and sits around the table debating revenue estimates. They make a two-year budget and then, as the biennium unfolds, there is no established process for revising the budget in response to the inevitable revenue ups and downs. And there's no provision for revising the budget as the biennium unfolds. Not many states take as informal and error prone an approach as we do.

And there are other disadvantages. Say, just for instance, the governor and the legislative leadership were from opposing parties and the legislative majority wanted to reduce the governor's ability to pursue a program.

The House Ways and Means Committee could just drive the budgeting process by adopting a low revenue estimate. The governor would be reduced to pleading via press release — as Governor Lynch did in 2005.

Twenty two states, including Maine, Vermont and Massachusetts take this consensus estimating approach and legislators there will tell you that they are glad to be off the hook.

Maine, for instance, has for 18 years used a consensus budgeting process that has wide bipartisan support. Each year, a nongovernmental group does a long-term economic forecast. Based on that, the legislative and administrative staff make state revenue projections that go out six years. The Legislature adopts the projections for the next budget period, with changes if they want. The forecast is updated several times a year so, while Maine has a biennial budget, they revise it to reflect changing conditions.

Vermont has a similar process. Two private economists, one for the governor and one for the Legislature, do their projections independently, reconcile their differences and present the result for adoption by a five-person committee appointed by the Legislature and the governor.

We've had the beginnings of this process in place in New Hampshire. The group did meet and advise the Legislature, but the process never became formalized and fell into disuse.

Consensus revenue estimating does not guarantee accuracy. Maine and Vermont contend with revenue surprises as well. But they have an orderly process for updating projections and modifying the budget and do not get mired in partisan recriminations.

The Legislature should establish a new and better consensus process to estimate and revise projected revenues for the next biennium and out into future years.

The most important elements are that qualified private, nonpartisan economists make a forecast going out several years in a public report; that the governor and the Legislature adopt it as the basis for appropriations, with changes if necessary; and that there be a provision for revising it periodically.

We would then be prepared to take on the structural budget issues facing the state and begin to manage the budget instead of letting the budget manage us.

Bill Duncan is a resident of New Castle and a community member of Seacoast Media Group's editorial board.

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