

*Task Force
for Long-Term
Financial Analysis and Planning*



*Legislative Counsel Bureau
Bulletin No. 01-10*

**TASK FORCE FOR LONG-TERM
FINANCIAL ANALYSIS AND PLANNING**

BULLETIN NO. 01-10

**LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA**

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September 14, 2000

Dear Members of the 70th Session of the Nevada Legislature:

This report is being submitted in compliance with Assembly Bill 525 (A.B. 525) of the 70th Session of the Nevada Legislature. A.B. 525 established the Task Force for Long-Term Financial Analysis and Planning (Task Force).

As specified in A.B. 525, the Task Force consisted of 13 members; five members were appointed (three by the Governor, one by the Senate Majority Leader, and one by the Speaker of the Assembly), and the remaining eight members were specifically designated in A.B. 525. These eight members were representatives from selected executive state agencies, university research centers, as well as county and city governments.

A.B. 525 directed the Task Force to develop a process for the preparation and periodic update of long-term forecasts of state revenues and expenditures for use in planning and budgeting state programs. This report contains the recommendations of the Task Force for legislation to create a permanent non-partisan structure to produce long-term (10-year) forecasts. The report also provides the recommendations and intentions of the Task Force regarding the use of these long-term forecasts in the state's budget, planning, and appropriation process.

The Task Force met seven times, with the first meeting occurring on November 2, 1999, and the final meeting on September 6, 2000. The Task Force reviewed information on the state's revenue and expenditure structure, as well as the Governor's budget development and the Legislative appropriation process. The Task Force carefully considered the structure and function of the Economic Forum and its role in the state's budget and appropriation system. The Governor's Office provided information on the Governor's Fundamental Review of State Government program and the Fiscal Forum conducted May 4 and 5, 2000, in Las Vegas. The Task Force also reviewed the structure and function of long-term forecast processes used by other states.

Members of the 70th Session
of the Nevada Legislature
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This report was submitted to the Director of the Legislative Counsel Bureau for transmission to the members of the 70th Session of the Nevada Legislature as required by Assembly Bill 525.

The Chairman would especially like to thank the Task Force members and the staff of the Legislative Council Bureau for their efforts in developing the recommendations provided in this report.

Respectively submitted,

A handwritten signature in black ink, appearing to read "John Restrepo". The signature is fluid and cursive, with a large initial "J" and a stylized "R".

John Restrepo, Chairman
Task Force for Long-Term
Financial Analysis and Planning

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SUMMARY OF RECOMMENDATIONS

SUMMARY OF RECOMMENDATIONS

This summary represents the recommendations reached by the Task Force for Long-Term Financial Analysis and Planning created by Assembly Bill 525 (1999) to develop a process for the preparation and periodic update of long-term forecasts of future state revenues and expenditures for use in planning and budgeting state programs. The Task Force for Long-Term Financial Analysis and Planning recommends:

RECOMMENDATIONS RELATED TO THE ORGANIZATION AND COMPOSITION OF THE PROPOSED LONG-TERM FORECAST PROCESS

1. The Economic Forum will continue to be responsible for producing the state's official short-term general fund revenue forecasts. The composition and duties of the Economic Forum and the Technical Advisory Committee supporting the Economic Forum will remain as currently specified in statute (NRS 353.226 – 353.229).
2. A single body called the Forecast Council, consisting of seven members, will be responsible for reviewing and approving the long-term revenue and expenditure forecasts. The Forecast Council will consist of:
 - 1) the Senate Majority Leader or his/her designee from the Senate,
 - 2) the Speaker of the Assembly or his/her designee from the Assembly,
 - 3) the Governor or a designee from his/her executive administration,
 - 4) a member designated by the Governor from his/her executive administration,
 - 5) three members from the private sector appointed by the Governor.
3. Each private sector appointee to the Forecast Council must be an expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance, or other discipline necessary to economic planning and forecasting and be able to bring knowledge and professional judgment to the deliberations of the Forecast Council.
4. The private sector appointees to the Forecast Council will serve a four-year term and are eligible to be appointed to additional terms.
5. The members of the Forecast Council must select a Chairman from amongst the private sector appointees. The Vice-chairman will be selected from amongst the members of the Forecast Council.

6. A Revenue Technical Advisory Committee, consisting of nine members, will be responsible for producing the long-term forecasts of revenues presented to the Forecast Council for review and approval. The members of the Revenue Technical Advisory Committee are:
 - 1) Senate Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,
 - 2) Assembly Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,
 - 3) Director of the Department of Administration or his/her designee from the Budget Division of the Department of Administration,
 - 4) Chief of the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation or his/her designee from the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation,
 - 5) State Demographer,
 - 6) The Vice Chancellor for Finance of the University and Community College System of Nevada (UCCSN) or a person designated by the Vice Chancellor of Finance from UCCSN,
 - 7) Three representatives from the private sector appointed by the Governor.
7. Each private sector appointee to the Revenue Technical Advisory Committee must be an expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance, or other discipline necessary to economic planning and forecasting and be able to bring knowledge and professional judgment to the deliberations of the Revenue Technical Advisory Committee.
8. The members of the Revenue Technical Advisory Committee must select a Chairman from amongst the private sector appointees. The Vice-chairman will be selected from amongst the members of the Revenue Technical Advisory Committee.
9. The private sector appointees to the Revenue Technical Advisory Committee will serve a four-year term and are eligible to be appointed to additional terms.

10. An Expenditure Technical Advisory Committee, consisting of eleven members, will be responsible for producing the long-term forecasts of expenditures presented to the Forecast Council for review and approval. The members of the Expenditure Technical Advisory Committee are:
 - 1) Senate Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,
 - 2) Assembly Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,
 - 3) Director of the Department of Administration or his/her designee from the Budget Division of the Department of Administration,
 - 4) Chief of the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation or his/her designee from the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation,
 - 5) State Demographer,
 - 6) The Vice Chancellor for Finance of the University and Community College System of Nevada (UCCSN) or a person designated by the Vice Chancellor of Finance from UCCSN,
 - 7) The Director of the Department of Prisons or his/her designee with a background or expertise in the department's budget and expenditure programs,
 - 8) The Superintendent of Public Instruction or his/her designee with a background or expertise in the department's budget and expenditure programs,
 - 9) The Director of the Department of Human Resources or his/her designee with a background or expertise in the department's budget and expenditure programs,
 - 10) A representative from local government appointed by the Governor,
 - 11) A representative from the private sector appointed by the Governor.
11. The private sector appointee to the Expenditure Technical Advisory Committee must be an expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance, or other discipline necessary to economic planning and forecasting and be able to bring knowledge and professional judgment to the deliberations of the Revenue Technical Advisory Committee.
12. The private sector appointee will serve as Chairman of the Expenditure Technical Advisory Committee. The Vice-chairman will be selected from amongst the members of the Expenditure Technical Advisory Committee.
13. The local government appointee and the private sector appointee to the Expenditure Technical Advisory Committee will serve a four-year term and are eligible to be appointed to additional terms.

14. The Office of Financial Analysis and Planning within the Fiscal Division of the Legislative Counsel Bureau will be responsible for providing general and technical support to the Forecast Council, the Revenue Technical Advisory Committee, and the Expenditure Technical Advisory Committee. The Office of Financial Analysis and Planning shall assist the legislature in long-term financial analysis and planning, including, without limitation, long-term economic planning and forecasting of future state revenues and expenditures.

RECOMMENDATIONS RELATED TO THE POWERS AND DUTIES OF THE PROPOSED LONG-TERM FORECAST PROCESS

15. The long-term forecasts will cover a ten-year horizon.
16. The Forecast Council shall approve all long-term forecasts by March 1 of every even-numbered year.
17. The Forecast Council shall submit a written report that includes all forecasts of revenues and expenditures to the Director of the Legislative Counsel Bureau for distribution to all legislators, Legislative Counsel Bureau staff, and the Governor's Office for distribution to the Department of Administration – Budget Division and appropriate state agencies.
18. The forecast report must include the short-term forecasts as well as the long-term forecasts of all revenue and expenditure categories approved by the Forecast Council.
19. Each forecast report, except the one prepared for the initial forecast, must include a discussion of changes from the previous long-term forecast and separately identify changes caused by legislative actions approved during the previous legislative session.
20. Each forecast report, except the one prepared for the initial forecast, must include a comparison of the previous long-term forecasts to the actual performance of each revenue and expenditure category forecast by the Forecast Council.
21. The long-term forecasts will be presented to the Senate Committee on Finance and the Assembly Committee on Ways and Means at the beginning of each legislative session.
22. The long-term forecasts approved by the Forecast Council are “the official state long-term forecasts” to be used for all state planning and budgeting purposes. Any differences between the published long-term forecasts and any long-term outlooks presented in an agency's budget request or the Governor's Executive Budget must be identified and explained.

23. The Chairman of the Forecast Council has the authority to call for a review of the long-term forecasts at any time, if necessary.
24. The appropriate revenue or expenditure technical advisory committee shall produce estimates of budgetary changes proposed in the Governor's Executive Budget or by the Legislature during the session that will have a significant long-term impact on the state's financial outlook.
25. The Office of Financial Analysis and Planning shall request from the appropriate technical advisory committee an estimate of the long-term effect of a budget proposal or legislative measure if the Office of Financial Analysis and Planning determines an analysis is required according to the 2% criterion specified in Recommendations 26-29.
26. A long-term estimate of the fiscal impact of a proposal introduced by the Governor in the Executive Budget must be prepared if the proposal modifies an existing or creates a new revenue source or expenditure program that produces a projected fiscal impact in its first year of full implementation that amounts to 2% or greater of the second year of the biennial general fund revenue projections reported in the Economic Forum's December 1 forecast.
27. The estimate presented in the Governor's Executive Budget of the proposal's fiscal impact in its first year of full implementation will be used to determine if projections of the long-term fiscal impact are required.
28. A long-term estimate of the fiscal impact of a proposal introduced by the Legislature during the session must be prepared if the proposal modifies an existing or creates a new revenue measure or expenditure program that produces a projected fiscal impact in its first year of full implementation that amounts to 2% or greater of the second year of the biennial general fund revenue projections reported in the Economic Forum's December 1 forecast.
29. The estimate prepared by the Fiscal Division of the Legislative Counsel Bureau of the proposal's fiscal impact in its first year of full implementation will be used to determine if projections of the long-term fiscal impact are required of any proposal introduced by the Legislature during the session.
30. The Governor and the Legislature shall have the ability to request, through the Office of Financial Analysis and Planning, that an estimate of the long-term effect of a budget proposal or legislative measure be prepared by the appropriate technical advisory committee, even though the proposal or measure does not meet the requirements of the 2% criterion for consideration. The Governor shall be granted two requests and the Speaker of the Assembly and the Senate Majority Leader one each during each legislative session.

31. The technical advisory committees must produce estimates of the long-term impacts of proposals contained in the Governor's Executive Budget that satisfy the 2% criterion by March 1 of odd-numbered years.
32. The technical advisory committees must produce estimates of the long-term impacts of legislative proposals that satisfy the 2% criterion or have been specially requested 30 days before the mandated end of the legislative session.
33. The fiscal note statutes should be amended to require estimates of reduced revenues or increased expenditures be produced for the next two biennia.

**REPORT TO THE 70TH SESSION OF THE NEVADA
LEGISLATURE BY THE TASK FORCE FOR LONG-TERM
FINANCIAL ANALYSIS AND PLANNING**

REPORT TO THE 70TH SESSION OF THE NEVADA LEGISLATURE BY THE TASK FORCE FOR LONG-TERM FINANCIAL ANALYSIS AND PLANNING

1. INTRODUCTION

This report is submitted in compliance with Assembly Bill 525 (AB 525), passed by the 1999 Legislature, establishing the Task Force for Long-Term Financial Analysis and Planning (Task Force). AB 525 directed the Task Force to develop a process for the preparation and periodic update of long-term forecasts of future state revenues and expenditures for use in planning and budgeting state programs. AB 525 requires the Task Force to submit a report of its findings and recommendations to the Director of the Legislative Counsel Bureau for distribution to the members of the 70th Session of the Nevada Legislature. (AB 525 is included in Appendix A.)

AB 525 specified a task force for financial analysis and planning consisting of thirteen members be created to develop a permanent long-term forecast process. Five members of the Task Force were appointed (three by the Governor, one by the Senate Majority Leader, and one by the Speaker of the Assembly) and the remaining members were designated in AB 525. The remaining eight members are representatives from selected executive state agencies, university research centers, and county and city government.

Members of the Task Force for Long-Term Financial Analysis and Planning were:

Appointed Members:

John Restrepo
Mark Arrighi
Diane B. Torrey
Ron Zideck
Bob Olson

Designated Members:

Dick Bartholet
John P. Comeaux
Lynne Knack
Charles McNeely
Robert Murdock
R. Keith Schwer
George Stevens
Doug Thunder

A listing of the members including a brief background and their representation on the Task Force is included in Appendix B.

Legislative Counsel Bureau staff services for the Task Force were provided by Russell Guindon, Deputy Fiscal Analyst; Ted Zuend, Deputy Fiscal Analyst; Mark Stevens, Assembly Fiscal Analyst; Dan Miles, Senate Fiscal Analyst; Connie Davis, Committee Secretary; Sherie Silva, Committee Secretary; Jo Rasey, Committee Secretary; and William Keane, Deputy Legislative Counsel. This report presents the findings and recommendations of the Task Force. The information, which bears directly upon the recommendations, is included either in the narrative or appendices. All supporting documents and meeting minutes are available from the Fiscal Analysis Division of the Legislative Counsel Bureau.

2. BACKGROUND

The 1999 Legislature passed Assembly Bill 525, creating the Task Force for Long-Term Financial Analysis and Planning (Task Force). The Task Force was directed to develop a permanent non-partisan process for the preparation of long-term forecasts of the state's revenues and expenditures for use in the state's budget, planning, and appropriation process. The late Assemblywoman Jan Evans was responsible for the introduction of AB 525.

One of the factors motivating Assemblywoman Evans' desire for the state to develop a long-range forecasting and planning process was a report published in 1998 by the National Education Association titled "*The Outlook For State and Local Finances: The Dangers of Structural Deficits for the Future of Public Education.*" The results of this study, authored by the late Hal Hovey of State Policy Research, Inc., and former editor of the two state government newsletters, *State Policy Reports* and *State Budget & Tax News*, did not provide an attractive outlook of Nevada's long-range fiscal environment. This study estimated the growth in future current services expenditures based on projected growth in demographic factors and the expected growth in revenues based on the current tax structure. Based on the methodology used in this report, the State of Nevada would have an 18.3% gap between the required expenditures and expected revenues as a percent of the baseline revenue projections in the eighth year of the forecast horizon.

At the first meeting of the Task Force held on November 2, 1999, a Chairman was elected and a plan was developed to complete the tasks designated to this task force. The Task Force created two subcommittees to more effectively and efficiently accomplish the goal of developing a process for producing long-term forecasts to be used in the state's budget and appropriation planning. These two subcommittees and their responsibilities were:

Subcommittee on the Preparation of Long-Term Forecasts

This subcommittee was responsible for developing a structural framework regarding the organization and composition of a process responsible for the preparation of long-term forecasts of state revenues and expenditures encompassing a 10-year horizon. The subcommittee evaluated several different approaches that could efficiently and effectively produce long-term forecasts. An important element of this process was the appropriate composition of any proposed groups or committees in terms of a balanced, but functional, representation.

This subcommittee considered which revenue and expenditure items will be forecast, how these forecasts will be prepared, and the timeframe for the preparation of these forecasts within the state's biennial planning and budgeting system.

Subcommittee on the Use of Long-Term Forecasts

This subcommittee was responsible for developing recommendations on how the long-term forecasts of revenues and expenditures will be used in the state's planning and budgeting system. The subcommittee developed recommendations for the creation of a long-term forecast report that examines the ability of the state's future revenues to meet

expected expenditure demands as well as elements of the state's revenue structure that may be vulnerable or unreliable in the long-term. The subcommittee addressed to whom the report will be presented and how the information in this report will be incorporated into the state's budget and appropriation process each biennium.

The Task Force's primary goal at the initial meetings was to gather information necessary to determine the critical issues to be considered and addressed in developing a process to produce long-term forecasts and the use of them by the Governor and the Legislature in the state's budget and planning process. To accomplish this goal, several presentations on key areas of the state's budget and financial system were provided to the Task Force:

- An overview of the state's revenue and expenditure structure. This allowed the Task Force to evaluate the state's tax system in terms of which taxes provide the majority of the revenues to the state's general fund and other non-general fund accounts. On the expenditure side, the Task Force was able to develop an understanding of where most of the state's revenues were allocated in terms of providing state services to the public through appropriations to agency programs.
- The state's budget and appropriation process so the Task Force could understand the key elements and dates required as the Governor develops a budget and the Legislature passes appropriation legislation each session.
- The structure and function of the Economic Forum and its role in the state's budget and appropriation process, as well as a discussion of the forecast performance of the Economic Forum over the previous biennia.
- Governor's staff discussed the Governor's Fundamental Review of State Government program and the Fiscal Forum, where the Governor presented his long-range fiscal outlook, held at the Southern Nevada Community College campus on May 4 and 5, 2000.

At the request of the Task Force, information was reviewed on the processes used by other states to produce long-term revenue and/or expenditure forecasts and the use made of these forecasts in the selected states' budgeting and planning programs.

Using information obtained from these various presentations, each subcommittee established a list of those components or elements of the long-term forecast process they were responsible for developing recommendations. The recommendations from each of the subcommittees were submitted to the full Task Force for discussion and approval. The next section, Findings and Recommendations, presents the recommendations of the Task Force and the supporting narrative for these recommendations.

3. FINDINGS AND RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS RELATED TO THE ORGANIZATION AND COMPOSITION OF THE PROPOSED LONG-TERM FORECAST PROCESS

Appendix C provides a structural flowchart depicting the recommendations of the Task Force with regard to the organization and composition of the proposed long-term forecast process.

- I. One of the first issues addressed and reconciled was the relationship between a proposed long-term forecast process and the Economic Forum. The Economic Forum (NRS 353.226–353.229), created by the 1993 Legislature, is assigned the specific responsibility of producing the state’s official estimates of general fund revenues available for appropriation in the next biennium. The Economic Forum has produced short-term (two-year) forecasts of general fund revenues available for the upcoming biennium for the 1995, 1997, and 1999 development of the Governor’s budget and legislative appropriations each session.

Three distinct possibilities regarding the Economic Forum were considered: 1) make the Economic Forum responsible for long-term forecasting, as well as the current short-term responsibilities; 2) incorporate the Economic Forum and its short-term forecast duties into the proposed long-term forecast process; or 3) maintain a separate short-term forecast process (Economic Forum) and long-term forecast process. The first alternative was not considered practical, since requiring the production of short-term general fund revenue forecasts and long-term revenue and expenditure forecasts may place too much responsibility on the five-member Economic Forum and the technical advisory committee supporting it. Also, the Task Force did not feel the composition of the Economic Forum and the technical advisory committee was appropriate for the production of revenue and expenditure forecasts. The Task Force reasoned the Legislature created the Economic Forum for a very specific task: provide biennial short-term forecasts of general fund revenues for each biennial budget cycle. The state has become comfortable with the Economic Forum and its operations, and the Task Force did not want to alter the established relationship developed over the previous budget cycles. Based on this conclusion, the Task Force determined that incorporating the Economic Forum into the long-term forecast process (alternative 2) might disrupt a process the Governor and the Legislature have become comfortable with during prior sessions. After careful consideration and discussion of the relative benefits and costs of each alternative, the Task Force decided the duties and responsibilities of the Economic Forum, as currently specified in statute, should remain separate and independent from the long-term forecast process.

The Task Force, therefore, recommends:

- 1. The Economic Forum will continue to be responsible for producing the state’s official short-term general fund revenue forecasts. The composition and duties of the Economic Forum and the Technical Advisory Committee supporting the**

Economic Forum will remain as currently specified in statute (NRS 353.226 – 353.229).

Although the Task Force recommends the Economic Forum's short-term revenue forecasting responsibilities remain separate from the long-term forecasting process, it recognizes natural evolution of the proposed long-term forecast process may require the two forecasting processes be combined into one integrated forecast process in the future.

- II. After reviewing the structure and operation of the Economic Forum and other states' forecast processes, the Task Force decided a single body, called the Forecast Council, is to be responsible for reviewing and approving long-term forecasts of revenues and expenditures prepared by the proposed long-term forecast process. An organizational structure using separate councils, one for revenues and one for expenditures, was considered, but rejected for several reasons. Some of the same members may be serving on the two councils due to their backgrounds and experience. Eventually, the forecasts of revenues and expenditures have to be brought together for comparison and presented in a forecast report. The Task Force determined separate councils would not provide an efficient and effective method for review and approval of long-term forecasts.

Regarding the composition of the Forecast Council, the Task Force decided proper representation from state government and the private sector was crucial in making this long-term forecast process a visible and credible element of the state's planning and budgeting system. The Task Force viewed participation by both the executive and legislative branches of state government a required element in making the long-term forecasts an active part of the state's budget and appropriation process. Members from the private sector serving on the council were considered necessary for a balanced representation, allowing alternative viewpoints outside state government to be offered and perhaps providing another level of objectivity to the process. The Task Force decided these private sector representatives should be appointed by the Governor.

The Task Force, therefore, recommends:

- 2. A single body called the Forecast Council, consisting of seven members, will be responsible for reviewing and approving the long-term revenue and expenditure forecasts. The Forecast Council will consist of:**
 - 1) the Senate Majority Leader or his/her designee from the Senate,**
 - 2) the Speaker of the Assembly or his/her designee from the Assembly,**
 - 3) the Governor or a designee from his/her executive administration,**
 - 4) a member designated by the Governor from his/her executive administration,**
 - 5) three members from the private sector appointed by the Governor.**

The intent of the Task Force is to have the Majority Leader, the Speaker, and the Governor actively serve on the Forecast Council, but the demands placed on these individuals in carrying out their duties are recognized. Accordingly, these individuals are allowed to designate a member to represent them on the Forecast Council. The Majority

Leader's designee must be a member of the Senate and the Speaker's, a member of the Assembly. The Governor is allowed to designate a person from his administration to represent his position on the Forecast Council. This designee may be temporary should the Majority Leader, Speaker, or Governor be unable to attend a particular meeting. Or due to their background and experience, a specific individual may be designated to serve on the Forecast Council throughout the entire long-term forecast production and approval cycle.

The Governor is also required to designate a member to serve on the Forecast Council from the Governor's staff or from an executive branch agency. The intent of the Task Force is for the Governor to select an individual possessing familiarity with the state's revenue or expenditure system, or both. An individual having an understanding of the factors affecting the state's revenues or expenditures in general or a specific area of the state's revenue sources or expenditure programs will provide important knowledge during the Forecast Council's review and approval of long-term forecasts.

- III. An important point of discussion focused on the qualifications required by the private sector members to be eligible for appointment to the Forecast Council by the Governor. Some members of the Task Force stated only individuals having current or prior experience or backgrounds in producing economic, demographic or other similar forecasts should be qualified for appointment. These individuals, most likely, could be obtained from research or forecasting departments in utility companies, the banking industry, economic and business consulting firms and university business research centers or departments, for example. The Task Force reasoned such individuals would possess the appropriate skills to perform as valuable members of the Forecast Council. After further discussion on this issue, the Task Force determined requiring individuals to be selected from specific industries may be too restrictive, making it difficult for the Governor to find a set of individuals able to serve on the Forecast Council. The Task Force decided a more general statement of desired background and experience for the appointees would allow the Governor more flexibility, but not significantly weaken the intent of the Task Force, regarding qualified representation on the Forecast Council.

The Task Force, therefore, recommends:

3. **Each private sector appointee to the Forecast Council must be an expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance, or other discipline necessary to economic planning and forecasting and be able to bring knowledge and professional judgment to the deliberations of the Forecast Council.**

The Task Force determined a term of four years was an appropriate length of tenure for the private sector appointees. The Task Force reasoned a term of two years was too short given the proposed structure and duties of the long-term forecast process, and a term of six-years might be too long a commitment to require of a private sector individual, creating difficulty for the Governor in appointing representatives. The Task Force also wanted the Governor to have the opportunity to reappoint individuals to additional terms.

After considering the possibility of staggered terms of appointment for these three private sector representatives, the Task Force recommended the terms not be staggered.

The Task Force, therefore, recommends:

4. The private sector appointees to the Forecast Council will serve a four-year term and are eligible to be appointed to additional terms.

- IV. The Task Force recommends only private sector appointees be eligible to serve as the Chairman of the Forecast Council. The Task Force reasoned this provides more credibility to the process and eliminates any perception the executive or legislative branches of state government are exerting excessive control or influence over the long-term forecast process.

The Task Force, therefore, recommends:

5. The members of the Forecast Council must select a Chairman from amongst the private sector appointees. The Vice-chairman will be selected from amongst the members of the Forecast Council.

- V. Given the Forecast Council is responsible for reviewing and approving the long-term forecasts of revenues and expenditures, the Task Force needed to develop the component of the forecast process responsible for preparing the actual long-term forecasts of revenues and expenditures. The Task Force concluded the Economic Forum's use of a technical advisory committee to perform this role was a successful design and appeared to function well. Also, similar approaches were adopted by several other states in their forecast processes.

Based on these considerations, the Task Force decided a technical advisory committee should be created to prepare forecasts for presentation to the Forecast Council for approval. Initially, the discussion centered on the appropriate representation of a single technical advisory committee responsible for forecasting all revenues, not just general fund, and expenditures. It quickly became apparent this body would become too large and diverse to be effective and efficient. The Task Force also concluded the production of both revenue and expenditure forecasts by one technical advisory committee may prove unreasonable in terms of responsibilities and duties. The Task Force determined it might be desirable to have separate bodies produce the revenue versus expenditure forecasts, as this would reduce the possibility of actual or perceived bias in the preparation of either the revenue or expenditure forecasts, or both. The Task Force was concerned a tendency to construct revenue forecasts closely following the expenditure forecasts or the opposite scenario might exist, as the actual forecasts are prepared, if a single body is used. Given these considerations, the Task Force recommended two separate technical advisory committees be established to produce revenue and expenditure forecasts for presentation to the Forecast Council for approval: a Revenue Technical Advisory Committee and an Expenditure Technical Advisory Committee.

Given the creation of two technical advisory committees, more flexibility existed for the Task Force in developing the desired composition of each committee with respect to forecasting revenues versus expenditures. During the discussion regarding the desired composition of the two separate technical advisory committees, the Task Force determined six members were positions considered essential to serve on both technical advisory committees. These members are: Senate Fiscal Analyst, Assembly Fiscal Analyst, Director of the Department of Administration, Chief of the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation, the state demographer, and the Vice-chancellor for Finance of the University and Community College System of Nevada (UCCSN). These six positions are also members of the technical advisory committee assigned to the Economic Forum. The Task Force determined these six positions provide important resources and backgrounds essential to both technical advisory committees. The Task Force reasoned the Fiscal Analysts and Director of the Department of Administration have the ability to marshal the resources of state government, both executive and legislative, as required for use in the long-term forecast process. Finally, the Task Force believes this common set of individuals on both technical advisory committees of the long-term forecast process and the technical advisory committee of the Economic Forum provides some consistency between the short-term and long-term forecasts, as well as a flow of information between the two forecast processes.

The Task Force's recommendation allows for the Vice Chancellor for Finance of UCCSN to personally serve on one or both technical advisory committees. The intent of the Task Force is for the Vice Chancellor to designate separate individuals from UCCSN to serve on each technical advisory committee. The Task Force reasoned the UCCSN system contains individuals having an understanding of or working experience with the state's higher education revenue and expenditure system, at a minimum, and perhaps the state's complete revenue and expenditure system. The Task Force also believed UCCSN possesses individuals in the universities' various academic departments or research centers having current or past experience in forecasting. The Vice Chancellor should be able to find separate individuals with the appropriate qualifications to serve on each of the two technical advisory committees. Although the Task Force desires separate individuals serve on the advisory committees, the Task Force recognizes a single individual may possess the desired background and experience required to serve on both technical advisory committees.

The Task Force decided the Revenue Technical Advisory Committee requires representatives from the private sector to provide balance in composition in terms of backgrounds and viewpoints. The Task Force recommended the Governor should appoint three members from the private sector to the Revenue Technical Advisory Committee. Whereas the private sector appointees to the Forecast Council may be individuals from a business sector or non-business area, the Task Force's intent is the appointees to the Revenue Technical Advisory Committee must specifically represent a business area, such as gaming, manufacturing, utilities, banking, or retail, for example. The intent of the Task Force is for the Governor to appoint members representing different areas of business, rather than one particular sector.

The Task Force, therefore, recommends:

6. A Revenue Technical Advisory Committee, consisting of nine members, will be responsible for producing the long-term forecasts of revenues presented to the Forecast Council for review and approval. The members of the Revenue Technical Advisory Committee are:

- 1) Senate Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,**
- 2) Assembly Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,**
- 3) Director of the Department of Administration or his/her designee from the Budget Division of the Department of Administration,**
- 4) Chief of the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation or his/her designee from the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation,**
- 5) State Demographer,**
- 6) The Vice Chancellor for Finance of the University and Community College System of Nevada (UCCSN) or a person designated by the Vice Chancellor of Finance from UCCSN,**
- 7) Three representatives from the private sector appointed by the Governor.**

VI. The Task Force determined the concerns regarding the qualifications for appointment of these private sector representatives on the Revenue Technical Advisory Committee were identical to those identified for the Forecast Council's private sector appointees. The intent of this Task Force is, whenever possible, these individuals should currently be active or have prior experience in preparing, producing, or reviewing forecasts of general economic and demographic indicators or elements specific to their business sector. Given the concerns, as with the Forecast Council, of being too restrictive in dictating who the Governor can appoint, the Task Force decided the same general types of qualifications specified for appointment to the Forecast Council will be used for appointment to the Revenue Technical Advisory Committee.

The Task Force, therefore, recommends:

7. Each private sector appointee to the Revenue Technical Advisory Committee must be an expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance, or other discipline necessary to economic planning and forecasting and be able to bring knowledge and professional judgment to the deliberations of the Revenue Technical Advisory Committee.

VII. The Task Force adopted the same eligibility provision for appointment of a Chairman recommended for the Forecast Council, allowing only the private sector appointees to serve as Chairman of the Revenue Technical Advisory Committee. The private sector

appointees will have the same term structure as those of the Forecast Council, serving four-year terms and being eligible for reappointment.

The Task Force, therefore, recommends:

- 8. The members of the Revenue Technical Advisory Committee must select a Chairman from amongst the private sector appointees. The Vice-chairman will be selected from amongst the members of the Revenue Technical Advisory Committee.**
- 9. The private sector appointees to the Revenue Technical Advisory Committee will serve a four-year term and are eligible to be appointed to additional terms.**

VIII. In addition to the six members discussed previously, the Task Force decided the Expenditure Technical Advisory Committee should include representatives from the state's major program areas. Since the job of this committee is to produce forecasts of the state's expenditures, the Task Force considered representation from those agencies or program areas responsible for a majority of the state's expenditures an important element. Reasoning the committee may become too large to be functional if several of the state's agencies were represented, the Task Force decided to include only agencies responsible for the state's major program expenditure areas. After a review of the state's different program areas and the agencies responsible for their operation, the Task Force recommended the Department of Education, Department of Prisons, and Department of Human Resources should have representation on the Expenditure Technical Advisory Committee. Along with UCCSN, these three departments receive approximately 90% of the general revenue fund appropriations each session to provide the state's public programs of education, corrections, and social services.

Although the Director of the Department of Prisons, the Director of the Department of Human Resources, and the Superintendent of Public Instruction may personally serve on the committee, the Task Force's intent is for each of these individuals to designate an individual from his staff, possessing knowledge and experience in the department's budget and expenditure programs. The Task Force reasoned someone actively involved in projecting or evaluating caseloads or other important factors driving the agencies' expenditure programs will provide valuable skills and experience to the technical advisory committee.

Given the current and potential impact of state programs on Nevada's local governments, the Task Force determined the Expenditure Technical Advisory Committee should have a local government representative. The Governor would be responsible for appointing the local government representative, who may represent either city or county government. The Task Force proposes the Governor request the Nevada Association of Counties or the Nevada League of Cities nominate or suggest individuals for appointment. The Governor may consider someone from this recommended list of city and county staff for appointment. The intent of the Task Force is for this local government representative to have knowledge and experience in the area of local

government budget and expenditure programs, especially those relating to the interaction of state and local expenditure programs providing services to the public.

After some discussion, the Task Force decided the Expenditure Technical Advisory Committee should also have a representative from the private sector. The Task Force reasoned this was consistent with the desire to have a balanced composition, as the Forecast Council and the Revenue Technical Advisory Committee have non-government representation. The Governor will be responsible for appointing this private sector individual to the Expenditure Technical Advisory Committee.

The Task Force, therefore, recommends:

10. An Expenditure Technical Advisory Committee, consisting of eleven members, will be responsible for producing the long-term forecasts of expenditures presented to the Forecast Council for review and approval. The members of the Expenditure Technical Advisory Committee are:

- 1) Senate Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,**
- 2) Assembly Fiscal Analyst or his/her designee from the Fiscal Division of the Legislative Counsel Bureau,**
- 3) Director of the Department of Administration or his/her designee from the Budget Division of the Department of Administration,**
- 4) Chief of the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation or his/her designee from the Bureau of Research and Analysis in the Department of Employment, Training, and Rehabilitation,**
- 5) State Demographer,**
- 6) The Vice Chancellor for Finance of the University and Community College System of Nevada (UCCSN) or a person designated by the Vice Chancellor of Finance from UCCSN,**
- 7) The Director of the Department of Prisons or his/her designee with a background or expertise in the department's budget and expenditure programs,**
- 8) The Superintendent of Public Instruction or his/her designee with a background or expertise in the department's budget and expenditure programs,**
- 9) The Director of the Department of Human Resources or his/her designee with a background or expertise in the department's budget and expenditure programs,**
- 10) A representative from local government appointed by the Governor,**
- 11) A representative from the private sector appointed by the Governor.**

IX. The Task Force addressed the same concerns regarding the qualifications for appointment of the private sector representative on the Expenditure Technical Advisory Committee as it had for the Forecast Council's private sector appointees and the Revenue

Technical Advisory Committee's business sector appointees. The intent of this Task Force is, whenever possible, this individual should currently be active or have prior experience in preparing, producing, or reviewing forecasts of general economic and demographic indicators or elements related to factors affecting the state's major program areas. Given the concerns of being too restrictive in dictating who the Governor can appoint, the Task Force decided the same general types of qualifications specified for appointment to the Forecast Council and the Revenue Technical Advisory Committee will be used for appointment to the Expenditure Technical Advisory Committee.

The Task Force, therefore, recommends:

- 11. The private sector appointee to the Expenditure Technical Advisory Committee must be an expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance, or other discipline necessary to economic planning and forecasting and be able to bring knowledge and professional judgment to the deliberations of the Revenue Technical Advisory Committee.**
- X. The Task Force adopted the eligibility provision recommended for the Forecast Council, allowing only private sector appointees to serve as Chairman. Since the Expenditure Technical Advisory Committee only has one private sector representative, this appointee will serve as Chairman. This private sector appointee will have the same term structure as those of the Forecast Council.
- 12. The private sector appointee will serve as Chairman of the Expenditure Technical Advisory Committee. The Vice-chairman will be selected from amongst the members of the Expenditure Technical Advisory Committee.**
 - 13. The local government appointee and the private sector appointee to the Expenditure Technical Advisory Committee will serve a four-year term and are eligible to be appointed to additional terms.**
- XI. AB 525 created the Office of Financial Analysis and Planning (OFAP) within the Fiscal Division of the Legislative Counsel Bureau. OFAP was created to assist the Legislature in long-term financial analysis and planning, especially in the area of long-term planning and forecasting of future state revenues and expenditures. As specified in AB 525, OFAP was to provide the principal staff responsible for providing technical and administrative support to the Task Force.

One of the duties required of the Task Force in AB 525 was to consider recommendations for legislation concerning the composition and duties of OFAP. During development of the structure and responsibilities of the long-term forecast process, the Task Force recognized several functions and services OFAP could provide to the Forecast Council and the technical advisory committees. At a minimum, OFAP can offer general and technical support to the Forecast Council, Revenue Technical

Advisory Committee, and Expenditure Technical Advisory Committee. Some of the specific duties envisioned by Task Force include:

- 1) coordination and management of the meetings of the Forecast Council and technical advisory committees,
- 2) coordination and management of any workgroups requested by the technical advisory committees,
- 3) presenting the long-term revenue and expenditure forecasts prepared by the technical advisory committees to the Forecast Council,
- 4) preparing the final long-term forecast report for the Forecast Council for distribution to the Governor and the Legislature,
- 5) presenting the long-term forecasts to the Legislature at the beginning of each session, and
- 6) coordinating the flow of information between this long-term forecast process and the Economic Forum.

Other duties may be requested or established by the Forecast Council and the technical advisory committees as business is conducted during the initial forecast production cycle and future operations.

The Task Force, therefore, recommends:

- 14. The Office of Financial Analysis and Planning within the Fiscal Division of the Legislative Counsel Bureau will be responsible for providing general and technical support to the Forecast Council, the Revenue Technical Advisory Committee, and the Expenditure Technical Advisory Committee. The Office of Financial Analysis and Planning shall assist the Legislature in long-term financial analysis and planning, including, without limitation, long-term economic planning and forecasting of future state revenues and expenditures.**

- XII. The Task Force considered whether certain workgroups should be formed, operating under the direction of the Revenue Technical Advisory Committee or the Expenditure Technical Advisory Committee. These workgroups could assist in the actual preparation of the long-term forecasts of certain revenue sources or expenditure programs. Other states' forecast processes the Task Force reviewed adopted this approach. The Task Force decided the use of workgroups by the technical advisory committees was a good idea, but determined formal recommendations regarding the structure and use of workgroups were not required. The Task Force agreed the members of the technical advisory committees could decide which workgroups may be needed, if any, during the forecast production cycle. The technical advisory committees could best determine the appropriate composition and duties of any workgroup created. The Task Force concluded this allowed the process to be more flexible; workgroups could be created as required and disbanded when no longer needed. Allowing the technical advisory committees control over this element of the forecast process allows the structure and purpose of the workgroups to change as the long-term forecast process evolves. Formally specifying the structure and duties of specific workgroups in statute did not seem effective to the Task Force.

The Task Force decided the Revenue Technical Advisory Committee could create various revenue workgroups required to assist in producing long-run forecasts of selected revenue sources, such as: specific general fund revenues, federal funds, highway funds, and other revenue sources. These workgroups could consist of Legislative Counsel Bureau staff; Department of Administration staff; staff from selected agencies responsible for specific revenues, such as the Department of Taxation, Gaming Control Board, and Treasurer's Office; and others as deemed necessary by the members of the Revenue Technical Advisory Committee.

The Task Force concluded the Expenditure Technical Advisory Committee could create expenditure workgroups as needed to assist in producing long-term forecasts of various expenditure programs. The workgroups could consist of Legislative Counsel Bureau staff, Department of Administration staff, agency staff from selected program areas: Department of Education, UCCSN, Department of Prisons, Department of Human Resources, and other agencies as deemed necessary. These workgroups could produce long-term forecasts of specific expenditure programs for the committee's review or provide the committee members with projections of factors affecting certain expenditure programs, such as caseload and population components, inflation factors, and other elements driving expenditures for specific program areas.

The Task Force recommended the two technical advisory committees use the Office of Financial Analysis and Planning to assist in the formation of any workgroups, organizing the meetings, and coordinating the work of these groups.

FINDINGS AND RECOMMENDATIONS RELATED TO THE POWERS AND DUTIES OF THE PROPOSED LONG-TERM FORECAST PROCESS

- XIII. AB 525 specified the long-term forecast process developed by the Task Force must produce forecasts including periods of six and ten years. The Task Force determined forecasts should be produced for each year of a ten-year horizon.

The Task Force, therefore, recommends:

15. The long-term forecasts will cover a ten-year horizon.

- XIV. The Task Force determined the timing of the production of the long-term forecasts is very important, given the Economic Forum and the budget and legislative process. The Economic Forum is required to prepare short-term general fund revenue forecasts by December 1 in even-numbered years and May 1 in odd-numbered years. Also, the agencies' budget requests are due in August of even-numbered years and the Governor's budget is due in January of odd-numbered years. After consideration of these factors, the Task Force concluded the long-term forecasts should be prepared in the early part of even-numbered years versus the later part of the year. This minimizes the possibility of confusion between the Economic Forum's short-term forecasts and the Forecast Council's long-term forecasts. It also eliminates executive and legislative staff working simultaneously on preparing short-term and long-term forecasts and the conflicts in

scheduling meetings for the Economic Forum, the Forecast Council and their related technical advisory committees.

The Task Force decided producing the long-term forecasts early in even-numbered years might provide benefits to the Governor and his executive agencies. As agencies are required to submit their budget proposals in the fall, beginning work early in the year on determining the growth in caseloads and other factors driving expenditures in the state's major program areas will provide an early start to the budget and planning process. The availability of these long-term forecasts of revenues and expenditures developed early in the year might benefit the Governor in having a financial outlook available when deciding on important budget and planning issues.

The Task Force, therefore, recommends:

16. The Forecast Council shall approve all long-term forecasts by March 1 of every even-numbered year.

- XV. AB 525 required the projections of future revenues and expenditures prepared by the long-term forecast process be included in a formal forecast report. AB 525 also stated this report should include information on economic and demographic trends and forecasts at the national, regional, state and local levels. The Task Force agreed it was important to incorporate this type of information along with the long-term revenue and expenditure forecasts in a final forecast report. However, the Task Force decided not to dictate what economic and demographic information or variables should be specifically included in the report. The Task Force determined the members of the Forecast Council, the technical advisory committees, and the Office of Financial Analysis and Planning can make this determination at their initial meetings and as the forecast process evolves. This allows these groups flexibility in accommodating changes in the information considered most relevant in describing the current and future economic and demographic environment and their potential impact on the state's revenue and expenditure outlook.

The Task Force decided the report must contain a discussion of the changes in the current forecast from the previous long-term forecast, specifically identifying changes in the current forecast due to programs or measures approved during the previous legislative session. The Task Force reasoned the inclusion of this information would make the report more beneficial to the Governor, Legislature, and the public to separately identify the impacts of prior legislative actions on the state's long-term fiscal outlook.

The Task Force also determined each forecast report is required to include a comparison of the past long-term forecasts to the actual performance of each revenue and expenditure category forecast by the Forecast Council. A historical record of the forecast performance is important information, benefiting members of state government as well as the general public. The participants in the forecast process will benefit from knowledge of how the previous forecasts compare to the actual behavior, incorporating this information into the forecast preparation and approval process.

The Task Force decided this long-term forecast report should be distributed to all legislators, Legislative Counsel Bureau staff, and the Governor and his executive agencies. This provides another way of making the long-term forecasts a more visible product and, hopefully, considered during the state's budget and planning process. In an effort to promote the goal of visibility and use, the Task Force determined the long-term forecasts, as well as the economic and demographic outlook, be formally presented to the Assembly Committee on Ways and Means and the Senate Committee on Finance at the beginning of each legislative session.

The Task Force also recommended that the report contain historical and future projections of economic, demographic, revenue, and expenditure information benefiting local governments and school entities in their planning decisions, to the extent this information is available and can be provided in an efficient and effective manner. The Task Force decided it would be useful to these local entities to provide information on the long-range fiscal outlook and potential impacts on local governments. If possible in a cost effective manner, this information should be provided to local governments and school districts. The Task Force suggested the forecast report could be provided to the Department of Education for distribution to the state's school districts. The Task Force also proposed the report could be provided to the Nevada Association of Counties and the Nevada League of Cities, who could make the report available to local county and city government organizations.

The Task Force, therefore, recommends:

- 17. The Forecast Council shall submit a written report that includes all forecasts of revenues and expenditures to the Director of the Legislative Counsel Bureau for distribution to all legislators, Legislative Counsel Bureau staff, and the Governor's Office for distribution to the Department of Administration – Budget Division and appropriate state agencies.**
- 18. The forecast report must include the short-term forecasts as well as the long-term forecasts of all revenue and expenditure categories approved by the Forecast Council.**
- 19. Each forecast report, except the one prepared for the initial forecast, must include a discussion of changes from the previous long-term forecast and separately identify changes caused by legislative actions approved during the previous legislative session.**
- 20. Each forecast report, except the one prepared for the initial forecast, must include a comparison of the previous long-term forecasts to the actual performance of each revenue and expenditure category forecast by the Forecast Council.**

21. The long-term forecasts will be presented to the Senate Committee on Finance and the Assembly Committee on Ways and Means at the beginning of each legislative session.

XVI. Given the desire to make the long-term forecasts a visible element used in the state's budget and planning process, there was significant discussion about how to achieve this goal. The Task Force did not want the forecasts and the report prepared by the Forecast Council to become a document easily disregarded by the Governor and the Legislature in the budget and planning decision-making process. Some members reasoned that since the process will produce forecasts of caseloads and other major factors driving the state's major expenditure programs, the short-term (first two to three years) portion of the ten-year projections should be used by the state agencies in developing budget requests and by the Governor in preparing the Executive Budget. Other members stated such a requirement may prove too restrictive and not a practical recommendation to require of the Governor in preparing the Executive Budget. A compromise developed whereby the forecasts produced by this process are considered the "official state long-term forecasts" to be used by all state agencies, the Governor, and the Legislature in the state's planning and budgeting functions. Realizing the environment may change between the release of the long-term forecasts in March, the submission of the agency budget requests in August, and the delivery of the Governor's Executive Budget, the Task Force understands caseload projections and other factors affecting agency expenditures presented in the budget document may differ from those presented in the long-term forecast report prepared earlier in the year. The Task Force determined differences are likely to occur frequently given the elapse of time and the behavior of Nevada's socio-economic environment, but recommended any differences between the current published official long-term forecasts and those presented in an agency's budget request or the Governor's Executive Budget must be explained in the submitted request or budget document.

The Task Force, therefore, recommends:

22. The long-term forecasts approved by the Forecast Council are "the official state long-term forecasts" to be used for all state planning and budgeting purposes. Any differences between the published long-term forecasts and any long-term outlooks presented in an agency's budget request or the Governor's Executive Budget must be identified and explained.

XVII. The Task Force, realizing the revenue and expenditure outlook may change dramatically between the production of forecasts every other year due to a changing economic and demographic environment, determined an option allowing the long-term forecasts to be reviewed and updated before the next statutory deadline was required. Also, factors may require the long-term forecasts to be updated before or during a legislative session. Although the Task Force decided an option to update the forecasts was needed, it wanted to be careful about who could request a review or update. The Task Force determined the Chairman of the Forecast Council would be the only member allowed to officially request the currently published long-term forecasts be reviewed and updated, if

warranted. The Task Force reasoned allowing several or all members of the Forecast Council this authority could possibly place a significant burden on the functioning and credibility of the long-term forecast process, if the long-term forecasts are being frequently updated due to numerous requests for review.

The Task Force, therefore, recommends:

23. The Chairman of the Forecast Council has the authority to call for a review of the long-term forecasts at any time, if necessary.

XVIII. The final component incorporated in the long-term forecast process was a method to allow for the review of major fiscal measures requested by the Governor or proposed by the Legislature. Since the long-term forecasts are published in March, the Governor may introduce proposals in the Executive Budget or the Legislature may introduce measures during the session having a potentially significant impact on the state's long-term financial outlook. The Task Force decided a mechanism should be established automatically requiring the review of significant proposals or measures introduced by the Governor or the Legislature. The Task Force requested the Fiscal Analysis Division and the Budget Division develop a criterion which necessitates an estimate be prepared of the potential impact of significant proposals on the state's revenue and/or expenditure outlook. The Task Force's intent was to have this criterion only trigger a review of major new programs or changes to programs having a potentially significant fiscal impact, not a review of every revenue or expenditure measure proposed by the Governor or the Legislature. The Task Force understands attempting to review too many proposals or measures, many insignificant in nature, introduced during a budget and appropriation cycle would not be effective or efficient during an already demanding legislative session.

Given the nature of the legislative session, the Task Force determined the appropriate technical advisory committee will prepare the estimated impacts of those proposals triggering the established criterion. Given the demands of time during a legislative session, the Task Force did not believe the estimated impacts require the formal approval of the Forecast Council, but did want a report of the potential impacts distributed to the Forecast Council members.

The Task Force recommended the Office of Financial Analysis and Planning determine whether a Governor's proposal or legislative measure triggers a review according to the language of the established criterion. The Office of Financial Analysis and Planning would be responsible for notifying the appropriate technical advisory committee that an estimate of the potential impact of a proposed measure is required. The Office of Financial Analysis and Planning would coordinate the production of the estimate and the creation of any workgroups required to prepare the estimated impact for the technical advisory committee.

The Task Force, therefore, recommends:

24. The appropriate revenue or expenditure technical advisory committee shall produce estimates of budgetary changes proposed in the Governor's Executive Budget or by the Legislature during the session that will have a significant long-term impact on the state's financial outlook.

25. The Office of Financial Analysis and Planning shall request from the appropriate technical advisory committee an estimate of the long-term effect of a budget proposal or legislative measure if the Office of Financial Analysis and Planning determines an analysis is required according to the 2% criterion specified in Recommendations 26-29.

XIX. As requested by the Task Force, staff from the Fiscal Analysis Division of the Legislative Counsel Bureau and the Budget Division of the Department of Administration met to develop a criterion automatically requiring the preparation of long-term projections of the effect of any measure proposed by the Governor or the legislature expected to have a major fiscal impact on the state's revenue or expenditure outlook. The following recommendations were established using information presented to the Task Force regarding the results of this meeting.

One of the first issues to be resolved concerned the base or measure against which the potential impact of any proposal would be evaluated given an established benchmark. Based on information presented, the Task Force concluded the state's general fund revenue collections from a 12-month fiscal year period would provide an acceptable standard for comparison of any proposal having a revenue or expenditure impact. The second fiscal year of the biennial general fund revenue forecast prepared by the Economic Forum on December 1 in even-numbered years would be used as the base to establish a threshold or benchmark used to evaluate all proposals.

The Economic Forum's December 1 forecast was used for several reasons, rather than the latest actual fiscal year general fund collections number or a particular year of the Forecast Council's current long-term forecast. The estimate of the collections in the second-year of the biennium being budgeted will more closely match up with the timing of most proposals considered by the Governor and the Legislature. The December 1 Economic Forum forecasts will be the most current projections available to the Governor and the Legislature, rather than the current Forecast Council's long-term forecasts produced in March. The December 1 forecast provides a fixed reference point, rather than allowing the base and the benchmark to be revised when the Economic Forum releases the May 1 forecast. The Task Force decided choosing a fixed measure as a reference point produced by an independent and identified body removes any uncertainty regarding the criterion against which any proposal will be compared.

Given the establishment of a base, a threshold or benchmark had to be established relative to this base by which the fiscal impact of a proposed measure would be deemed significant, requiring the preparation of an estimate of the long-term fiscal impact. A fixed percentage of the adopted base was considered as a method of establishing an acceptable threshold for comparison. The Task Force decided setting the percentage at

warranted. The Task Force reasoned allowing several or all members of the Forecast Council this authority could possibly place a significant burden on the functioning and credibility of the long-term forecast process, if the long-term forecasts are being frequently updated due to numerous requests for review.

The Task Force, therefore, recommends:

23. The Chairman of the Forecast Council has the authority to call for a review of the long-term forecasts at any time, if necessary.

XVIII. The final component incorporated in the long-term forecast process was a method to allow for the review of major fiscal measures requested by the Governor or proposed by the Legislature. Since the long-term forecasts are published in March, the Governor may introduce proposals in the Executive Budget or the Legislature may introduce measures during the session having a potentially significant impact on the state's long-term financial outlook. The Task Force decided a mechanism should be established automatically requiring the review of significant proposals or measures introduced by the Governor or the Legislature. The Task Force requested the Fiscal Analysis Division and the Budget Division develop a criterion which necessitates an estimate be prepared of the potential impact of significant proposals on the state's revenue and/or expenditure outlook. The Task Force's intent was to have this criterion only trigger a review of major new programs or changes to programs having a potentially significant fiscal impact, not a review of every revenue or expenditure measure proposed by the Governor or the Legislature. The Task Force understands attempting to review too many proposals or measures, many insignificant in nature, introduced during a budget and appropriation cycle would not be effective or efficient during an already demanding legislative session.

Given the nature of the legislative session, the Task Force determined the appropriate technical advisory committee will prepare the estimated impacts of those proposals triggering the established criterion. Given the demands of time during a legislative session, the Task Force did not believe the estimated impacts require the formal approval of the Forecast Council, but did want a report of the potential impacts distributed to the Forecast Council members.

The Task Force recommended the Office of Financial Analysis and Planning determine whether a Governor's proposal or legislative measure triggers a review according to the language of the established criterion. The Office of Financial Analysis and Planning would be responsible for notifying the appropriate technical advisory committee that an estimate of the potential impact of a proposed measure is required. The Office of Financial Analysis and Planning would coordinate the production of the estimate and the creation of any workgroups required to prepare the estimated impact for the technical advisory committee.

The Task Force, therefore, recommends:

24. **The appropriate revenue or expenditure technical advisory committee shall produce estimates of budgetary changes proposed in the Governor's Executive Budget or by the Legislature during the session that will have a significant long-term impact on the state's financial outlook.**
25. **The Office of Financial Analysis and Planning shall request from the appropriate technical advisory committee an estimate of the long-term effect of a budget proposal or legislative measure if the Office of Financial Analysis and Planning determines an analysis is required according to the 2% criterion specified in Recommendations 26-29.**

XIX. As requested by the Task Force, staff from the Fiscal Analysis Division of the Legislative Counsel Bureau and the Budget Division of the Department of Administration met to develop a criterion automatically requiring the preparation of long-term projections of the effect of any measure proposed by the Governor or the legislature expected to have a major fiscal impact on the state's revenue or expenditure outlook. The following recommendations were established using information presented to the Task Force regarding the results of this meeting.

One of the first issues to be resolved concerned the base or measure against which the potential impact of any proposal would be evaluated given an established benchmark. Based on information presented, the Task Force concluded the state's general fund revenue collections from a 12-month fiscal year period would provide an acceptable standard for comparison of any proposal having a revenue or expenditure impact. The second fiscal year of the biennial general fund revenue forecast prepared by the Economic Forum on December 1 in even-numbered years would be used as the base to establish a threshold or benchmark used to evaluate all proposals.

The Economic Forum's December 1 forecast was used for several reasons, rather than the latest actual fiscal year general fund collections number or a particular year of the Forecast Council's current long-term forecast. The estimate of the collections in the second-year of the biennium being budgeted will more closely match up with the timing of most proposals considered by the Governor and the Legislature. The December 1 Economic Forum forecasts will be the most current projections available to the Governor and the Legislature, rather than the current Forecast Council's long-term forecasts produced in March. The December 1 forecast provides a fixed reference point, rather than allowing the base and the benchmark to be revised when the Economic Forum releases the May 1 forecast. The Task Force decided choosing a fixed measure as a reference point produced by an independent and identified body removes any uncertainty regarding the criterion against which any proposal will be compared.

Given the establishment of a base, a threshold or benchmark had to be established relative to this base by which the fiscal impact of a proposed measure would be deemed significant, requiring the preparation of an estimate of the long-term fiscal impact. A fixed percentage of the adopted base was considered as a method of establishing an acceptable threshold for comparison. The Task Force decided setting the percentage at

2% would provide a threshold capturing measures having a significant revenue or expenditure impact on the state's long-term fiscal outlook. The Task Force recommends 2% of the second fiscal year of the Economic Forum's December 1 biennial forecast be used as the benchmark against which all proposals, introduced by the Governor in the Executive Budget or proposed by the Legislature during the session, having a revenue or expenditure impact be evaluated.

A final concern was deciding what would be used as an estimate of the potential impact of a Governor's or legislative proposal for comparison to the established threshold and who would be responsible for preparing this estimate. With respect to the first element, the Task Force determined the measure's revenue or expenditure estimate in the first year of full implementation would be used as the proposal's measure of the fiscal impact to be compared to the threshold. The Task Force concluded the Executive Budget would contain estimates of the impacts of the Governor's major proposals. The Task Force recommended estimates of the first year of full implementation of any proposals contained in the Governor's Executive Budget will be used to determine if projections of the long-term fiscal impact are required of these proposals compared to the established threshold. Since the Governor's staff will be responsible for preparing the estimates of the anticipated impacts of any executive proposals, the Task Force decided the Fiscal Division of the Legislative Counsel Bureau should be responsible for preparing estimates of the fiscal impacts of any measures proposed by the Legislature. These estimates, representing the potential impact of the first year of full implementation of a legislative proposal, will be compared to the established criterion to determine if projections of the long-term fiscal impact are required.

The Task Force, therefore, recommends:

- 26. A long-term estimate of the fiscal impact of a proposal introduced by the Governor in the Executive Budget must be prepared if the proposal modifies an existing or creates a new revenue source or expenditure program that produces a projected fiscal impact in its first year of full implementation that amounts to 2% or greater of the second year of the biennial general fund revenue projections reported in the Economic Forum's December 1 forecast.**
- 27. The estimate presented in the Governor's Executive Budget of the proposal's fiscal impact in its first year of full implementation will be used to determine if projections of the long-term fiscal impact are required.**
- 28. A long-term estimate of the fiscal impact of a proposal introduced by the Legislature during the session must be prepared if the proposal modifies an existing or creates a new revenue source or expenditure program that produces a projected fiscal impact in its first year of full implementation that amounts to 2% or greater of the second year of the biennial general fund revenue projections reported in the Economic Forum's December 1 forecast.**

29. The estimate prepared by the Fiscal Division of the Legislative Counsel Bureau of the proposal's fiscal impact in its first year of full implementation will be used to determine if projections of the long-term fiscal impact are required of any proposals introduced by the Legislature during the session.

XX. The Task Force acknowledged the fact that certain proposals may be considered "significant", but do not warrant review according to the criterion due to the timing and structure of the proposed implementation of the program or measure. The Task Force wanted the review process to accommodate these types of proposals by granting the authority to request a formal review of the proposal and preparation of an estimated effect of the long-range fiscal impact. The discussion on this point concluded with the Task Force recommending the Governor be allowed two special requests and the Senate Majority Leader and the Speaker of the Assembly one each during each legislative session. These individuals will be allowed to request the preparation of an estimate of the potential long-term impact of any proposal or measure proposed by the Governor in the Executive Budget or by the Legislature during the session.

The Task Force, therefore, recommends:

30. The Governor and the Legislature shall have the ability to request, through the Office of Financial Analysis and Planning, that an estimate of the long-term effect of a budget proposal or legislative measure be prepared by the appropriate technical advisory committee, even though the proposal or measure does not meet the requirements of the 2% criterion for consideration. The Governor shall be granted two requests and the Speaker of the Assembly and the Senate Majority Leader one each during each legislative session.

XXI. The Task Force recommended the estimated impacts of any measures proposed in the Governor's Executive Budget, automatically triggering the review process or specially requested, be completed early in the legislative session. After obtaining views from the Fiscal Analysis Division and the Budget Division, the Task Force determined March 1 of each legislative session was an acceptable deadline to allow the technical advisory committees to prepare such estimates.

To allow proposals introduced in the Legislature to be evaluated with respect to the criterion or for a special request for review to be submitted, the Task Force recommended estimated impacts of legislative proposals be prepared on or before 30 days before the constitutionally mandated end of the session. This allows OFAP the ability to evaluate major proposals to determine whether an estimate of the impact is required. The technical advisory committees will have time to prepare estimates and provide them to the Legislature before action is taken.

The Task Force, therefore, recommends:

- 31. The technical advisory committees must produce estimates of the long-term impacts of proposals contained in the Governor's Executive Budget that satisfy the 2% criterion by March 1 of odd-numbered years.**
- 32. The technical advisory committees must produce estimates of the long-term impacts of legislative proposals that satisfy the 2% criterion or have been specially requested 30 days before the mandated end of the legislative session.**

XXII. After reviewing the state's current fiscal note process, the Task Force decided the fiscal note statutes should be amended to specifically require an agency to prepare estimates of the fiscal impact beyond the current biennium being considered by the Legislature. Current statutes require agencies to prepare fiscal notes for measures reducing revenues or increasing expenditures. The fiscal notes only require an actual estimate of the fiscal impact for the biennium for which the Legislature is developing appropriation recommendations. Agencies are not specifically required by statute to provide actual estimates of the impact beyond this biennium if the program is ongoing, but can be requested to prepare a fiscal impact beyond the current biennium. The Task Force determined the state's budget and planning process would benefit from having fiscal impacts produced for the next two biennia. Requiring estimates to be prepared for the next two biennia will allow the full impact of a proposal to be examined, especially for those measures that become effective late in the second year of the biennium being budgeted.

The Task Force, therefore, recommends:

- 33. The fiscal note statutes should be amended to require estimates of reduced revenues or increased expenditures be produced for the next two biennia.**

APPENDIX A
ASSEMBLY BILL 525

APPENDIX A

Assembly Bill No. 525—Assemblymen Evans, Arberry, Goldwater, Giunchigliani, Humke, Dini, Buckley, Segerblom, Nolan, Berman, Perkins, Lee, Claborn, Gibbons, Neighbors, Marvel, Bache, Chowning, Anderson, Freeman, Leslie, de Braga, Parnell, Collins, McClain, Manendo, Koivisto, Thomas, Parks and Ohrenschall

March 15, 1999

Referred to Concurrent Committees on Taxation and Ways and Means

SUMMARY—Creates task force for long-term financial analysis and planning. (BDR 17-1205)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State or on Industrial Insurance: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~is material to be omitted~~ is material to be omitted. Green numbers along left margin indicate location on the printed bill (e.g., 5-15 indicates page 5, line 15).

AN ACT relating to state financial administration; creating the office of financial analysis and planning within the fiscal analysis division of the legislative counsel bureau; creating a task force for financial analysis and planning; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND
ASSEMBLY, DO ENACT AS FOLLOWS:

1-1 **Section 1.** Chapter 218 of NRS is hereby amended by adding thereto

1-2 a new section to read as follows:

1-3 ***1. The office of financial analysis and planning is hereby created***

1-4 ***within the fiscal analysis division of the legislative counsel bureau. The***

1-5 ***senate fiscal analyst and the assembly fiscal analyst shall appoint such***

APPENDIX A

1-6 *personnel as the fiscal analysts determine are necessary for the office to*
1-7 *carry out the duties of the office.*

1-8 **2. The office of financial analysis and planning shall assist the**
1-9 *legislature in long-term financial analysis and planning, including,*
1-10 *without limitation, long-term economic planning and forecasting of*
1-11 *future state revenues.*

2-1 **Sec. 2.** 1. There is hereby created a task force for financial analysis
2-2 and planning consisting of 13 members.

2-3 2. Five members of the task force must be appointed as follows:

2-4 (a) One member appointed by the speaker of the assembly;

2-5 (b) One member appointed by the majority leader of the senate; and

2-6 (c) Three members appointed by the governor.

2-7 The members appointed pursuant to this subsection must not be elected
2-8 officers, state officers or employees of this state or any political
2-9 subdivision of this state, including, without limitation, an institution of
2-10 higher education that receives public money.

2-11 3. In addition to the members appointed pursuant to subsection 2, the
2-12 task force consists of:

2-13 (a) The chief of the budget division of the department of administration
2-14 or his designee;

2-15 (b) The chief of the bureau of research and analysis of the department
2-16 of employment, training and rehabilitation, or his designee, or, if that

APPENDIX A

2-17 position ceases to exist, the position deemed by the director of the
2-18 department of employment, training and rehabilitation to be the equivalent
2-19 of that position;

2-20 (c) The executive director of the department of taxation or his designee;

2-21 (d) The superintendent of public instruction or his designee;

2-22 (e) The state director of the bureau of business and economic research
2-23 of the University of Nevada, Reno, or his designee;

2-24 (f) The director of the center for business and economic research of the
2-25 University of Nevada, Las Vegas, or his designee;

2-26 (g) An employee of a county in Nevada, appointed by the Nevada
2-27 Association of Counties; and

2-28 (h) An employee of a city in Nevada, appointed by the Nevada League
2-29 of Cities.

2-30 4. Each of the members who is appointed to the task force pursuant to
2-31 subsection 2 and paragraphs (g) and (h) of subsection 3 must have
2-32 expertise and demonstrated ability in the field of economics, taxation,
2-33 demography or urban planning or another field that is necessary for
2-34 economic planning and forecasting.

2-35 5. The members who are appointed pursuant to subsection 2 shall
2-36 select from among themselves a person to serve as chairman of the task
2-37 force.

2-38 6. Each member of the task force who is appointed pursuant to

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2-39 subsection 2 is entitled to receive a salary of \$80 for each day or portion of
2-40 a day during which he attends a meeting of the task force.

2-41 7. Each member of the task force is entitled to receive the per diem
2-42 allowance and travel expenses provided for state officers and employees
2-43 generally for each day or portion of a day during which he attends a
3-1 meeting of the task force or is otherwise engaged in the business of the
3-2 task force.

3-3 8. The compensation, per diem allowances and travel expenses of the
3-4 members of the task force must be paid from the legislative fund.

3-5 9. The office of financial analysis and planning created pursuant to
3-6 section 1 of this act shall provide technical expertise and administrative
3-7 support to the task force.

3-8 **Sec. 3.** 1. The task force for financial analysis and planning shall
3-9 develop a process for the preparation and periodic update of long-term
3-10 forecasts of and recommendations concerning future state revenues for use
3-11 in planning and budgeting state programs. The long-term forecasts must
3-12 include periods of 6 years and 10 years. The process developed by the task
3-13 force must provide for, without limitation, the compilation and periodic
3-14 update of reports that include:

3-15 (a) Economic and demographic trends and forecasts at the national,
3-16 regional, state and local levels;

3-17 (b) The sources of revenue in this state, including, without limitation, an

APPENDIX A

3-18 analysis of the elements of this state's revenue structure that may be
3-19 vulnerable or unreliable in the long-term;

3-20 (c) Forecasts and projections of the needs of state and local agencies
3-21 that provide human services and services relating to public education,
3-22 criminal justice and infrastructure;

3-23 (d) An analysis of revenues and expenditures to determine whether
3-24 long-term growth in revenue may reasonably be expected to meet the
3-25 demands of expenditures; and

3-26 (e) An analysis of the feasibility and desirability of using alternative
3-27 procedures for the review and approval of budgets and expenditures of
3-28 departments, institutions and agencies of the state government, including,
3-29 without limitation, the feasibility and desirability of adopting a system of
3-30 performance-based budgets.

3-31 2. In carrying out its duties, the task force shall:

3-32 (a) Use estimates and forecasts prepared by the demographer who is
3-33 employed pursuant to NRS 360.283;

3-34 (b) Use reports, projections of economic indicators and estimates of
3-35 future state revenues made by the economic forum;

3-36 (c) Use any other official forecasts, estimates and publications prepared
3-37 by agencies of this state or political subdivisions of this state and
3-38 institutions of higher education; and

3-39 (d) Solicit recommendations and information from the budget division

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3-40 of the department of administration, agencies and officers of this state,
3-41 local governments, other states, national organizations, private
3-42 organizations and the general public.

3-43 3. In carrying out its duties, the task force may:

4-1 (a) Consider any other information, including, without limitation,
4-2 information prepared by the office of financial analysis and planning
4-3 created pursuant to section 1 of this act.

4-4 (b) Request information from an agency of this state. The task force
4-5 may direct the office of financial analysis and planning to make the request
4-6 on its behalf. An agency that receives a reasonable request for information
4-7 shall comply with the request as soon as is reasonably practicable after
4-8 receipt of the request.

4-9 **Sec. 4.** On or before September 15, 2000, the task force for financial
4-10 analysis and planning shall submit a written report to the director of the
4-11 legislative counsel bureau for immediate transmission to the members of
4-12 the 70th regular session of the legislature. The report must include:

4-13 1. A summary of the progress of the task force in developing a process
4-14 for the preparation and periodic update of long-term forecasts and
4-15 recommendations in accordance with subsection 1 of section 3 of this act.

4-16 2. Recommendations for legislation concerning the appropriate
4-17 composition and duties of a permanent committee to prepare long-term
4-18 forecasts of future state revenues and otherwise continue the preliminary

APPENDIX A

4-19 work done by the task force. The recommendations must specifically
4-20 address the appropriate number, qualifications and terms of the members
4-21 of the permanent committee.

4-22 3. Recommendations for legislation concerning the composition and
4-23 prescription of duties for the office of financial analysis and planning in
4-24 relation to the continuing work on these issues.

4-25 4. Any other recommendations for related legislation.

4-26 **Sec. 5.** On or before September 1, 1999, the speaker of the assembly,
4-27 the majority leader of the senate and the governor shall make appointments
4-28 to the task force for financial analysis and planning in accordance with
4-29 subsection 2 of section 2 of this act. Members appointed to the task force
4-30 remain eligible for appointment to a permanent committee to prepare long-
4-31 term forecasts of future state revenues.

4-32 **Sec. 6.** 1. This act becomes effective on July 1, 1999.

4-33 2. Sections 2, 3 and 4 of this act expire by limitation on June 30, 2001.

APPENDIX B
LIST OF MEMBERS

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The Task Force consists of thirteen members: five members are appointed (three by the Governor, one by the Senate Majority Leader, and one by the Speaker of the Assembly) and the remaining members are specified in AB 525. These eight members are representatives from selected executive agencies, university research centers, and county and city government. The actual members of the Task Force are:

John Restrepo – Chairman of the Task Force
Appointed by Governor Kenny Guinn

Mr. Restrepo is the owner of his own economic consulting firm, Restrepo Consulting Group, in Las Vegas. He has been in the economic consulting business for twenty years. Prior to starting his own firm, he was the Director of Financial Advisory Services for Coopers and Lybrand for eight years.

Mark Arrighi – Chairman of Task Force Subcommittee on the Use of Long-Term Forecasts
Appointed by Assemblyman Joe Dini

Mr. Arrighi is a CPA and shareholder in charge of the Kafoury Armstrong and Company office in Yerington. Mr. Arrighi has been a CPA for twenty-two years with many years of experience in state and local government auditing.

Diane Torry – Vice-Chairman of Task Force Subcommittee on the Use of Long-Term Forecasts
Appointed by Governor Kenny Guinn

Ms. Torry is a retired bank executive, having been in the banking industry for twenty-five years. She is a twenty-seven-year resident of the State of Nevada.

Bob Olson
Appointed by Senator Bill Raggio

Mr. Olson is a retired bank executive, having served as Chief Financial Officer for American BanCor of Nevada for seventeen years, with a total of about thirty years in the banking industry. Mr. Olson is the former chair of the Nevada Counsel on Economic Education and current Chair of the Southern Nevada Academy of Finance.

Ron Zideck
Appointed by Governor Kenny Guinn

Mr. Zideck is a retired partner with Grant Thornton, an accounting and management consulting firm. Mr. Zideck was with Grant Thornton for thirty-five years and is presently associated with the firm on a consulting basis.

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John P. Comeaux

Department of Administration, Director

Mr. Comeaux has been the Director of the Nevada Department of Administration and the State Budget Director for the past six years. Before that, Mr. Comeaux was Director of the Department of Taxation for nine years.

Robert Murdock –Vice-Chairman of Task Force Subcommittee on the Preparation of Long-Term Forecasts

Department of Employment, Training, and Rehabilitation,
Bureau of Research and Analysis, Chief

Bob Murdock is the Chief Economist, Department of Employment, Training and Rehabilitation (DETR), Research and Analysis Bureau.

Lynn Knack

Designated to serve by the Director of the Department of Taxation

Ms. Knack is the Administrative Services Officer, Administrative Services Division, Department of Taxation. Ms. Knack has worked for nineteen years in the collection and distribution of the taxes collected by the Department of Taxation.

Doug Thunder

Designated to serve by the Superintendent of Public Instruction

Mr. Thunder has served as Deputy Superintendent for Administrative and Fiscal Services at the Department of Education since November 1995. Mr. Thunder has worked for the Department of Education since 1986, beginning as an auditor until becoming the Director of Fiscal Services in 1992. He began his employment with the state in April 1983 as an auditor with the State Industrial Insurance System.

Dick Bartholet

University of Nevada – Reno, Bureau of Business and Economic Research, Director

Mr. Bartholet has been the Director of Business and Economic Research at the University of Nevada Reno (UNR) for the past two years.

R. Keith Schwer – Vice-Chairman of the Task Force and Chairman of the Task Force Subcommittee on the Preparation of Long-Term Forecasts

University of Nevada – Las Vegas, Center for Business and Economic Research,
Director

Mr. Schwer has been the Director of the Center for Business and Economic Research and Professor of Economics at University of Nevada Las Vegas (UNLV) for the past fourteen years.

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George Stevens

Designated to serve by the Nevada Association of Counties

Mr. Stevens, Director of Finance for Clark County, has fifteen years of experience in local government finance. Mr. Stevens was Director of Finance for the City of Las Vegas for two years before his employment with Clark County.

Charles McNeely

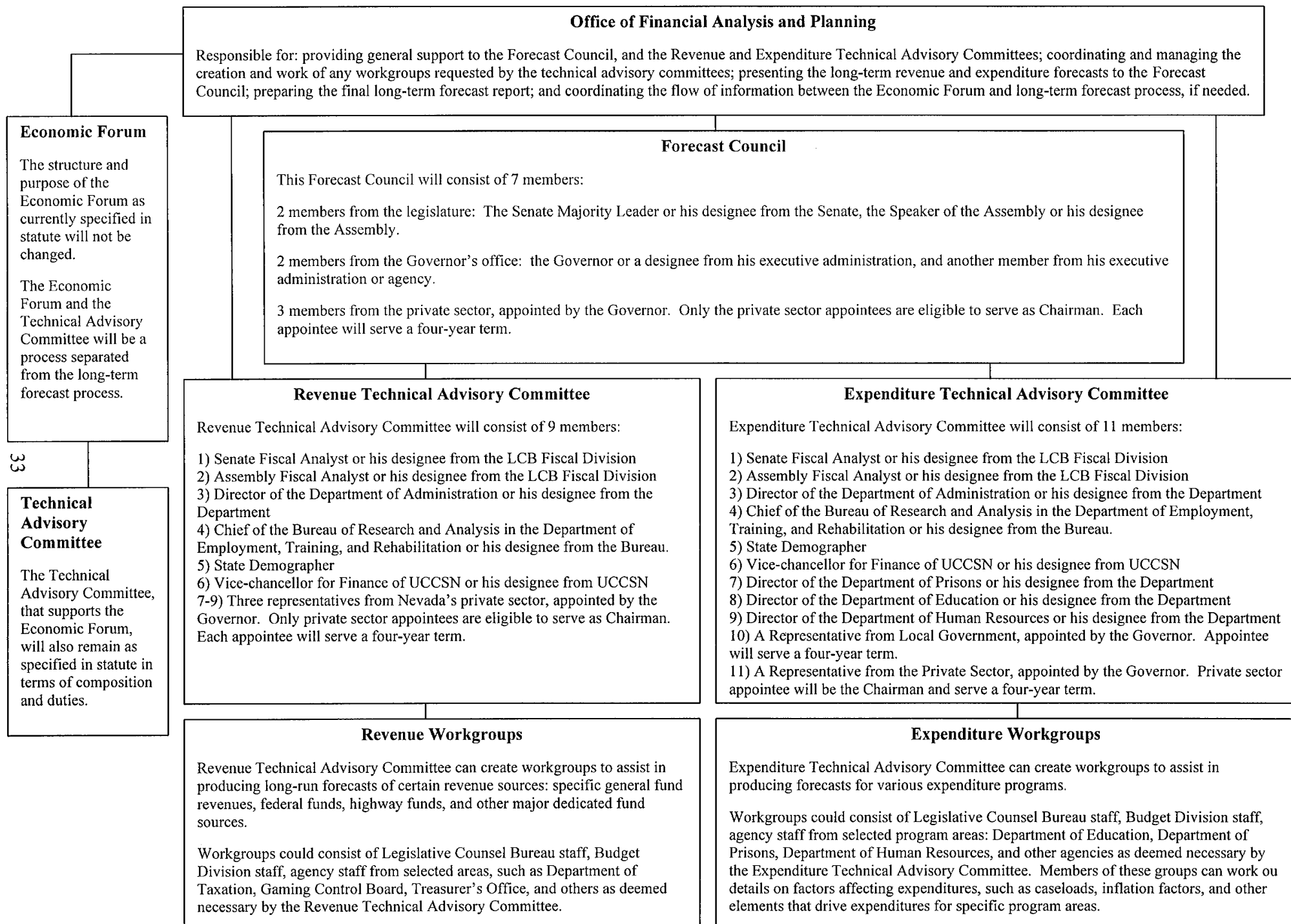
Designated to serve by the Nevada League of Cities

Mr. McNeely has been the Reno City Manager since March 1996. He was City Manager of Seaside, California for ten years.

APPENDIX C

**FLOWCHART OF THE LONG-TERM
FORECAST PROCESS**

APPENDIX C LONG-TERM FORECAST PROCESS



APPENDIX D
SUGGESTED LEGISLATION

APPENDIX D

SUMMARY—Creates forecast council and related technical advisory committees to produce long-term forecasts of state revenues and expenditures and estimates of impacts of proposed programs. (BDR 31-203)

FISCAL NOTE: Effect on Local Government: No.

Effect on the State: Yes.

AN ACT relating to state financial administration; providing in skeleton form for the creation of the forecast council and related technical advisory committees to produce long-term forecasts of state revenues and expenditures and estimates of impacts of proposed programs; establishing the projections and forecasts of the forecast council as the official long-term forecasts of this state for budgetary purposes; expanding the duties of the office of financial analysis and planning of the fiscal analysis division of the legislative counsel bureau to support the forecast council and related technical advisory committees; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 353 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 7, inclusive, of this act.

APPENDIX D

Sec. 2. 1. The forecast council is hereby created. The forecast council consists of seven members, as follows:

(a) The governor or an employee of the executive department designated by the governor;

(b) The speaker of the assembly or a member of the assembly designated by the speaker;

(c) The majority leader of the senate or a senator designated by the majority leader;

(d) An employee of the executive department, designated by the governor, who is:

(1) An expert with demonstrated ability in the field of economics, taxation or other discipline necessary to economic forecasting; and

(2) Able to bring knowledge and professional judgment to the deliberations of the forecast council; and

(e) Three persons, appointed by the governor, each of whom is:

(1) An expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance or other discipline necessary to economic planning or forecasting;

(2) Able to bring knowledge and professional judgment to the deliberations of the forecast council; and

(3) Not an elected officer, state officer or employee of this state or any political subdivision of this state unless he is an officer or employee at an institution of higher education.

APPENDIX D

2. The governor shall appoint the members of the forecast council required pursuant to paragraph (e) of subsection 1 not later than the date of the expiration of the term of the members previously appointed pursuant to paragraph (e) of subsection 1. If a vacancy occurs before the expiration of the term of such a member, the governor shall make an appointment to fill the vacancy for the remainder of the unexpired term not later than 30 days after the vacancy occurs. The governor shall notify the director of the legislative counsel bureau of the name of each member appointed pursuant to this subsection or paragraph (e) of subsection 1 not later than 15 days after the appointment occurs.

3. A member of the forecast council appointed pursuant to paragraph (e) of subsection 1:

(a) Serves for a term of 4 years; and

(b) May be reappointed.

4. If designated pursuant to paragraphs (a) to (d), inclusive, of subsection 1, a member of the forecast council serves at the pleasure of the officer or legislator empowered to designate that member.

5. The forecast council shall:

(a) Hold at least one meeting after September 1 but not later than October 31 of each odd-numbered year;

(b) At its first meeting after September 1 of each odd-numbered year:

(1) Elect a chairman from among its members appointed pursuant to paragraph (e) of subsection 1; and

(2) Elect a vice chairman from among its members;

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(c) Adopt such rules governing the conduct of the forecast council as it deems necessary; and

(d) Hold meetings as necessary to accomplish the tasks assigned to it in the time allotted.

6. The director of the legislative counsel bureau and the director of the department of administration shall jointly provide the forecast council with:

(a) Meeting rooms;

(b) Staff;

(c) Data processing services; and

(d) Clerical assistance.

7. A majority of the members of the forecast council constitutes a quorum, and a majority of those present must concur in any decision.

8. While engaged in the business of the forecast council, a member described in paragraph (e) of subsection 1, other than a member who is an officer or employee of this state at an institution of higher education, is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally. In addition, such a member is entitled to receive for each meeting of the forecast council:

(a) Eighty dollars for 1 day of preparation for that meeting; and

(b) Eighty dollars for each day or part of a day during which the meeting lasts.

9. A member of the forecast council described in paragraph (a) or (d) of subsection 1, and a member described in paragraph (e) of subsection 1 who is an officer or employee of this state at an institution of higher education, must be relieved from his duties without

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loss of his regular compensation so that he may prepare for and attend meetings of the forecast council and perform any work necessary to accomplish the tasks assigned to the forecast council in the most timely manner practicable. A state agency shall not require such a member of the forecast council to make up the time he is absent from work to fulfill his obligations as a member and shall not require the member to take annual vacation or compensatory time for the absence. Such a member shall serve on the forecast council without additional compensation, except that while he is engaged in the business of the forecast council, he is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally, which must be paid by the state agency that employs him.

10. Each legislator who is a member of the forecast council pursuant to paragraph (b) or (c) of subsection 1 is entitled to receive:

(a) Except during a regular or special session of the legislature, the compensation provided for a majority of the members of the legislature during the first 60 days of the preceding regular session for each day or portion of a day during which he attends a meeting of the forecast council and for 1 day of preparation for that meeting; and

(b) The per diem allowance and travel expenses provided for state officers and employees generally.

11. The compensation, per diem allowance and travel expenses provided in subsection 10 must be paid from the legislative fund.

Sec. 3. 1. The forecast council shall:

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(a) Make such projections for economic indicators as it deems necessary to ensure that forecasts are produced as required by paragraphs (b) and (c);

(b) Provide a forecast of the revenue that will be collected by this state during the decennium that begins on July 1 of the year following the date of the meeting required by paragraph (a) of subsection 5 of section 2 of this act;

(c) Provide a forecast of the expenditures of this state during the decennium that begins on July 1 of the year following the date of the meeting required by paragraph (a) of subsection 5 of section 2 of this act;

(d) Request such technical assistance as the forecast council deems necessary from the revenue technical advisory committee, the expenditure technical advisory committee, and the office of financial analysis and planning of the fiscal analysis division of the legislative counsel bureau; and

(e) On or before March 1 of each even-numbered year, prepare a written report of its projections and forecasts required by paragraphs (a), (b) and (c) and present the report to:

(1) The governor, for distribution to the budget division of the department of administration and other appropriate agencies; and

(2) The director of the legislative counsel bureau, for distribution to each legislator and appropriate employees of the legislative counsel bureau.

2. At any time, the chairman of the forecast council may call for a review of the projections and forecasts contained in the most recent report presented pursuant to this subsection or subsection 1. Upon a call for a review, the forecast council shall meet to consider revising the projections and forecasts. If the forecast council revises the

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projections and forecasts, the forecast council shall prepare a new report and present the new report to the governor and the director of the legislative counsel bureau as required pursuant to subsection 1.

3. A report prepared pursuant to subsection 1 or 2 must include, without limitation:

(a) Projections and forecasts for each year of the decennium;

(b) A discussion of the changes from the projections and forecasts contained in the immediately preceding report;

(c) Specific identification and discussion of the changes from the projections and forecasts contained in the immediately preceding report caused by actions of the legislature during the immediately preceding legislative session; and

(d) A comparison of previous projections and forecasts with actual revenues, expenditures and related facts.

4. Before or during each regular session of the legislature, a person selected by the forecast council shall appear before:

(a) The budget subcommittee of the legislative commission appointed pursuant to NRS 218.6824; or

(b) The senate standing committee on finance and the assembly standing committee on ways and means,

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to discuss the projections and forecasts contained in the most recent report presented by the forecast council pursuant to subsection 1 or 2.

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5. *The forecast council may request information directly from any state agency. A state agency that receives a request for information from the forecast council shall comply with the request as soon as is practicable after receiving the request.*

6. *To carry out its duties pursuant to this section, the forecast council may consider any information received from the revenue technical advisory committee, the expenditure technical advisory committee, the office of financial analysis and planning, and any other information received from independent sources.*

7. *Copies of the reports presented pursuant to subsection 1 or 2 must be made available to the public by the director of the legislative counsel bureau for the cost of reproducing the reports.*

Sec. 4. *The projections and forecasts contained in the most recent report presented pursuant to subsection 1 or 2 of section 3 of this act are the official long-term projections and forecasts of this state. Any difference between the official long-term projections and forecasts of this state and the projections and forecasts contained in or used for:*

1. *A budgetary request of a department, institution or agency of the executive department must be identified and explained in the budgetary request.*

2. *The proposed budget submitted by the governor pursuant to NRS 353.230 must be identified and explained in the proposed budget.*

Sec. 5. 1. *The revenue technical advisory committee is hereby created. The committee consists of nine members, as follows:*

(a) *The senate fiscal analyst or an employee of the fiscal analysis division of the legislative counsel bureau designated by the senate fiscal analyst;*

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(b) The assembly fiscal analyst or an employee of the fiscal analysis division of the legislative counsel bureau designated by the assembly fiscal analyst;

(c) The chief of the budget division of the department of administration or an employee of the budget division designated by the chief;

(d) The chief of the research and analysis bureau of the division of information development and processing of the department of employment, training and rehabilitation or an employee of the bureau designated by the chief;

(e) The vice chancellor for finance of the University and Community College System of Nevada or an employee of the University and Community College System of Nevada designated by the vice chancellor;

(f) The demographer employed pursuant to NRS 360.283; and

(g) Three persons, appointed by the governor, each of whom is:

(1) An expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance or other discipline necessary to economic planning or forecasting;

(2) Able to bring knowledge and professional judgment to the deliberations of the committee; and

(3) Not an elected officer, state officer or employee of this state or any political subdivision of this state unless he is an officer or employee at an institution of higher education.

2. The governor shall appoint the members of the revenue technical advisory committee required pursuant to paragraph (g) of subsection 1 not later than the date of

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the expiration of the term of the members previously appointed pursuant to paragraph (g) of subsection 1. If a vacancy occurs before the expiration of the term of such a member, the governor shall make an appointment to fill the vacancy for the remainder of the unexpired term not later than 30 days after the vacancy occurs. The governor shall notify the director of the legislative counsel bureau of the name of each member appointed pursuant to this subsection or paragraph (g) of subsection 1 not later than 15 days after the appointment occurs.

3. A member of the revenue technical advisory committee appointed pursuant to paragraph (g) of subsection 1:

- (a) Serves for a term of 4 years; and*
- (b) May be reappointed.*

4. If designated pursuant to paragraphs (a) to (e), inclusive, of subsection 1, a member of the revenue technical advisory committee serves at the pleasure of the officer empowered to designate that member.

5. The revenue technical advisory committee shall:

- (a) At its first meeting after September 1 of each odd-numbered year:
 - (1) Elect a chairman from among its members appointed pursuant to paragraph (g) of subsection 1; and*
 - (2) Elect a vice chairman from among its members;**
- (b) Adopt such rules governing the conduct of the committee as it deems necessary;*
- (c) Hold meetings as necessary to carry out the requests made by the forecast council pursuant to section 3 of this act in the most timely manner practicable;*

APPENDIX D

(d) Provide all assistance requested by the forecast council pursuant to section 3 of this act;

(e) After receiving a request pursuant to section 7 of this act for an estimate of the effect of a proposal:

(1) Prepare a written estimate of the effect, with regard to revenues, of the proposal upon the official long-term projections and forecasts of this state;

(2) Present the written estimate prepared pursuant to subparagraph (1) to:

(I) The forecast council;

(II) The governor, for distribution to the budget division of the department of administration and other appropriate agencies; and

(III) The director of the legislative counsel bureau, for distribution to each legislator and appropriate employees of the legislative counsel bureau; and

(3) Present the written estimate, as required by subparagraph (2), not later than:

(I) March 1 following the commencement of the regular legislative session if the proposal is contained in the proposed budget submitted by the governor pursuant to NRS 353.230; or

(II) Ninety days after the commencement of the regular legislative session if the proposal is contained in a legislative measure; and

(f) Request such technical assistance as the committee deems necessary from the office of financial analysis and planning of the fiscal analysis division of the legislative counsel bureau.

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6. *A majority of the members of the revenue technical advisory committee constitutes a quorum, and a majority of those present must concur in any decision.*

7. *While engaged in the business of the revenue technical advisory committee, a member described in paragraph (g) of subsection 1, other than a member who is an officer or employee of this state at an institution of higher education, is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally. In addition, such a member is entitled to receive for each meeting of the committee:*

(a) Eighty dollars for 1 day of preparation for that meeting; and

(b) Eighty dollars for each day or part of a day during which the meeting lasts.

8. *A member of the revenue technical advisory committee described in paragraphs (a) to (f), inclusive, of subsection 1, and a member described in paragraph (g) of subsection 1 who is an officer or employee of this state at an institution of higher education, must be relieved from his duties without loss of his regular compensation so that he may prepare for and attend meetings of the committee and perform any work necessary to accomplish the tasks assigned to the committee in the most timely manner practicable. A state agency shall not require such a member of the committee to make up the time he is absent from work to fulfill his obligations as a member and shall not require the member to take annual vacation or compensatory time for the absence. Such a member shall serve on the committee without additional compensation, except that while he is engaged in the business of the committee, he is entitled to receive the per diem allowance and travel*

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expenses provided for state officers and employees generally, which must be paid by the state agency that employs him.

9. The revenue technical advisory committee may request information from any state agency. A state agency that receives a request for information from the committee shall comply with the request as soon as is practicable after receiving the request.

10. The director of the legislative counsel bureau and the director of the department of administration shall jointly provide the revenue technical advisory committee with:

- (a) Meeting rooms;*
- (b) Staff;*
- (c) Data processing services; and*
- (d) Clerical assistance.*

Sec. 6. 1. The expenditure technical advisory committee is hereby created. The committee consists of 11 members, as follows:

- (a) The senate fiscal analyst or an employee of the fiscal analysis division of the legislative counsel bureau designated by the senate fiscal analyst;*
- (b) The assembly fiscal analyst or an employee of the fiscal analysis division of the legislative counsel bureau designated by the assembly fiscal analyst;*
- (c) The chief of the budget division of the department of administration or an employee of the budget division designated by the chief;*
- (d) The chief of the research and analysis bureau of the division of information development and processing of the department of employment, training and rehabilitation or an employee of the bureau designated by the chief;*

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(e) The vice chancellor for finance of the University and Community College System of Nevada or an employee of the University and Community College System of Nevada designated by the vice chancellor;

(f) The superintendent of public instruction or an employee of the department of education designated by the superintendent of public instruction who has expertise in the budget and expenditure programs of the department;

(g) The director of the department of prisons or an employee of the department designated by the director who has expertise in the budget and expenditure programs of the department;

(h) The director of the department of human resources or an employee of the department designated by the director who has expertise in the budget and expenditure programs of the department;

(i) The demographer employed pursuant to NRS 360.283;

(j) A person, appointed by the governor, who is an officer or employee of a local government of this state; and

(k) A person, appointed by the governor, who is:

(1) An expert with demonstrated ability in the field of economics, taxation, demography, urban planning, accounting, finance or other discipline necessary to economic planning or forecasting;

(2) Able to bring knowledge and professional judgment to the deliberations of the committee; and

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(3) Not an elected officer, state officer or employee of this state or any political subdivision of this state unless he is an officer or employee at an institution of higher education.

2. The governor shall appoint the members of the expenditure technical advisory committee required pursuant to paragraphs (j) and (k) of subsection 1 not later than the date of the expiration of the term of the members previously appointed pursuant to paragraphs (j) and (k) of subsection 1. If a vacancy occurs before the expiration of the term of such a member, the governor shall make an appointment to fill the vacancy for the remainder of the unexpired term not later than 30 days after the vacancy occurs. The governor shall notify the director of the legislative counsel bureau of the name of each member appointed pursuant to this subsection or paragraph (j) or (k) of subsection 1 not later than 15 days after the appointment occurs.

3. The member of the expenditure technical advisory committee appointed pursuant to paragraph (k) of subsection 1 shall serve as chairman of the committee. A member of the committee appointed pursuant to paragraph (j) or (k) of subsection 1:

(a) Serves for a term of 4 years; and

(b) May be reappointed.

4. If designated pursuant to paragraphs (a) to (h), inclusive, of subsection 1, a member of the expenditure technical advisory committee serves at the pleasure of the officer empowered to designate that member.

5. The expenditure technical advisory committee shall:

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(a) At its first meeting after September 1 of each odd-numbered year, elect a vice chairman from among its members;

(b) Adopt such rules governing the conduct of the committee as it deems necessary;

(c) Hold meetings as necessary to carry out the requests made by the forecast council pursuant to section 3 of this act in the most timely manner practicable;

(d) Provide all assistance requested by the forecast council pursuant to section 3 of this act;

(e) After receiving a request pursuant to section 7 of this act for an estimate of the effect of a proposal:

(1) Prepare a written estimate of the effect, with regard to expenditures, of the proposal upon the official long-term projections and forecasts of this state;

(2) Present the written estimate prepared pursuant to subparagraph (1) to:

(I) The forecast council;

(II) The governor, for distribution to the budget division of the department of administration and other appropriate agencies; and

(III) The director of the legislative counsel bureau, for distribution to each legislator and appropriate employees of the legislative counsel bureau; and

(3) Present the written estimate, as required by subparagraph (2), not later than:

(I) March 1 following the commencement of the regular legislative session if the proposal is contained in the proposed budget submitted by the governor pursuant to NRS 353.230; or

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(II) Ninety days after the commencement of the regular legislative session if the proposal is contained in a legislative measure; and

(f) Request such technical assistance as the committee deems necessary from the office of financial analysis and planning of the fiscal analysis division of the legislative counsel bureau.

6. A majority of the members of the expenditure technical advisory committee constitutes a quorum, and a majority of those present must concur in any decision.

7. While engaged in the business of the expenditure technical advisory committee, a member described in paragraph (k) of subsection 1, other than a member who is an officer or employee of this state at an institution of higher education, is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally. In addition, such a member is entitled to receive for each meeting of the committee:

(a) Eighty dollars for 1 day of preparation for that meeting; and

(b) Eighty dollars for each day or part of a day during which the meeting lasts.

8. A member of the expenditure technical advisory committee described in paragraphs (a) to (j), inclusive, of subsection 1, and a member described in paragraph (k) of subsection 1 who is an officer or employee of this state at an institution of higher education, must be relieved from his duties without loss of his regular compensation so that he may prepare for and attend meetings of the committee and perform any work necessary to accomplish the tasks assigned to the committee in the most timely manner practicable. A state agency shall not require such a member of the committee to make up

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the time he is absent from work to fulfill his obligations as a member and shall not require the member to take annual vacation or compensatory time for the absence. Such a member shall serve on the committee without additional compensation, except that while he is engaged in the business of the committee, he is entitled to receive the per diem allowance and travel expenses provided for state officers and employees generally, which must be paid by the state agency that employs him.

9. The expenditure technical advisory committee may request information from any state agency. A state agency that receives a request for information from the committee shall comply with the request as soon as is practicable after receiving the request.

10. The director of the legislative counsel bureau and the director of the department of administration shall jointly provide the expenditure technical advisory committee with:

- (a) Meeting rooms;*
- (b) Staff;*
- (c) Data processing services; and*
- (d) Clerical assistance.*

Sec. 7. 1. During each regular legislative session, the office of financial analysis and planning of the fiscal analysis division of the legislative counsel bureau shall request from the revenue technical advisory committee, the expenditure technical advisory committee, or both, as appropriate, an estimate of the effect of a proposal contained in the proposed budget submitted by the governor pursuant to NRS 353.230 or in a legislative measure introduced not later than the 75th day of the session:

- (a) Upon receipt of a request pursuant to subsection 2; or*

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(b) If the proposal:

(1) Modifies an existing revenue source or expenditure program or creates a new revenue source or expenditure program; and

(2) Has a projected fiscal impact, during the first complete year the proposal would be in effect, equal to or greater than 2 percent of the estimated future state revenue for the second year of the immediately succeeding biennium as estimated by the economic forum on or before the immediately preceding December 1 pursuant to paragraph (d) of subsection 1 of NRS 353.228.

2. During each regular legislative session, not later than the 75th day of the session:

(a) The governor may, not more than twice;

(b) The speaker of the assembly may, not more than once; and

(c) The majority leader of the senate may, not more than once,

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request an estimate of the effect of a proposal contained in the proposed budget submitted by the governor pursuant to NRS 353.230 or in a legislative measure introduced not later than the 75th day of the session. A request pursuant to this subsection must be submitted to the office of financial analysis and planning.

3. As used in this section, "projected fiscal impact" means:

(a) If the proposal is contained in the proposed budget submitted by the governor pursuant to NRS 353.230, the estimate or projection of the fiscal impact of the proposal as stated in the proposed budget; and

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(b) If the proposal is contained in a legislative measure introduced not later than the 75th day of the session, the estimate or projection of the fiscal impact of the proposal as prepared by the fiscal analysis division of the legislative counsel bureau.

Sec. 8. NRS 218.6865 is hereby amended to read as follows:

218.6865 1. The office of financial analysis and planning is hereby created within the fiscal analysis division of the legislative counsel bureau. The senate fiscal analyst and the assembly fiscal analyst shall appoint such personnel as the fiscal analysts determine are necessary for the office to carry out the duties of the office.

2. The office of financial analysis and planning shall ~~{assist}~~ :

(a) Assist the legislature in long-term financial analysis and planning, including, without limitation, long-term economic planning and forecasting of future state revenues ~~{-}~~ and expenditures;

(b) Provide all assistance requested by the:

(1) Forecast council pursuant to section 3 of this act;

(2) Revenue technical advisory committee pursuant to section 5 of this act; and

(3) Expenditure technical advisory committee pursuant to section 6 of this act; and

(c) Prepare and present to the forecast council on or before March 1 of each even-numbered year a report that, if accepted by the forecast council, would fulfill the requirements set forth in paragraph (e) of subsection 1 and subsection 3 of section 3 of this act.

3. The office of financial analysis and planning may request information from any state agency. A state agency that receives a request for information from the office of

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financial analysis and planning shall comply with the request as soon as is practicable after receiving the request.

Sec. 9. On or before September 1, 2001, the governor shall appoint:

1. Three members to the forecast council pursuant to paragraph (e) of subsection 1 of section 2 of this act to an initial term that begins on September 1, 2001, and expires on August 31, 2005.

2. Three members to the revenue technical advisory committee pursuant to paragraph (g) of subsection 1 of section 5 of this act to an initial term that begins on September 1, 2001, and expires on August 31, 2005.

3. Two members to the expenditure technical advisory committee pursuant to paragraphs (j) and (k) of subsection 1 of section 6 of this act to an initial term that begins on September 1, 2001, and expires on August 31, 2005.

Sec. 10. Notwithstanding the provisions of subsection 3 of section 3 of this act, the report required pursuant to subsection 1 of section 3 of this act to be prepared and presented on or before March 1, 2002, must not include the discussions, specific identifications and comparisons required pursuant to paragraphs (b), (c) and (d) of subsection 3 of section 3 of this act.

Sec. 11. 1. This section becomes effective upon passage and approval.

2. Sections 1, 2, 5, 6 and 9 of this act become effective upon passage and approval for the purpose of appointing members to the forecast council, revenue technical advisory committee and expenditure technical advisory committee and on September 1, 2001, for all other purposes.

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3. Sections 3, 4, 7, 8 and 10 of this act become effective on September 1, 2001.