

## **Overview of current Consensus Revenue Forecasting process**

Prepared by the Office of the State Economist, Dept. of Administrative and Financial Services  
Consensus Economic Forecasting Commission/Revenue Forecasting Committee joint meeting  
September 17, 2021

Statute: [Title 5, Chapter 151-B: CONSENSUS REVENUE FORECASTING](#)

### Background:

- CEFC is made up of 5 independent members (not part of Legislative/Judicial/Executive); terms are staggered with 2 or 3 seats expiring each year
- Purpose is to provide the official economic forecast for the State, which is used as an input to the revenue forecasting process (and so ultimately impacts the budget)
- RFC is made up of 6 members, mostly legislative/executive plus one from UMaine system; chair serves a rotating 2-year term

### Forecasts:

- Due every Apr. 1 and Nov. 1 of odd-numbered years for CEFC (May 1 and Dec. 1 for RFC) and every Feb. 1 and Nov. 1 of even-numbered years for CEFC (Mar. 1 and Dec. 1 for RFC)
- At each meeting, update forecast for current and 2 following biennia
- The next biennium is added in Feb. of even-numbered years, when alternative forecasts are due for stress-testing requirement
- Stress-test report is due Oct. 1 of even-numbered years, covering 2 alternative recession scenarios of varying severity and focusing on General Fund projections of sales and income tax revenues, sufficiency of Budget Stabilization Fund, and an estimate of the reserves necessary to offset declines in revenue in hypothetical recession scenarios

### Key indicators:

- Determined by the Maine Revenue Services revenue models
- Focus is on components of personal income, wage and salary employment (industry detail provided by staff and reviewed by CEFC), inflation as measured by CPI, and national corporate profits; additional variables primarily related to energy prices and inflation provided by staff
- Forecasts come from Moody's Analytics and IHS Markit; current forecasts from those two entities are compared to the current existing CEFC forecast

### Meetings:

- Typically meet twice a year to update forecasts, plus joint meeting with both groups in September
- An information gathering session is generally held ahead of the CEFC's fall forecasting meeting bringing representatives from various businesses, industries, nonprofits, and other organizations in to share their observations and outlooks
- Office of the State Economist provides primary staff support for the CEFC and sends out background materials and forecast information ahead of the forecasting meeting

- At the CEFC meeting, presentations from Maine Dept. of Labor on labor conditions, Maine Revenue Services on revenue conditions, and Office of the State Economist on general economic updates, assumptions/risks, and forecasts
- Discussion of what members are seeing in the economy and discussion of forecasts, leading to consensus decision of official CEFC forecast
- RFC meetings include a summary of the CEFC meeting/forecast, presentations from Maine Revenue Services and Office of Fiscal and Program Review, and presentations from any other pertinent agencies (e.g. Attorney General's Office, Maine Milk Commission).

Reports:

- Staff prepare report drafts and submit to members for comment/edits/approval
- CEFC report includes current economic conditions, summaries of meeting presentations, key assumptions, major discussion points, and a summary of the official forecast
- Final reports are emailed to CEFC, RFC, Governor's Office, key staff, legislature and are also published to websites; a limited number of hard copy RFC reports are printed, but the CEFC report is not printed
- The Joint Standing Committee on Appropriations and Financial Affairs often receives a briefing following the RFC meeting including updates from the full forecasting process; CEFC and RFC members are welcome to participate when available