

October 17, 2018

Written Statement of David Merriman, Senior Scholar, Institute of Government and Public Affairs, University of Illinois System and Stukel Presidential Professor, Dept. of Pub. Admin., Univ. of Illinois at Chicago, **to provide information regarding AN ORDINANCE TO ESTABLISH A CONSENSUS REVENUE FORECASTING COMMISSION FOR COOK COUNTY (#18-2073)**

Honorable Members of the Board of Commissioners of Cook County, Finance Committee:

I am an economist and professor at the University of Illinois in Chicago with more than thirty years of experience teaching, researching and writing about issues related to state and local public finance. I appear before you today to provide information that may be relevant as you consider the proposed ordinance to adopt a consensus revenue forecasting commission.

High quality forecasts of available resources are essential to responsible budgeting and efficient and effective government. In large governments the process of estimating available resources generally requires technical sophistication and responsible judgment. Large complex governments use a variety of processes to produce estimates. Among well regarded academic researchers and policy analysts there is consensus that revenue forecasts should be transparent, independent of political influence to the extent possible, and should allow for input from multiple stakeholders. This group of researchers and analysts also strongly recommends a multi-year planning horizon that allows elected officials and citizens to understand the longer term implications of current policy choices.

Most academic and policy literature regarding revenue forecasting in general and consensus forecasting in particular, focuses on state rather than local or county governments. Because of Cook County's enormous population (it's population is greater than more than half of US states) it is reasonable to draw lessons from the experience of US states.

Roughly half of US states employ some kind of consensus revenue forecasting procedure. These arrangements typically involve revenue forecasts produced jointly under the supervisions of legislative and executive branches. Reviews of the academic literature about consensus revenue forecasting suggest that the process should:

- be transparent and professional, should
- include independent experts from the start
- give the general public, the media and advocacy groups access to the data and deliberations that underly the forecast and

allow for revisions of the revenue forecast during the budget year as conditions change (McNichol 2014).

Well crafted and documented revenue forecasts can provide reassurance to rating agencies and may reduce borrowing costs. Recent literature (Mikesell and Ross 2014) argues that consensus revenue forecasting leads to more politically acceptable revenue estimates and leads to more objective and constructive budgeting debates and negotiation. For these reasons, a well-crafted consensus revenue forecasting commission could serve the people of Cook County.

McNichol, E.C. 2014. Improving state revenue forecasting: best practices for a more trusted and reliable revenue estimate. Center on Budget and Policy Priorities—CBPP.

Mikesell, J.L. and Ross, J.M., 2014. State revenue forecasts and political acceptance: The value of consensus forecasting in the budget process. *Public Administration Review*, 74(2), pp.188-203.
August 23, 2014