

*Immediate Release*

August 7, 2014

**Contact:** Ted Boettner, 304-720-8682, [tboettner@wvpolicy.org](mailto:tboettner@wvpolicy.org)

## **West Virginia is Relying on Faulty Process to Estimate Revenue**

*Reforms needed to ensure greater fiscal responsibility and promote public trust*

**[Charleston, WV]** – West Virginia should make improvements to the way it estimates revenues in order to create a more fiscally responsible budget, according to a new report from the Center on Budget and Policy Priorities. In the report’s evaluation of how states come up with a revenue estimate for the annual budget, West Virginia scored only a two on a scale of zero to five due to its failure to employ basic best practices that create strong, reliable revenue estimates to guide state spending.

“West Virginia’s revenue estimating process is fundamentally flawed, and lawmakers should reform it to both ensure greater financial discipline and create a more robust and democratic debate about how the state raises and spends resources,” said Ted Boettner, Executive Director of the West Virginia Center on Budget and Policy.

Each year, West Virginia estimates how much money it will take in during the upcoming fiscal year. Lawmakers rely on that figure to know how much the state can invest in schools, roads, and other public services. But West Virginia’s process for estimating revenue is tilted too far toward the executive branch. Unlike many states, the West Virginia legislature does not work with the executive branch to produce a consensus forecast. When one branch is excluded from this process key decision makers are more likely to dismiss or dispute the revenue estimates. If they then use an estimate that is too high, the state is likely to spend more money than it has. If the estimate is too low, the state might not invest as much as it could in services that people depend on every day. And mistrust increases legislative gridlock.

“There are concrete ways that West Virginia can improve its revenue estimating process, which will ultimately benefit all West Virginians by creating a more open process that is accountable to the public, not politicians,” said Elizabeth McNichol, senior fellow at the Center on Budget and Policy Priorities and author of the report.

Specifically, West Virginia should pursue the following reforms to its revenue estimating process:

- **The governor and legislature should jointly produce the revenue estimate.** This type of “consensus” process helps reduce political gridlock and increases the revenue estimate’s value as a trusted starting point for writing the state budget.
- **The revenue estimating body should include outside experts.** Including experts from academia or business, along with economic and budgeting experts from within state

government, widens the economic knowledge available to the forecasting body and can improve how much a forecast is trusted.

- **Revenue estimates should be revised during the year.** Adjusting estimates for changing economic circumstances can improve their accuracy.

###

The full report is available at [www.cbpp.org](http://www.cbpp.org).

-30-

The West Virginia Center on Budget and Policy is a public policy research organization that is nonpartisan, nonprofit, and statewide. The Center focuses on how policy decisions affect all West Virginians, especially low- and moderate-income families.