

Testimony in support of HB 5587

Committee on Finance, Revenue and Bonding, Public Hearing, April 2, 2018.

Bill Cibes

I urge the Committee to report favorably HB 5587, AAC the Commission on Fiscal Stability and Economic Growth. Especially if it is modified as recommended below.

As I observed in my comments submitted at the public hearing on March 23rd on the Final Report of the Commission, the Commission's recommendations merit further consideration. In general, they seemingly avoid pushing the state into an austere fiscal regime which in the end would damage the economy. The recommendations seem to reflect the general principle articulated by David Osborne and Peter Hutchinson in The Price of Government, which I believe should serve as a standard against which to measure fiscal recommendations:

“just as driving the price of government too high can damage an economy, so driving the price too low can undermine its viability. In the Information Age, the keys to economic success are education levels, quality of life, and connectivity (the ability to reliably move information, goods and people) – and these things cost money.” (The Price of Government, pp. 57-58)

However, as I observed in my comments, many of the Commission's recommendations lack sufficient detail to be implemented without a more thorough investigation, which should “vet” the assumptions and calculations on which its conclusions are based, and make sure that the proposed changes fit together into a coherent whole.

It would make sense, for example, to integrate the work of this Commission with that of the Tax Study Panel, which reported to the General Assembly in early 2016. And further analysis by an independent non-ideological “think tank” like the New England Public Policy Center at the Federal Reserve Bank of Boston would provide additional insight into the ramifications of the Commission's proposals.

As I observed in my comments at the March 23rd hearing, there are a number of issues that need to be further examined.

- Parts of the Commission's report appear to be internally inconsistent with, or even contradictory to, other portions of the report.
- The detailed analysis of how \$1 Billion in spending reductions can be achieved appears to be flawed.
- The Commission's proposed revamping of the revenue structure is predicated on a very shaky analysis – involving some widely held, but incorrect, beliefs and assumptions.

I have provided a much more extensive review of these topics in my March 23rd comments (available on the Committee's website).

In any case, the state should take advantage of the perspective which the Commission has brought to the economic and fiscal issues facing the state. Accordingly, I asked – hopefully – whether there might be a way to carry on the work of the Commission over the next few months, conducting a thorough review and analysis of its recommendations and their implications, of the assumptions on which their recommendations are based, of the internal coherence and consistency of the analysis, and on the desirability of implementing some of the goals. I expressed the wish that the members of the Commission might continue to participate in this work, while allowing other players to participate.

HB 5587 appears to provide one path to doing so.

The bill might be improved by providing for full (not just ex officio) participation by additional appointees, by specifically authorizing analysis by an independent think tank, and by appropriating funds to support that external analysis.

Thank you for your consideration.