

**STATE
FISCAL IMPACT**

Drafting Number: LLS 12-0687
Prime Sponsor(s): Sen. Scheffel
Rep. DelGrosso

Date: March 30, 2012
Bill Status: Senate Finance
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TITLE: CONCERNING DYNAMIC MODELING TO ANALYZE THE FISCAL IMPACT OF PROPOSED LEGISLATION.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014
State Revenue Cash Funds - Dynamic Modeling Cash Fund	Gifts, Grants, and Donations of \$164,000 to \$1 million	
State Expenditures General Fund Cash Funds - Dynamic Modeling Cash Fund	\$92,711 \$164,000 to \$1 million	\$183,110
FTE Position Change	1.0 FTE	2.0 FTE
Effective Date: August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.		
Appropriation Summary for FY 2012-2013: See State Appropriations Section.		
Local Government Impact: None.		

Summary of Legislation

Under current law, if the balance in the Dynamic Modeling Cash Fund reaches at least \$120,000, the Director of Research for Legislative Council Staff is required to contract with an independent entity to explore options for developing or procuring a dynamic model to analyze the economic impacts of new legislation.

This bill requires the Director of Research to solicit and accept bids to develop or procure a dynamic model and it repeals the requirement that \$120,000 be deposited into the Dynamic Modeling Cash Fund. Bids must be presented to the Executive Committee of Legislative Council, which shall select a dynamic model to be used by Legislative Council Staff. The Director of Research must purchase the model once sufficient funds are available in the Dynamic Modeling Cash Fund, and no General Fund money can be used to buy the model.

State Revenue

State revenue from gifts, grants, and donations must increase by at least \$164,000 up to an amount possibly exceeding \$1 million before a dynamic model will be purchased. Revenue will be deposited into the Dynamic Modeling Cash Fund. Actual revenue will vary, depending upon the type of model selected, the level of impacts to be quantified by the model, the number of sectors/regions included in the model, data requirements, and calibration of the model for conditions unique to Colorado's economy. Previous research found that Regional Economic Models Inc. (REMI), could provide a statewide model with a limited number of industry sectors for approximately \$164,000. A mid-level dynamic model with 64 counties and 70 sectors was estimated to cost approximately \$250,000. This research also found that California spent more than \$1 million to develop its dynamic revenue analysis model in the late 1990s.

State Expenditures

The specific amount spent to purchase a dynamic model is contingent on the type of model selected by the Executive Committee of Legislative Council **and** sufficient funds being deposited into the Dynamic Modeling Cash Fund. This amount could range from \$164,000 to more than \$1 million.

Once a dynamic model is purchased, Legislative Council Staff will require an additional 2.0 FTE economists to implement and use the model, although the precise staffing needs are partly contingent on the type of model purchased. These conditional costs are estimated to be at least \$92,711 in FY 2012-13 and \$183,110 each year thereafter. It is estimated that additional staff will be needed to manage, maintain, and run the dynamic model on an annual basis, with personal services expenses of \$77,105 and one-time capital outlay and training costs of \$15,606 in FY 2012-13. The fiscal note assumes that model selection and funding will be completed by December 31, 2012, with staffing needs starting in January 2013. In FY 2013-14, ongoing costs include at least \$27,000 for model subscription costs. Total expenditures associated with SB12-03 are detailed in Table 1.

Table 1. Total Expenditures Under SB12-083		
Cost Components	FY 2012-13	FY 2013-14
Purchase of Dynamic Model (one-time)	\$164,000 to \$1 million	\$0
Personal Services	\$77,105	\$154,210
FTE	1.0	2.0
Operating Expenses and Capital Outlay	\$15,606	\$1,900
Model Subscription Costs		at least \$27,000
TOTAL	\$256,711 to \$1.1 million	\$183,110

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 2.

Table 2. Expenditures Not Included Under SB12-083*		
Cost Components	FY 2012-13	FY 2013-14
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$1,636	\$3,273
Supplemental Employee Retirement Payments	4,165	8,330
TOTAL	\$5,801	\$11,603

**More information is available at: <http://colorado.gov/fiscalnotes>*

State Appropriations

The Legislative Department will require a General Fund appropriation of \$92,711 and 1.0 FTE, plus an appropriation of at least \$164,000 from the Dynamic Modeling Cash Fund in FY 2012-13.

Departments Contacted

Legislative Council