



The bill, as amended, establishes a five-member dynamic modeling advisory committee consisting of representatives of the business and academic communities, and economic developers. Members of the committee would be appointed by the Director of Research and would serve without compensation.

The bill states the intent of the General Assembly that no General Fund moneys be appropriated for the purpose of implementing HB05-1046. Rather, the amendment establishes the Dynamic Modeling Pilot Program Fund in the State Treasury to be comprised of gifts, grants, and donations from private or public sources. The bill states that the Director of Research of the Legislative Council shall not undertake the pilot program unless there is \$170,000 in the fund as of September 1, 2005. Moneys in the fund would be subject to annual appropriation by the General Assembly.

### **State Revenues**

The bill authorizes the Director of Research of the Legislative Council to accept gifts, grants, or donations from private or public sources in order to undertake the pilot program. A total of \$170,000 is required by September 1, 2005 in order for the program to go forward.

### **State Expenditures**

The dynamic modeling pilot program requires a threshold amount of gifts, grants, and donations of \$170,000 in order for the pilot program to begin. Any donations credited to the Dynamic Modeling Pilot Program Fund would be Cash Funds Exempt and would not count as state revenue for purposes of the state's TABOR revenue limit.

It is assumed that the advisory committee would make recommendations to the Director of Research regarding whether to purchase or lease a model from an outside vendor, use a model developed by an institution of higher education or some other non-profit organization, or to develop an in-house model. If the decision were made to purchase an "off the shelf" model, several options could be considered. For example, Regional Economic Models, Inc. (REMI) is one company that offers dynamic model options for a fee. Models could be devised in several configurations, including one statewide model, a model with ten regions in the state, or a model with 64 regions whereby each county is represented as its own region. The number of NAICS sectors analyzed per region could be 23, 70, or 169 individual sectors. Assuming a mid-level model with 10 regions and 70 sectors, the purchase price for a REMI model is estimated to be approximately \$112,000. In addition, annual maintenance costs of \$23,400 per year would be necessary beginning in the second year. The model, however, could also be rented for a three-month period for an estimated cost of \$40,320. It should be noted that other dynamic models that may be identified by the advisory committee, including models developed by institutions of higher education, may be available for less money than the model identified above.

If an "off the shelf" model is purchased by Legislative Council, an additional 1.0 FTE staff Economist IV would be required in order to maintain and operate the dynamic model data base. Direct expenses for Legislative Council staff (including wages of \$56,148, PERA and Medicare of \$6,654, operating expenses of \$500, and one-time expenses for office furniture and a computer of \$3,288) are estimated to be \$66,590 in FY 2005-06, and \$63,302 each year thereafter.

With a mid-level dynamic model purchase, total expenditures for Legislative Council staff are estimated to be \$178,590 and 1.0 FTE in FY 2005-06, and \$86,702 and 1.0 FTE in FY 2006-07. However, given the number of model options available, it is assumed that the actual expenditures will be based on the budgetary resources made available for the pilot program.

### **Expenditures Not Included**

Pursuant to the Joint Budget Committee's budget policies, the following expenditures have not been included in this fiscal note:

- health and life insurance costs of \$4,481;
- short-term disability costs of \$70;
- inflationary cost factors;
- leased space; and
- indirect costs.

### **State Appropriations**

The fiscal note implies that the Legislative Department will require an appropriation of \$170,000 Cash Fund Exempt and 1.0 FTE for 2005-06 in order to implement the provisions of the bill.

### **Departments Contacted**

Legislative Council Staff