


 Colorado *Legislative Council Staff*
STATE
CONDITIONAL FISCAL IMPACT

Drafting Number: LLS 06-0281
Prime Sponsor(s): Sen. Tapia
 Rep. Massey

Date: January 19, 2006
Bill Status: Senate Finance
Fiscal Analyst: Josh Harwood (303-866-4796)

TITLE: CONCERNING THE PILOT PROGRAM FOR THE DIRECTOR OF RESEARCH OF THE LEGISLATIVE COUNCIL TO USE A DYNAMIC MODEL TO ANALYZE THE ECONOMIC IMPACT OF BILLS THAT MAKE A TAX POLICY CHANGE.

Fiscal Impact Summary	FY 2005/2006	FY 2006/2007	FY 2007/2008
State Revenues Cash Funds Exempt - Dynamic Modeling Cash Fund	Gifts, Grants, Donations*		
State Expenditures Cash Funds Exempt - Dynamic Modeling Cash Fund	Gifts, Grants, Donations*		
FTE Position Change	0.0 FTE	0.0 FTE	0.0 FTE
Effective Date: August 9, 2006, if adjournment sine die is on May 10, 2006, unless a referendum petition is filed.			
Appropriation Summary for FY 2006/2007: None required. See Appropriations Section.			
Local Government Impact: None.			

**A minimum of \$120,000 must be received by the Director of Research of the Legislative Council in order to explore options and determine the best manner in which to implement the use of a dynamic economic model for use in evaluating select tax policy legislation. This fiscal note assumes that additional appropriations would be required to develop and implement the use of such model with respect to both staffing needs and the purchase of any programs and/or data.*

Summary of Legislation

Interim Committee on Economic Development. The bill reestablishes the pilot program initially created through House Bill 05-1046 that allowed for gifts, grants, and donations to be accepted by the Director of Research of the Legislative Council in order to pursue the possibility of creating a dynamic model for analyzing tax policy changes. Upon receipt of at least \$120,000 by the Director of Research of the Legislative Council, the director would begin a process to evaluate various options for procuring a dynamic model.

Once a model is ultimately usable, the director would notify the Executive Committee of the Legislative Council that a model is ready for use in the upcoming legislative session. Furthermore, because a Committee on Economic Development, Trade, and Tourism has not been formed, the director would notify the Committee on Business Affairs and Labor in the House of Representatives and the Committee on Business, Labor, and Technology in the Senate that the model is ready for use and the committees will recommend ten bills to the Executive Committee that fiscal impacts will be evaluated using the model.

The bill specifically prohibits the use of General Fund money during FY 2006-07 for this project, and also eliminates the expressed authority to appropriate moneys from the Capital Construction Fund for the pilot program.

Background. House Bill 05-1046 set forth guidelines to create a pilot program that allows Legislative Council to investigate options for procuring a dynamic economic model to estimate primary and secondary impacts of tax policy changes. The bill authorized the Director of Research of the Legislative Council to establish a pilot program for the purpose of creating or procuring a dynamic model to analyze the economic impact of up to ten bills that are introduced during the 2008 regular session that have a tax policy change. This analysis would be in addition to any fiscal note that is required on bills coming before the General Assembly. The dynamic model authorized by the bill would consider the direct and indirect or secondary economic effects related to the bills to be analyzed, including an estimate of the probable behavioral responses of taxpayers, taxing entities, businesses, and other persons to the proposed tax policy change.

The bill, as amended, established a dynamic modeling advisory committee consisting of at least five 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 stated the intent of the General Assembly that no General Fund moneys be appropriated for the purpose of implementing HB05-1046. Rather, the bill established 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 stated that the Director of Research of the Legislative Council should not undertake the pilot program unless there was \$120,000 in the fund as of September 1, 2005. Moneys in the fund would be subject to annual appropriation by the General Assembly. The bill contained a repeal clause, effective January 1, 2008.

The Director of Research of the Legislative Council *did not* receive the full amount necessary to proceed with the program by September 1, 2005. Therefore, the enacting legislation became moot. The bill endorsed by the Interim Committee on Economic Development reenacted the bill with the stipulations summarized above and removed any dates by which the money must be received or the model put into use. It should be noted that the Director of Research received \$65,500 from 13 entities by September 1, 2005. These moneys were subsequently returned pursuant to the enacting legislation. Currently, no moneys are in the DMCF.

State Revenues and Expenditures

The bill is assessed as having a conditional fiscal impact contingent on the receipt of at least \$120,000 in gifts, grants, or donations, by the Legislative Council. The bill continues the Dynamic Modeling Cash Fund (DMCF) in the office of Legislative Council that was set up to receive gifts, grants, and donations for the exploration of options in the use of a dynamic model to evaluate primary and secondary impacts of tax policy changes. Once the account has a balance of at least \$120,000, the Director of Research of the Legislative Council is authorized to appoint an advisory committee and spend money necessary to evaluate options for procuring a model that can be used to evaluate a maximum of ten bills per session. This fiscal note assumes that any moneys necessary to purchase, develop, and/or maintain a dynamic model will require an additional appropriation beyond what is set forth in this bill. Given the timeline previously set forth in House Bill 05-1046, it is reasonable to assume that the earliest a dynamic model would be ready for use would be the 2009 legislative session.

State Appropriations

This fiscal note implies that an appropriation is necessary when at least \$120,000 is received by the Director of Research of the Legislative Council through gifts, grants, and donations, the Legislative Department will receive an appropriation equal to the amount in the DMCF in whichever fiscal year is appropriate.

Departments Contacted

Legislative Council Staff