Dynamic Fiscal Notes

Executive Appropriations Committee
October 16, 2012

What are they?

Dynamic fiscal notes include direct cost and/or revenue impacts PLUS cost/revenue impacts associated with indirect/induced behavior changes.

An Example

What if legislators changed the corporate tax rate?

NODE 1. CURRENT PRACTICE STATE GOVERNMENT **STATIC** IMPACT (UCA 36-12-13(2)(b))

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by $50 million in FY 2013, $68 million in FY 2014, and $71 million in FY 2015.

Revenues	FY 2013	FY 2014	FY 2015
Education Fund	$ (50,000,000)	$ (68,000,000)	$ (71,000,000)
Total	(50,000,000)	(68,000,000)	(71,000,000)

Appropriations	FY 2013	FY 2014	FY 2015
Education Fund	$0	$0	$0
Total	$0	$0	$0

NET STATE GOVERNMENT **STATIC** IMPACT

STATIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (**static**)	(50,000,000)	(68,000,000)	(71,000,000)
Net General & Education Funds (Rev.-Approp.) (**static**)	(50,000,000)	(68,000,000)	(71,000,000)

NODE 2. STATE GOVERNMENT **DYNAMIC REVENUE SIDE** IMPACT

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by $42.7 million in FY 2013, $60.2 million in FY 2014, and $63.0 million in FY 2015.

Dynamic Revenue Impact	FY 2013	FY 2014	FY 2015
Education Fund, static	$ (50,000,000)	$ (68,000,000)	$ (71,000,000)
Education Fund, dynamic	$ 4,300,000	$ 4,558,000	$ 4,877,100
General Fund, dynamic	$ 3,000,000	$ 3,240,000	$ 3,466,800
Total	(42,700,000)	(60,202,000)	(62,656,100)

Appropriations	FY 2013	FY 2014	FY 2015
Education Fund	$0	$0	$0
Total	$0	$0	$0

NET **DYNAMIC** STATE GOVERNMENT IMPACT (**REVENUE SIDE**)

DYNAMIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (**dynamic**)	(42,700,000)	(60,202,000)	(62,656,100)
Net General & Education Funds (Rev.-Approp.) (**dynamic**)	(42,700,000)	(60,202,000)	(62,656,100)

DYNAMIC REVENUE SIDE IMPACT

The static revenue effect is -$50 million in FY 2013, -$68 million in FY 2014, and -$71 million in FY 2015. Presuming the that the tax cut induces $100 million in corporate spending on investments and labor, the dynamic revenue side impact becomes -$42.7 million in FY 2013, -$60.2 million in FY 2014, and -$62.7 million in FY 2014.

NODE 3. STATE GOVERNMENT **DYNAMIC REVENUE & EXPENDITURE** IMPACT

Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by $48.2 million in FY 2013, $66.1 million in FY 2014, and $69.0 million in FY 2015.

Dynamic Revenue Impact	FY 2013	FY 2014	FY 2015
Education Fund (static)	$ (50,000,000)	$ (68,000,000)	$ (71,000,000)
Education Fund (dynamic revenue side)	$ 4,300,000	$ 4,558,000	$ 4,877,100
General Fund (dynamic revenue side)	$ 3,000,000	$ 3,240,000	$ 3,466,800
Education Fund (dynamic expenditure side)	$ (3,200,000)	$ (3,456,000)	$ (3,697,900)
General Fund (dynamic expenditure side)	$ (2,300,000)	$ (2,438,000)	$ (2,608,700)
Total	(48,200,000)	(66,096,000)	(68,982,700)

Appropriations	FY 2013	FY 2014	FY 2015
Education Fund, dynamic	$ (42,700,000)	$ (60,202,000)	$ (62,656,100)
Total	(42,700,000)	(60,202,000)	(62,656,100)

NET **DYNAMIC** STATE GOVERNMENT IMPACT (**REVENUE & EXPENDITURE**)

DYNAMIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (**dynamic**)	(5,500,000)	(5,894,000)	(6,306,600)
Net General & Education Funds (Rev.-Approp.) (**dynamic**)	(5,500,000)	(5,894,000)	(6,306,600)

DYNAMIC REVENUE & EXPENDITURE IMPACT

The static revenue effect is -$50 million in FY 2013, -$68 million in FY 2014, and -$71 million in FY 2015. Presuming the tax cut induces private sector spending and that the reduction in State spending reduces GF/EF revenue, the bottom line revenue impact becomes -$48.2 million in FY 2013, -$-60.2 million in FY 2014, and -$62.7 million in FY 2015.

NODE 4. STATE GOVERNMENT **DYNAMIC REV. & EXP. 2 WITH LOCAL EXP.** IMPACT

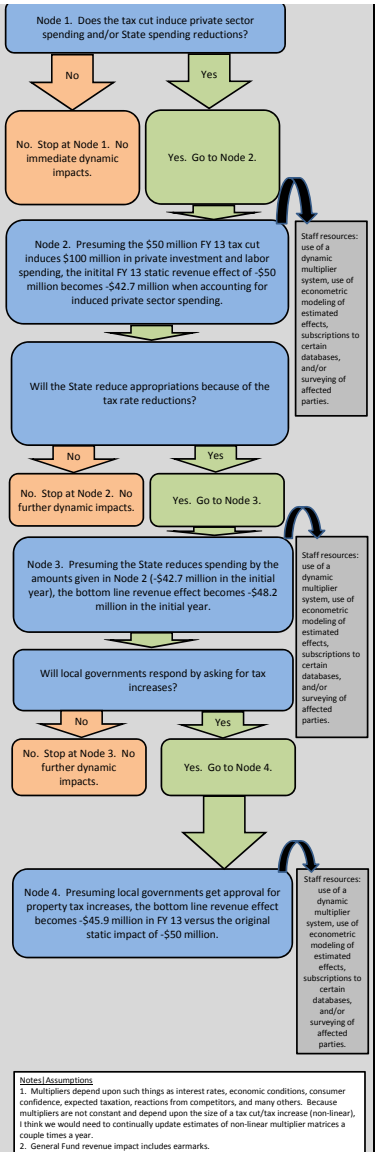
Enactment of this bill reduces the corporate tax rate from 5% to 4%, which reduces revenue to the General/Education Funds by $45.9 million in FY 2013, $63.6 million in FY 2014, and $66.3 million in FY 2015.

Dynamic Revenue Impact	FY 2013	FY 2014	FY 2015
Education Fund (static)	$ (50,000,000)	$ (68,000,000)	$ (71,000,000)
Education Fund (dynamic revenue side)	$ 4,300,000	$ 4,558,000	$ 4,877,100
General Fund (dynamic revenue side)	$ 3,000,000	$ 3,240,000	$ 3,466,800
Education Fund (dynamic expenditure side)	$ (3,200,000)	$ (3,456,000)	$ (3,697,900)
General Fund (dynamic expenditure side)	$ (2,300,000)	$ (2,438,000)	$ (2,608,700)
Education Fund (dynamic exp. & rev. side 2)	$ 1,300,000	$ 1,404,000	$ 1,502,300
General Fund (dynamic exp. & rev. side 2)	$ 1,000,000	$ 1,060,000	$ 1,134,200
Total	(45,900,000)	(63,632,000)	(66,326,200)

Appropriations	FY 2013	FY 2014	FY 2015
Education Fund, dynamic	$ (42,700,000)	$ (60,202,000)	$ (62,656,100)
Total	(42,700,000)	(60,202,000)	(62,656,100)

NET **DYNAMIC** STATE GOVERNMENT IMPACT (**REVENUE & EXPENDITURE**)

DYNAMIC	FY 2013	FY 2014	FY 2015
Net All Funds (Rev.-Approp.) (**dynamic**)	(3,200,000)	(3,430,000)	(3,870,100)
Net General & Education Funds (Rev.-Approp.) (**dynamic**)	(3,200,000)	(3,430,000)	(3,870,100)



Notes | Assumptions

1. Multipliers depend upon such things as interest rates, economic conditions, consumer confidence, expected taxation, reactions from competitors, and many others. Because multipliers are not constant and depend upon the size of a tax cut/tax increase (non-linear), I think we would need to continually update estimates of non-linear multiplier matrices a couple times a year.
2. General Fund revenue impact includes earmarks.

What do others do?

State	Approach to Fiscal Notes
Arizona	Limited dynamic
Colorado	Static
Indiana	"quais-dynamic"
Kansas	Static
Maine	Static
Maryland	Limited dynamic
Minnesota	Static
Nebraska	Limited dynamic
Montana	Static
New Jersey	Static
Oregon	Static

H.B. 196 1st Sub. (Buff) - Tobacco Tax Revisions

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill could increase revenue to the General Fund by $43,198,000 in FY 2011 and $44,062,000 in FY 2012. Of the increase, $250,000 is earmarked for the Gold Medal Schools program in the Department of Health.

	FY 2010 Approp.	FY 2011 Approp.	FY 2012 Approp.	FY 2010 Revenue	FY 2011 Revenue	FY 2012 Revenue
General Fund	$0	$250,000	$250,000	$0	$43,198,000	$44,062,000
Total	**$0**	**$250,000**	**$250,000**	**$0**	**$43,198,000**	**$44,062,000**

Individual, Business and/or Local Impact

Businesses are expected to see a decrease in revenue of $53,911,000 annually. Individuals will see total tobacco costs increase by $43,198,000 in FY 2011 and $44,062,000 in FY 2012. Local governments are unaffected.

2/25/2010, 10:30:28 AM, Lead Analyst: Wilko, A./Attny: TRV

Office of the Legislative Fiscal Analyst

We're static, right?

Fiscal Notes for the Utah Legislature are "direct and measurable"

Are they worth it?

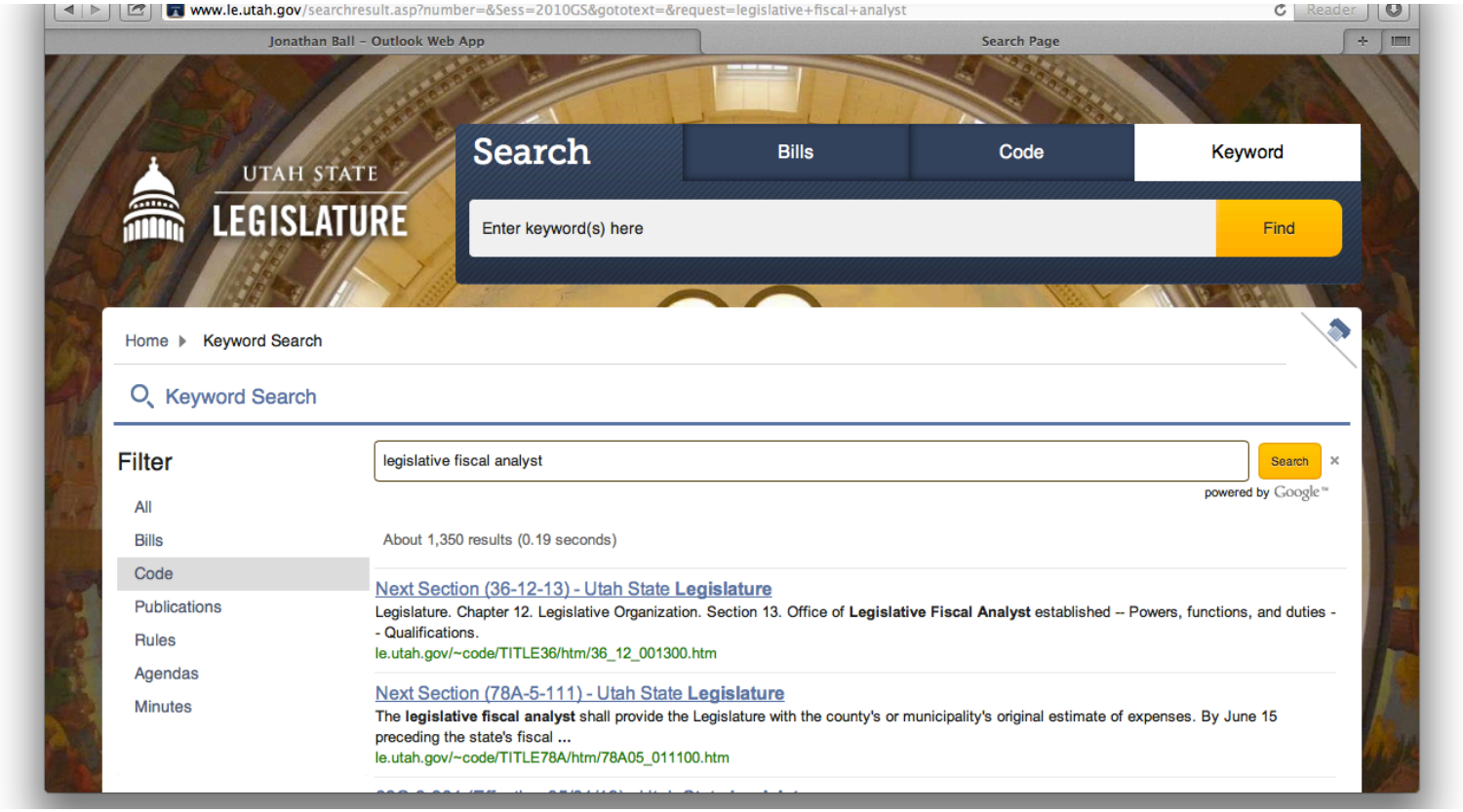
Pros

- More realistic
- Increased accuracy
  - A dynamic fiscal note won't "kill my bill"

Cons

- More time and effort
- Increased risk
- Fiscal note on tax cuts will divert revenue otherwise available for needs

What next?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Agendas
Minutes
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Next Section (36-12-13) - Utah State Legislature
Legislature. Chapter 12. Legislative Organization. Section 13. Office of Legislative Fiscal Analyst established -- Powers, functions, and duties - - Qualifications.
le.utah.gov/~code/TITLE36/htm/36_12_001300.htm
Next Section (78A-5-111) - Utah State Legislature
The legislative fiscal analyst shall provide the Legislature with the county's or municipality's original estimate of expenses. By June 15 preceding the state's fiscal ...
le.utah.gov/~code/TITLE78A/htm/78A05_011100.htm