



UTAH STATE

LEGISLATURE

Dynamic Fiscal Notes

2015 Utah Taxes Now Conference

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What is a Fiscal Note?

Static Fiscal Notes	Dynamic Fiscal Notes	Cost/Benefit Analyses
Taxable base x rate = static fiscal note	Taxable base x rate = static fiscal impact	Taxable base x rate = static fiscal impact
	Measure spending and competitive secondary impact on businesses/individuals	
	Convert behavioral responses to revenue = dynamic fiscal impact	
	More accurate	May or may not be more accurate
	More relevant	May or may not be more relevant
	Higher risk	An expression of benefits
		A measure of impact on society
		Intended to influence the passage of a bill



“Indirect and Induced”

$$\text{Multiplier} = \frac{\text{Total Change in the Economy}}{\text{Initial Change by New or Expanding Business}}$$



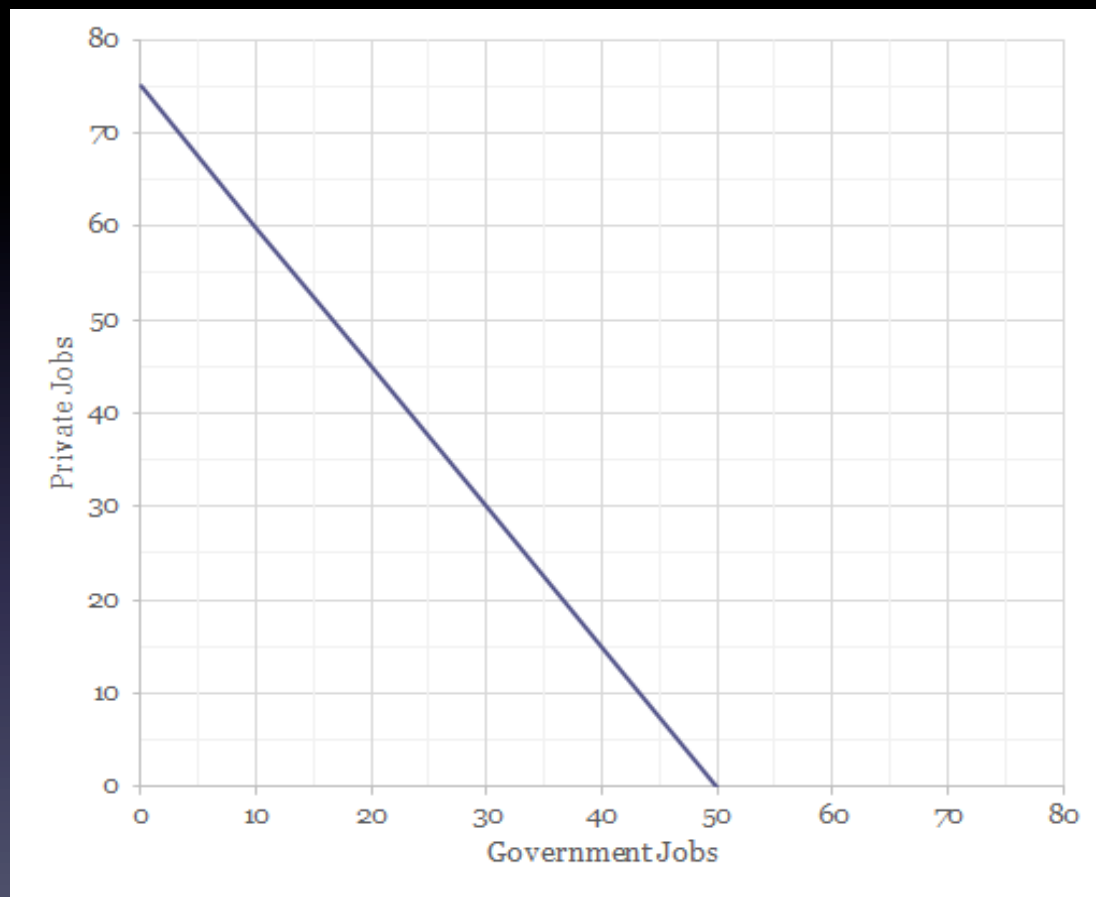
Opportunity Cost = Sacrifice



- Resources are finite, scarcity prevails
- Every choice has at least one alternative – even if that alternative is to do nothing
- The Opportunity Cost of one choice is the value of the next best alternative



Opportunity Cost: Incentives vs. Spending



Scenarios

Scenario 1: Do Nothing with the Money

Scenario 2: Spend the Money

Scenario 3: Baseline Production Cost Effect
(Nominal private sector response)

Scenario 4: Behavioral Responses
(Reaction beyond production cost effect)



3 yr. Manufacturing Equip. Exemption

DYNAMIC FISCAL NOTE

No Bill Number

2013 Interim

SHORT TITLE: Sales Tax Exemption for Manufacturing Equipment Purchases, LT 3 Year Life

SPONSOR: No Sponsor

Note: Subject to change during the normal fiscal noting process

DO NOTHING (INTEREST INCOME)

SCENARIO 1

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	(\$30,000,000)	(\$31,500,000)	(\$33,075,000)	(\$34,729,000)	(\$36,465,000)
General Fund/Education Fund, Dynamic	(\$29,430,000)	(\$30,901,500)	(\$32,463,000)	(\$34,104,000)	(\$35,826,000)
Jobs	0	0	0	0	0
Wages	\$0	\$0	\$0	\$0	\$0
Gross Domestic Product (GDP)	\$0	\$0	\$0	\$0	\$0

STATUS QUO (SPEND THE MONEY)

SCENARIO 2

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	\$ (30,000,000)	\$ (31,500,000)	\$ (33,075,000)	\$ (34,729,000)	\$ (36,465,000)
General Fund/Education Fund, Dynamic	\$ (28,527,000)	\$ (29,988,000)	\$ (31,483,000)	\$ (33,057,000)	\$ (34,754,000)
Jobs	176	198	196	196	205
Wages	\$12,000,000	\$14,000,000	\$16,000,000	\$17,000,000	\$18,000,000
Gross Domestic Product (GDP) (millions)	\$37,000,000	\$38,000,000	\$40,000,000	\$41,000,000	\$42,000,000



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PRODUCTION COST EFFECT

SCENARIO 3

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	\$ (30,000,000)	\$ (31,500,000)	\$ (33,075,000)	\$ (34,729,000)	\$ (36,465,000)
General Fund/Education Fund, Dynamic	\$ (28,627,000)	\$ (29,490,000)	\$ (30,468,000)	\$ (31,544,800)	\$ (32,724,200)
Jobs	295	448	572	675	760
Wages	\$27,500,000	\$36,500,000	\$45,000,000	\$53,000,000	\$61,000,000
Gross Domestic Product (GDP)	\$34,500,000	\$50,500,000	\$65,500,000	\$80,000,000	\$94,000,000

COMPETITIVE EFFECTS WITH BEHAVIORAL RESPONSE

SCENARIO 4

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	\$ (30,000,000)	\$ (31,500,000)	\$ (33,075,000)	\$ (34,729,000)	\$ (36,465,000)
General Fund/Education Fund, Dynamic	\$ (22,935,000)	\$ (20,834,000)	\$ (18,508,000)	\$ (15,685,000)	\$ (14,018,000)
Jobs	1,437	2,059	2,664	3,287	3,681
Wages	\$78,500,000	\$121,000,000	\$166,500,000	\$217,500,000	\$258,500,000
Gross Domestic Product (GDP) (millions)	\$177,500,000	\$268,000,000	\$366,000,000	\$478,500,000	\$564,000,000

