

FISCAL NOTE

FEB 3 - 1999

(Return original and 10 copies)

Bill/Resolution No.: SB 2397 Amendment to:

Requested by Legislative Council Date of Request: 1-27-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

The fiscal impact to the state will be based on the clarification of several issues related to the act. To begin to assist in support of the implementation, Economic Development & Finance has estimated \$161,800 will need to be added to the agency budget in the form of salary/wage support for staff and operating expenses. (See attached narrative.) Other public sector costs inherent in complying with this act have not been determined.

2. State fiscal effect in dollar amounts:

Table with 7 columns: 1997-99 Biennium (General Fund, Special Funds), 1999-2001 Biennium (General Fund, Special Funds), 2001-03 Biennium (General Fund, Special Funds). Rows: Revenues, Expenditures. All cells contain 'N.A.'

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: Not available
b. For the 1999-2001 biennium: Estimate \$161,800 (see narrative)
c. For the 2001-03 biennium: Based on compliance issues by public sector

4. County, City, and School District fiscal effect in dollar amounts:

Table with 9 columns: 1997-99 Biennium (Counties, Cities, School Districts), 1999-2001 Biennium (Counties, Cities, School Districts), 2001-03 Biennium (Counties, Cities, School Districts).

Unknown for all of above.

If additional space is needed, attach a supplemental sheet.

Signed [Signature]

Typed Name Randy Schwartz

Department Economic Development & Finance

Date Prepared: 1-2-99

Phone Number 328-5314

Additional Narrative to Fiscal Note

Bill Resolution No: SB 2397

Section One

To more accurately assess the fiscal impact of this act, it would be beneficial for the legislature to clarify:

- (1) What are the expectations of all of the agencies and political subdivisions to comply with this act? Is this act targeted to certain agencies – only those that may impact the use of private property? What happens if there is non-compliance with this act? Is proposed legislation – regardless of source – subject to this act? If so – who will bear costs for economic impact analysis?
- (2) What is the timeline for the implementation of the act?
- (3) Who will economic development and finance consult with to assist in the appropriate implementation?

The act, as stated, has very broad implications to state agencies and political subdivisions. Too often, discussion surrounding the development and implementation of policies, rules and laws only focuses on what the fiscal impact may be in terms of state and/or local revenues and expenditures (example – the fiscal note form). On appearance, this act seeks to broaden the development and implementation of policies, rules and laws to identify what impacts these public policy issues have on the state's economic viability.

It is an issue that the department of economic development and finance has been concerned about for some time. In addition to affects of public policy on the economy, we have also been very concerned about identifying the return on public sector investment in economic development projects. The agency has studied a number of models can be used to assess policy impacts and economic development. The agency has had discussions with other state agencies (i.e. OMB, Tax Department, Job Service, Bank of North Dakota) about using impact models.

Not all models are designed to do the same thing. Arthur Andersen has developed a fiscal impact model that assesses the return on public sector investment in economic development projects. It provides information on new revenues, new jobs, new business growth but also identifies any associated costs of development (i.e. housing, transportation, education), for state and local government (including counties, cities, schools).

On the other hand there are sophisticated models designed to do economic forecasting and simulation such as Regional Economic Models, Inc. (REMI), which can be used in economic development, forecasting/planning, transportation, environmental policies, energy and natural resource management and public policy planning. REMI could also utilize the general fund/economic forecasting information currently contracted by the state (OMB) from WEFA.

These commercial models range in price from several thousand dollars (Arthur Andersen) to tens of thousands of dollars (REMI). Some states with significant economic planning and public policy analysis efforts have developed custom models.

In the reorganization of the agency, a research position (yet to be filled) has been identified that would track competitor activity, compile best practices and conduct some policy analysis to benefit decision makers. That research effort would interface with another agency research effort including state, regional and community assessment. As a result, beginning work on impact analysis would be in reach – should the agency continue forward as proposed in its budget to the Governor. However the Governor's proposed budget reduced salaries \$122,449 and transferred 25% of agency operating expenses to a grant line to support external service providers.

If the Governor's budget for the agency's is revised to accommodate developing the capacities at the agency to assist with the implementation of this act, we estimate the state fiscal impact to be \$161,800 for the biennium. That is assuming a relative light workload to begin with in the implementation of this act and that the agency can complete its reorganization over the next several months. This amount would allow the agency to begin the work outlined in the act by reinstating salary/wages needed to support one research specialist IV, (\$95,000), an intern (\$16,800) and related operating expenses (\$50,000).