November 2019

Budget Division

How to Write an Effective Fiscal Note

OFM Guidelines for Agencies
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Introduction
Training Scope, Intended Audience & Format

➢ Training scope
  ▪ Is limited to state agency fiscal notes.
  ▪ Does not address school district or local government notes specifically, though those who write these fiscal notes will benefit from this training document.

➢ Intended audience
  ▪ State agency staff who write or develop content for a fiscal note.

➢ Training format
  ▪ Is in the order of the sections of the public-facing fiscal note (not in the order of prompts in the agency fiscal note system). This format represents how the fiscal note is viewed by the OFM analyst, the Legislature and the public.
Getting Started
What Do You Need to Get Started?

- Determine who, within your agency, needs to review the bill
  - Depending on the bill and internal agency practices, you may need to engage multiple Subject Matter Experts (SMEs) to review the bill and determine the cost impacts.

- Read the entire bill
  - Once assigned, read the entire bill to understand which sections apply and create a fiscal impact for your agency.

- Read the Agency Fiscal Note System Instructions

- Complete a bill analysis (recommended)
  - Although a written analysis for each bill is not required, your OFM analyst may ask you for one to better understand assumptions behind your calculations.
  - Agencies use different methods with varying levels of formality to document fiscal impacts. Examples of good bill analysis templates:
    - Department of Ecology blank analysis template
    - Department of Fish and Wildlife blank analysis example
What Do You Need to Get Started?

- Coordinate or write assumptions
  - Coordinate assumptions across your agency and/or with the assigned lead agency, as required, and document.
  - Coordinate with your budget staff to calculate related costs – both standard (e.g., FTEs), and unusual costs (e.g., travel, training, etc.).
  - **NOTE:** Assumptions are due within 24 hours of the fiscal note being assigned.

- **NEW FEATURE:** Lead agency assumptions will now be referred to as “Assumptions” and all agencies will have access to this field.
  - **If you are the lead agency,** input your assumptions as you normally would.
  - **If you are not the lead agency,** but the bill includes workload impacts such as a new committee or work group, rulemaking that must be coordinated with another agency, Attorney General costs, etc., enter your assumptions in the “Assumptions” field. Your text will be added to the bottom of any previously entered assumptions.
  - Once saved, you will not have the ability to edit or delete text. If changes are required, contact your OFM analyst who can assist you.
General Guidelines for Writing an Fiscal Note
General Guidelines

Fiscal Note Foundation

- The fiscal note introduction narrative should be clearly stated in plain language so that it can easily be understood by a broad audience.
- The fiscal note should be defensible:
  - work is shown and is complete and credible
    - agency approach for defining assumptions and costs is documented
    - detailed attachments (e.g., spreadsheets) are included, if beneficial
  - assumptions are clearly stated
  - new FTEs, as required, are listed by fiscal year and descriptions of the work they are to perform is included
  - calculations can be duplicated easily.
- Do not speak to the merits of the policy. Speak only to the impacts on your agency.
- Use the last enacted budget as the starting point.

Continued on next page
General Guidelines

Reasons your fiscal note *may be returned for revision* by your OFM analyst

- Does not adhere to the foundation guidelines noted on the previous page.
- Additional reasons for revisions:
  - Includes a narrative that is unclear or difficult to read.
  - Does not align implementation dates with the bill.
  - Includes egregious spelling errors.
  - Contains an incorrect interpretation of the bill.
  - Fails to coordinate assumptions with other agencies, as needed.
  - Does not provide an explanation for a “no fiscal impact” note.

*Continued on next page*
General Guidelines

Once you have submitted your fiscal note, here’s what to expect

- Your assigned OFM budget analyst will begin to review and approve the fiscal note unless they have questions or concerns. Budget analysts will prioritize their review based on upcoming hearings and I-960 impacts.

- The fiscal note is due to the Legislature within 5 days of being assigned (including weekends). The agency due date is set at 3 days, giving OFM the remaining 2 days to approve and submit to the Legislature.

- The OFM analyst assigned to the lead agency will be assigned as the lead analyst for the fiscal note. This analyst is responsible for submitting the preliminary and final fiscal notes to the Legislature and for ensuring assumptions are in alignment with one another.

NOTE: If a fiscal note is incorrectly assigned to your agency (or you suspect it may be), email your assigned budget analyst to let them know.
Fiscal Note
Section Highlights
Part I – Estimates

Grid on cover page: Are summaries of the information in Parts III and IV of these instructions. To update these grids, update the corresponding part.

In the Summary tab of the FNS, select whether there is fiscal impact greater than $50,000 per fiscal year, less than $50,000, or no fiscal impact at all. This will be reflected in the appropriate checkbox on the cover page.

If there is capital budget impact or new rulemaking, or this is a revision of a previously submitted fiscal note, select the appropriate box(es) on the summary tab.
Part II.A – Narrative Explanation

- Should briefly summarize the sections of the bill that create new costs or cost savings for the responding agency. Should be organized by section.
- Should exclude descriptions of sections that do not impact the responding agency.
- Fiscal notes for bills with no fiscal impact should clearly state why there is no impact.

Continued on next page
Part II.A – Narrative Explanation

- Should be written clearly as it will create a framework for the expenditure section. The reader should be able to make a clear connection between the narrative explanation of the bill and the sections describing expenditures and cash receipts (Part II.B and II.C).

- If the bill is a substitute or engrossed bill, or an amendment, the narrative description should begin by explaining the difference between the current bill and the previous version of the bill.
Part II.A – Narrative Explanation

Here is an example of a narrative description that includes all the above elements (from E2SSB 5254, 2017):

Part II: Narrative Explanation
II. A - Brief Description of What the Measure Does That Has Fiscal Impact
Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

*Differences between 2SSB and E2SSB:*
Section 3 adds a requirement for the Department to evaluate the way existing zoning and land use regulations are promoting or hindering attainment of the goal for affordable housing.

Section 5, Section 6 and Section 7 from 2SSB 5254 are removed.
Section 8 is now Section 5 and the sunset date is extend from 2023 to 2029.

*New Description:*
Section 2 requires Commerce to contract with the Urban Land Institute to develop guidance for local governments planning under the Growth Management Act (GMA) to use in ensuring a reasonable land market supply to accommodate new development.

Section 2 also requires Commerce to provide grants to counties, cities and regional planning organizations to update their review and evaluation process under RCW 36.70A.215 (Buildable Lands program).
Part II.A – Narrative Explanation

 Narrative example, continued

Sections 2, 3, 5, 6 and 7 substantially amend the GMA regarding the Buildable Lands program, the housing element requirements and establishment of urban growth areas.

Section 8 maintains the document recording fee collected under RCW 36.22.179 at the current level of $40 per document through 2027, at which point it will decline to $10. (Under current law the fee is scheduled to decline from the current level of $40 to $10 in 2019.)

This section would also eliminate the provision allowing county auditors to retain 2 percent of the fee and the current exemption from the fee for documents recording a birth, marriage, divorce or death.

Section 33 eliminates the current county authority to retain up to 5 percent of the total fees collected and replaces it with the authority to retain 6 percent.
Part II.B – Cash Receipts

- Cash receipts, for fiscal note purposes, means revenue.
- Should clearly state the section of the bill that has revenue impacts.
- The agency that receives the revenue should show cash receipts.
- If local government collects the revenue, the administering agency will show cash receipts.

Continued on next page
Part II.B – Cash Receipts

- In some cases, the bill will dictate who will display the revenue on their fiscal note.
- If an agency is transferring revenue to another agency, the agency that is transferring the revenue will show the cash receipts as negative and the receiving agency should show the revenue as positive. This will create a zero impact on the front of the note.

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Part II.B – Cash Receipts

- Federal and private/local revenues should match private or local expenditures.
- Include assumptions and calculations for revenue estimates, referencing the corresponding sections of the bill.

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Where possible, include the fiscal impacts and dollar amount required for each section that impacts your agency. This will allow OFM and Legislative staff to determine fiscal impacts for each section and easily determine the amounts if a section is removed or changed. At the end of this section, summarize the funding amount per year for all 6 years.

In some cases, a bill may combine entire or portions of agencies. The agency that is transferring to another agency should show a negative expenditure. The agency that is housing the expanded agency should show a positive expenditure. This should show a net zero effect.
Part II.C – Expenditures

- Describe changes, if any, from the previous bill version to alert the reader of new assumptions or costs.

- Indirect rates should be clearly identified.

- Clearly list the sections of the bill that impact the agency and include workload assumptions and calculations.

- If an agency assumes it can absorb costs associated with the bill, it should clearly state in its assumptions the amount of resources it will take to implement the bill (even if it is nominal) or what activities would the agency stop or delay.

Continued on next page
Part II.C – Expenditures

- **Interagency Agreements:** The agency supplying funds should show total contract expenditures in the object section. The agency receiving the funds should show all object cost, but should zero-out those costs using object S.

- If an agency can’t determine the impacts of a note (indeterminate), they should provide a range of potential costs in the expenditure narrative section. Known costs should be displayed in part III, expenditure detail, as well as being explained in the narrative section.

- Agencies should coordinate workload and expenditure assumptions for work shared across agencies.

- Agencies should base fiscal impacts on the last enacted budget.
Part III – Expenditure Detail

- Expenditure Detail (fiscal grid section)
  - Expenditures by object must match the expenditure narrative costs by object description.
  - For new accounts, use “New” for the account number.
  - The name of the proposed new account should reflect the language in the bill.
***New Feature***

- **INDETERMINATE FISCAL NOTES** (applies to cash receipts and expenditures).

  Previously, when a fiscal note was marked “indeterminate,” the fiscal detail grid would not appear on the published fiscal note. Now you may enter known costs in the fiscal detail tables and they will be visible to all.

  When there is fiscal detail included for known costs and/or savings and the indeterminate flag is selected, the known costs and/or savings will appear with a note indicating there are additional indeterminate impacts, instructing the reader to review the narrative description.

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**Estimated Operating Expenditures**

<table>
<thead>
<tr>
<th>Agency Name</th>
<th>2019-21</th>
<th></th>
<th>2021-23</th>
<th></th>
<th>2023-25</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FTEs</td>
<td>GF-State</td>
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<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Department of Fish and Wildlife</td>
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<td>0</td>
<td>0</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Total</strong></td>
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<td><strong>0</strong></td>
<td><strong>0.5</strong></td>
<td></td>
<td><strong>0</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

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**Individual State Agency Fiscal Note**

- **Bill Number:** 2158 S HB
- **Title:** Workforce education
- **Agency:** Department of Labor and Industries

**Part I: Estimates**

- **No Fiscal Impact**

**Estimated Cash Receipts:** NO

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**Estimated Operating Expenditures from:**

<table>
<thead>
<tr>
<th>FY 2020</th>
<th>FY 2021</th>
<th>2019-21</th>
<th>2021-23</th>
<th>2023-25</th>
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<td>Account 2</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

- In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.
Part IV – Capital Budget

General Information

- Capital grids and narrative should match.
- If a new account is created and re-appropriations need to be shifted from an account, show the changes between accounts in the grid based on adjusted re-appropriation (from CAFR) or re-appropriation estimates. This helps Legislative staff and OFM make necessary technical changes in the budget bill.
Part IV – Capital Budget

- **Grant and Loan Programs:** There are limitations on how capital funds can be used.
  - The administration rate for capital grant programs is limited by the capital budget instructions.
  - Unless the administration rate is called out in the bill, existing statute, or a budget proviso, administration costs for capital grant programs should total no more than 3% of total capital funding for each program. This generally includes capital FTEs and program implementation costs.

Continued on next page
Grant and Loan Programs, continued:

- If a new grant or loan program is created, add assumptions and scenarios regarding:
  - Level of biennial funding in the capital budget
  - Agency which would manage and distribute the funding
  - Application cycle estimated timeline

- Provide the spending plan in Part IV. Provide repayment revenue and load term assumptions in Part II.B.
Part IV – Capital Budget

- Grant and Loan Programs, continued:
  - If a new grant or loan program is created, add assumptions and scenarios regarding:
    - Level of biennial funding in the capital budget
    - Agency which would manage and distribute the funding
    - Application cycle estimated timeline
  - Provide the spending plan in Part IV. Provide repayment revenue and loan term assumptions in Part II.B.
  - On a case by case basis, one-time start-up costs may exceed this 3% cap for development of an application process, funding criteria, contract boiler plate, etc. Please contact your OFM capital budget analyst to discuss.

Continued on next page
Grant and Loan Programs, continued:

- Unless called out in the bill as an eligible capital expense, the following should be estimated as an operating expense:
  - Project development (or technical) assistance for grant applicants to develop suitable projects.
  - Development of implementation plans, to include legal review and stakeholder work. These plans are sometimes required for complicated new grant programs that cross multiple agencies. Agencies should cost out operating expenditures to develop the implementation plans in Part II.C. If what the implementation plans will say is unknown, Part IV should be indeterminate but agencies must provide a narrative explaining why and any known costs.
  - Temporary office space or lease changes to accommodate additional staff.

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Part IV – Capital Budget

- **Construction Projects:**
  - Review the bill for new or revised requirements that could affect existing or future costs of construction projects:
    - Architectural or design requirements
    - Taxes, surcharges or certification requirements that affect the cost or availability of construction materials
    - Product certifications and declarations
    - Wages for trade laborers.
  - Since the capital budget is zero-based, OFM may initiate a statewide fiscal note for a bill with across-the-board impacts to future budgets but unknown impacts for individual agencies or projects.
Part V – Rule Making

Rulemaking:
- For agencies conducting rulemaking, please clearly define your assumptions in the narrative, including any complexities identified. State whether you will create new rules or amend an existing rule, referencing the WAC.

Example:
- “Section X: There will be one-time costs for rulemaking in fiscal year (FY) xxxx. Rulemaking will consist of two stakeholder meetings, and a formal rules hearing held in free facilities. This will allow stakeholders and licensees to participate and provide comments during the rulemaking process. Costs include staff time and board member, at $xxxx and Office of the Attorney General support in the amount of $xxxx. Total one-time costs in FY 20xx are 0.xx FTE and $xxxx.”
I-960 Ten Year Analysis

- Proposed legislation that imposes or raises taxes and/or fees require ten-year projections.
  - Voters passed I-960, which is now codified in RCW 43.135.
- Ten-year analyses and notifications are to be prepared and communicated expeditiously, promptly and without delay.
- I-960 fiscal notes take priority over all other fiscal notes.

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Ten-year analysis guidelines:

- Show each source or revenue separately.
- Use the descriptive title, not the account code.
- Tax increases and decreases ARE netted against each other.
- Fee increases and decreases are NOT netted against each other.
- Increases and decreases in a tax and a fee are NOT netted, and vice versa.
- If an analysis has no cash receipts, is indeterminate, or partially indeterminate, provide an explanation.

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I-960 Ten Year Analysis

Enter your analysis in the 10 Year Analysis tab of FNS.

- If a fiscal note request does not show the 10 Year Analysis tab and you think it should, notify your OFM Budget Analyst right away.

- OFM is required to send notices that include a ten-year projection whenever a bill that has taxes or fees:
  - Is introduced
  - Has a public hearing scheduled
  - Passes out of committee
  - Passes on the floor.

- Any person can subscribe to notifications [HERE](#)
Links to Additional Helpful Info

- Fiscal Note End to End Lifecycle
- Example agency fiscal note manual
- Example agency bill analysis - blank template
- Example agency bill analysis – completed template
- OFM Budget Analyst Contacts
Questions? Contact Your OFM Analyst