

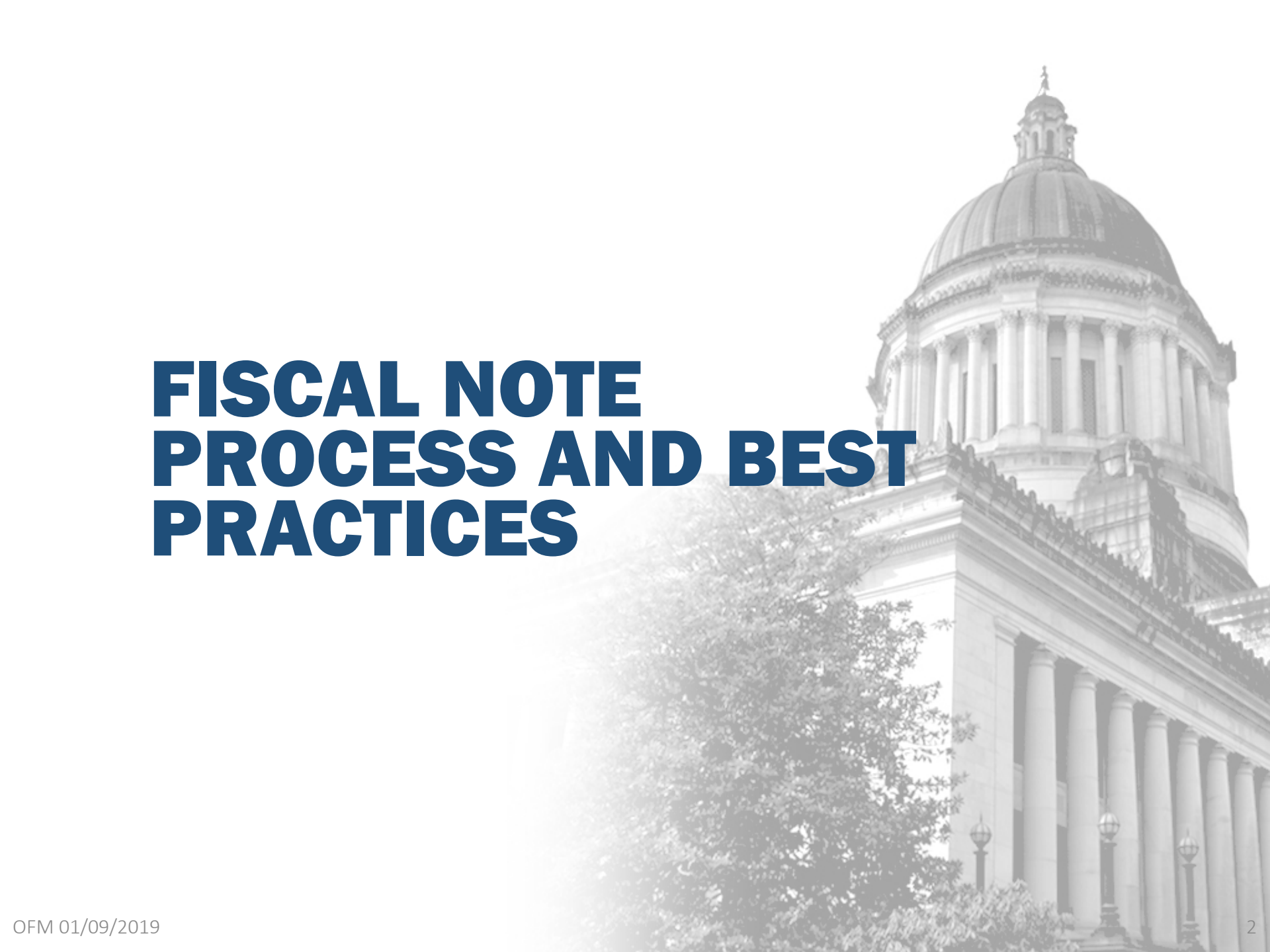


JANUARY 2019

FISCAL NOTES SYSTEM (FNS) TRAINING

OFM

OFFICE OF FINANCIAL MANAGEMENT



FISCAL NOTE PROCESS AND BEST PRACTICES

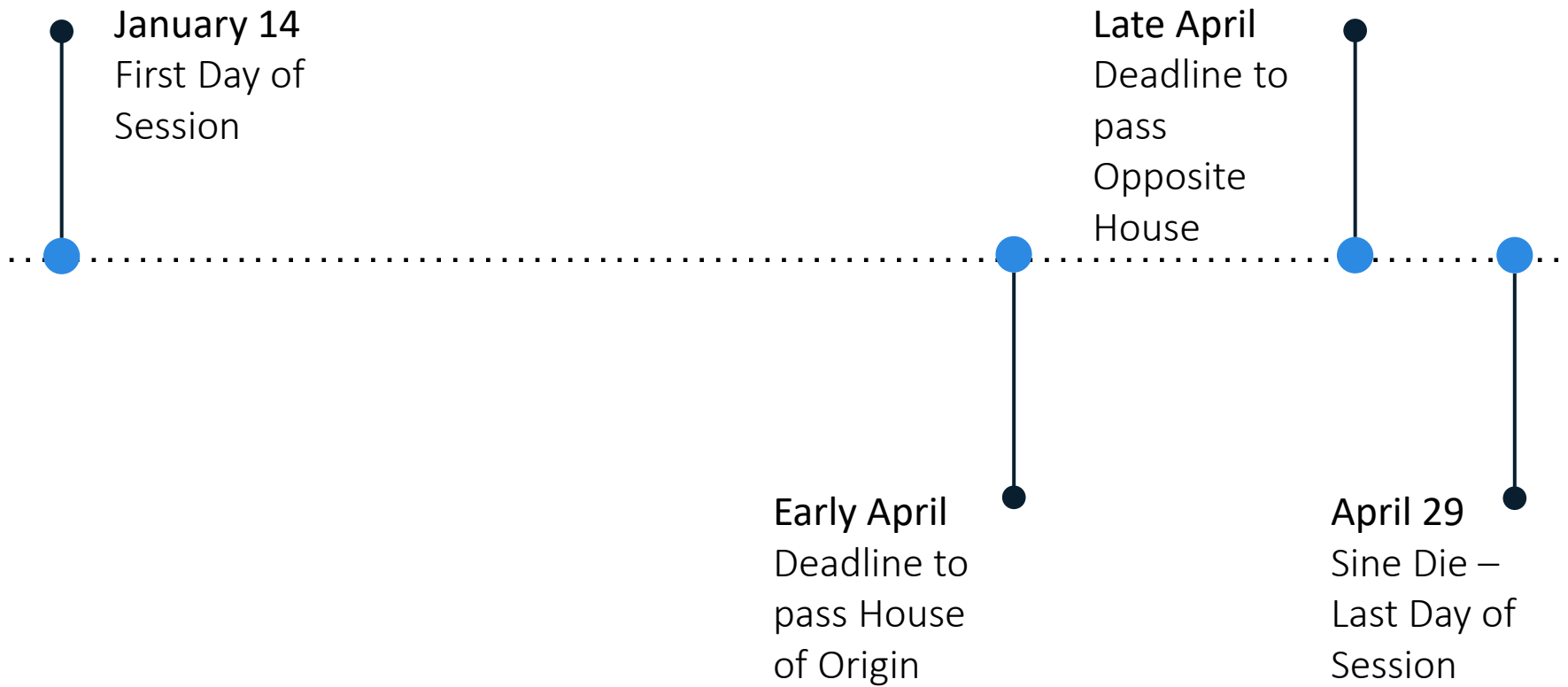
What is a Fiscal Note?

- RCW 43.88A directs OFM to establish fiscal note procedures that:
 - Evaluate the expected impacts of bills
 - Include fiscal impact for the first biennium impacted plus the succeeding four fiscal years
 - Coordinate fiscal impact development for all state agencies affected
 - Provide fiscal notes for any legislative proposal
 - Approve the form, accuracy and completeness of the note

Who are the Players?

- Legislative members and staff
- OFM Budget Division staff
- State Agencies—budget and program staff

2019 SESSION CUTOFF CALENDAR



Tips for Success

- Prepare Early
- Know your process
- Anticipate topics
- Gather data now
- Be ready on the first day
- If text is good and applies, use it!

Overview: Preparing Fiscal Notes



Agencies usually have 3 days* to:

- Read and understand the bill
- Decide how the bill might be implemented
- Collect data
- Convert concepts to costs
- Draft narrative
- Send through a review process
- Incorporate comments
- Final review and signoff

*There may be less time due to hearing dates

Key Features of a Good Fiscal Note



- Clearly written to show how the bill will change current practices and costs - anyone can understand it
- Cost estimates are based on data
- Assumptions are clear, reasonable and include an implementation date
- Assumptions are coordinated with other agencies
- Calculations are clear and can be easily duplicated
- Objective – Avoids discussing merits of the bill, pro or con
- Avoid “Indeterminate” – Ranges to communicate uncertainty
- Timely – Submitted on-time

Anatomy of a Fiscal Note

Part I: Estimates

Part II: Narratives

- Description
- Cash Receipts
- Expenditures

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making

Part I: Estimates



Most important page!

How much does it cost?

- No Fiscal Impact
- Less than \$50,000
- Greater than \$50,000

Starting point is the last enacted budget

Non-Zero but Indeterminate

Definition: Indeterminate

- Impossible to quantify
- Preferable to show options and ranges, and pick one to fill in Part I and Part III
- ZERO funding
- Discuss with OFM budget analyst before releasing

Part II: Narrative

- Heart of the fiscal note: explains how the bill changes business practices and costs of the agency
- Credible: clear methodology, clear assumptions, cited data, avoids jargon, is consistent
- Objective: nothing is stated or computed in a way that indicates support or opposition

Part IIA: Brief Description

- Section-by-section analysis
- State implementation methodology that will drive cost
- If no fiscal impact, state why
- If a substitute bill, note the differences between the bills

Part IIB: Cash Receipts

- In a fiscal note, Revenue and Cash Receipts are the same thing
- Reported by the agency that will collect the money
- If federal or private/local, then the amount is expected to match the federal or local expenditures. For other revenue sources, a difference is acceptable
- New fund created—use “NEW”

Part IIC: Expenditures

- What are your assumptions?
- What will it cost?
- What is that based on?
- How did you compute the cost?
- What were your sources?
- Compute independent of cash receipts

Absorbing Cost

- If the effort is very small, absorb it
- If the agency is either willing or required to absorb, clearly state what will not get done
- If the activity is something the agency already does, be prepared to show why the requirements of the bill can't be absorbed

Part IV: Capital Impact

- Include description in Part IIA, Brief Narrative, but not in Parts I, IIC or III Expenditures
- Everything else applies! State methods and assumptions, show calculations, identify FTE costs, compute expenditures independent of cash receipts, cite data and sources

Part V: New Rule Making

- State the part of the bill that will require new rules or changing existing rules
- State in general what the new rules or changes will be
- Make a statement if no rulemaking is required

Special Circumstances

- I-601 Impacts
- Vague Language: Get clarification from staff
- Repealers: Look up sections, state impact
- Contains an Appropriation Clause: Disregard
- Errors in Fiscal Notes: Contact OFM, prepare a revised note ASAP
- No Request: Contact OFM for a formal request

OFM Reviews For:

Intent of Legislation

Objectivity

Average Citizen

Comprehension

Acronyms and Grammar

All Sections Completed

Costs Begin on/after

Effective Date

Calculations

Data Sources

Interagency Coordination

FTEs and Salaries

Who collects the cash
receipts?

Part I Expenditures & Part III

Expenditure details balance

Remember:

- Fiscal notes are intended to give an objective analysis of the impact of proposed legislation
- The best fiscal notes have clear analysis of intent, clear assumptions, use data and generally funded if the bill passes
- For more information or consultation, contact your agency's fiscal note coordinator or your assigned OFM analyst.



I-960: THE TEN-YEAR ANALYSIS

Initiative Measure I-960

What is an I-960/10 year analysis?

- *Ten-year projections for proposed legislation that imposes or raises taxes and/or fees. [RCW 43.135](#)*

Why is this a requirement?

- *Voters passed the measure in November 2007.*

How quickly do the analyses have to be done?

- *Ten year analyses and notifications are to be prepared and communicated expeditiously, promptly and without delay.*

General 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

Notifications

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 may subscribe to the Listserv at <https://ofm.wa.gov/budget/fiscal-impact-ballot-measures-and-proposed-legislation/tax-fee-proposals-i-960>

FNS Logon

Login from inside the state Intranet:

<http://fns.ofm.wa.gov/>

From outside the state Intranet:

<https://fortress.wa.gov/ofm/fns/>

FNS Support

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