

# HOUSE BILL REPORT

## HB 2353

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### As Reported By House Committee On:

Government Administration

**Title:** An act relating to local government fiscal notes.

**Brief Description:** Revising provisions relating to local government fiscal notes.

**Sponsors:** Representatives Wensman, D. Schmidt, Scott, Gardner, Hatfield and Anderson.

### **Brief History:**

#### **Committee Activity:**

Government Administration: 1/20/98, 1/27/98 [DPS].

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## HOUSE COMMITTEE ON GOVERNMENT ADMINISTRATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 13 members: Representatives D. Schmidt, Chairman; D. Sommers, Vice Chairman; Scott, Ranking Minority Member; Gardner, Assistant Ranking Minority Member; Doumit; Dunn; Dunshee; Murray; Reams; Smith; L. Thomas; Wensman and Wolfe.

**Staff:** Caroleen Dineen (786-7156).

**Background:** A local government fiscal note is a report indicating the fiscal impact of proposed legislation on local governments. Specifically, the local government fiscal note identifies how proposed legislation, if enacted, would directly or indirectly increase or decrease revenues received or expenditures incurred— by affected local governments. Local governments include counties, cities, towns, or any other political subdivisions of the state.—

When a local government fiscal note indicates that a bill or resolution would require a local government to expend funds, the Legislature is required to determine the state's fiscal responsibility. The Legislature is also required to make every effort to appropriate the funds or provide the revenue generating authority necessary to implement the legislation during the ensuing biennium.—

### *Request for a Local Government Fiscal Note*

In 1977 a mechanism was established in statute to request local government fiscal notes. Under current law any legislator may request a local government fiscal note. The legislator may also request that a local government fiscal note be revised to address the impact of proposed amendments or substitute bills on local governments.

### ***Preparation and Submission of a Local Government Fiscal Note***

The Office of Financial Management (OFM), or the Department of Community, Trade and Economic Development (DCTED), as OFM's designee, is required to complete the local government fiscal note within 72 hours, unless the requesting legislator allows a longer time period. Neither the absence nor the inaccuracy of a local government fiscal note:

- prevents the Legislature from acting upon proposed legislation; or
- affects the validity of any legislation that is passed by the Legislature.

OFM (or DCTED if designated) is required to provide copies of the completed local government fiscal note to the requesting legislator and to:

- the chair of the committee which holds or has acted upon the bill (House or Senate);
- the chair of the local government committee (House or Senate);
- the Secretary of the Senate (Senate bills);
- the Chief Clerk of the House of Representatives (House bills);
- for Senate bills, the chair of the Ways and Means Committee; and
- for House bills, the chairs of the Revenue and Taxation and Appropriations committees.

OFM (or DCTED if designated) may provide additional copies of the local government fiscal note to other legislators or persons upon request. If requested by a legislator in the house considering the bill, copies of the local government fiscal note (or a synopsis) are to be placed on legislators' desks when the bill is placed on the second reading calendar. When the bill is passed by one house, the local government fiscal note is to be transmitted with the bill to the other house.

**Summary of Substitute Bill:** The process for requesting local government fiscal notes is revised. A process for reviewing the fiscal impact of enacted legislation is established. Legislative intent to reduce the number of fiscal note requests, to improve the quality of fiscal notes and to review fiscal impacts of prior legislation is specified.

### ***Request for a Local Government Fiscal Note***

A local government fiscal note may be requested only by the chair or the ranking minority member of any standing committee. The authority for any legislator to request a local government fiscal note is eliminated.

The initial request for a local government fiscal note is to be considered a continuing request for a fiscal note on any substitutes or amendments to the original version of the bill for which the local government fiscal note was requested unless: the requesting legislator specifies otherwise; or the substitute or engrossed bill is adopted in the last week of the legislative session. Preparation of a local government fiscal note on the original version of a bill is halted when a new version is adopted.

### ***Preparation and Submission of a Local Government Fiscal Note***

The time limit for completing requests for local government fiscal notes is expanded from the current 72 hour limit. OFM (or DCTED if designated) is required to complete a local government fiscal note within one week of request.

The list of committees receiving copies of fiscal notes is revised. OFM (or DCTED if designated) is required to provide copies of a local government fiscal note to the requesting legislator and to:

- the chair of the committee which holds or has acted upon the bill (House or Senate);
- the chair of the local government committee or the equivalent committee that considers local government matters (House or Senate);
- the Secretary of the Senate (Senate bills);
- the Chief Clerk of the House of Representatives (House bills);
- for Senate bills, the chair of the Ways and Means Committee or the equivalent committee with jurisdiction over matters normally considered by a ways and means committee; and
- for House bills, the chair of the Ways and Means Committee or equivalent committees with jurisdiction over matters normally considered by a ways and means committee (rather than the revenue and taxation and appropriation committees);

A new subsection is added to RCW 43.132.060 specifying that legislative authority to act upon legislation notwithstanding either the absence or inaccuracy of a local government fiscal note does not alter responsibilities imposed pursuant to Initiative Measure 601 (codified as chapter 43.135 RCW, State Expenditures Limitations). These responsibilities include a general prohibition on expending funds in excess of the state expenditure limit and a requirement to reimburse local governments for the costs of new programs or increases in service levels.

OFM, in consultation with DCTED, is required to annually select legislation enacted within the preceding five-year period to review and to prepare a fiscal impact report(s) on such legislation. Preparation of the fiscal impact reports is subject to available funding.

By December 31 of every even-numbered year, OFM, in consultation with DCTED, is also required to report to the Legislature on local government fiscal notes and fiscal impact reports prepared during the preceding two-year period.

**Substitute Bill Compared to Original Bill:** A section is added emphasizing legislative intent to reduce requests for local government fiscal notes, to improve the quality of fiscal notes and to establish a review process. The authority to request local government fiscal notes is given to the chair or ranking minority member of any standing committee.

The adoption of a new version of a bill stops the preparation of the local government fiscal note on the original version. Rather than authorizing the chair or ranking minority member of the local government committee to request fiscal impact reports, OFM is authorized to select the legislation for which a fiscal impact report will be prepared. The requirement for OFM to report to the Legislature on preparation of local government fiscal notes and fiscal impact reports is added.

**Appropriation:** None.

**Fiscal Note:** Requested on January 18, 1998.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This legislation is a follow up to an interim subcommittee looking at local government finance issues. Local governments are experiencing more service demands and less federal assistance. Local government fiscal notes provide a way to look for unfunded mandates. The changes would allow for better information in the beginning and create a mechanism for reviewing what has been done.

HB 2353 would establish a gatekeeping process to reduce the stress on persons preparing the fiscal notes and would alleviate the pressure created by the short response time in current law. The volume of fiscal note requests has doubled since 1987. Only about one-third of the fiscal notes are prepared in 72 hours, since legislation may involve complex issues and preparation of the fiscal note depends in large part on information from sources outside OFM or DCTED. HB 2353 will also help to improve accuracy in fiscal notes, and the five-year review will especially help to assess impacts to local governments on big issue- bills.

Limitations may be needed to ensure fiscal notes will be requested on selected legislation, not all legislation enacted within the past five years. The fiscal note format may not be appropriate for the fiscal impact review on enacted legislation. The need to continually update fiscal notes as legislation changes in the process may not be adequately addressed. The fiscal note should address geographical variations on fiscal impacts.

**Testimony Against:** None.

**Testified:** Representative Wensman, prime sponsor; Tom Lineham, Department of Community, Trade and Economic Development; Dave Williams, Association of Washington Cities; Doug Levy, city of Everett; Stan Finkelstein, Association of Washington Cities; and Judy Frolich, Washington State Association of Counties.