

HOUSE BILL REPORT

HB 2397

As Passed Legislature

Title: An act relating to the process of preparing local government fiscal notes and the review of fiscal impacts of legislation.

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

Sponsors: Representatives Scott, Mulliken, Doumit, Mielke, Fisher, Reardon, Edwards, Fortunato, Haigh, Wolfe and Ogden.

Brief History:

Committee Activity:

Local Government: 1/20/00, 1/31/00 [DP].

Floor Activity:

Passed House: 2/8/00, 97-0.

Passed Senate: 2/28/00, 45-0.

Passed Legislature.

Brief Summary of Bill

- Expands the current 72-hour limit for fiscal note preparation to one week.
- Specifies the initial fiscal note request is a continuing request for fiscal notes on any amendments or substitute bills.
- Requires the Office of Financial Management to prepare: (1) an annual fiscal impact report on up to five laws enacted within the past five years; and (2) a report every two years on local government fiscal notes and fiscal impact reports.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 8 members: Representatives Mulliken, Republican Co-Chair; Scott, Democratic Co-Chair; Doumit, Democratic Vice Chair; Mielke, Republican Vice Chair; Edwards; Ericksen; Fisher and Fortunato.

Staff: Caroleen Dineen (786-7156).

Background:

A local government fiscal note is a report identifying how proposed legislation, if enacted, would directly or indirectly increase or decrease revenues or expenditures of affected local governments. When a local government fiscal note indicates a bill or resolution would require a local government to expend funds, the Legislature is required to determine the state's fiscal responsibility and to make efforts to appropriate the funds or provide the revenue generating authority necessary to implement the legislation.

Any legislator may request a local government fiscal note for proposed legislation. The legislator also may request revision of a local government fiscal note to address proposed amendments or substitute bills.

The Office of Financial Management (OFM), or the Department of Community, Trade and Economic Development (CTED), 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 passed by the Legislature.

The OFM or CTED 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 chair of the ways and means committee and the Secretary of the Senate (Senate bills); and
- the chairs of the revenue and taxation and appropriations committees and the Chief Clerk (House bills).

The OFM or CTED may provide additional copies of the local government fiscal note to other legislators or persons upon request.

Summary of Bill:

The process for requesting and preparing local government fiscal notes is revised, and a process for reviewing the fiscal impact of enacted legislation is established. Legislative intent is specified to establish a process for a more comprehensive fiscal impact report and to recognize varying effects of legislation on local governments.

The initial fiscal note request is considered a continuing request on any substitutes or amendments. After a bill is altered, preparation of the fiscal note on the original version of the bill is halted unless the requesting legislator specifies otherwise or the altered version is adopted in the last week of the legislative session.

The time limit for completing fiscal note requests is expanded from 72 hours to one week of the request. The list of committees receiving copies of fiscal notes is revised to include:

- 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 considering local government matters (House or Senate);
- the chair of the ways and means committee or the equivalent committee with respect to jurisdiction and the Secretary of the Senate (Senate bills); and
- the chair of the ways and means committee or equivalent committees with respect to jurisdiction and the Chief Clerk (House bills).

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).

The OFM, in consultation with CTED, is required to annually review and prepare a fiscal impact report on up to five laws enacted within the past five years. The laws are to be either selected from a list submitted by the Legislature or chosen by the OFM if no list is submitted. Preparation of the fiscal impact reports is subject to available funding.

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

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: This bill establishes a process for a closer look at the fiscal consequences of legislation and is one of the most important bills this session for cities. The bill does not address the problem of using part-time staff to prepare fiscal notes, but it is a good compromise with positive steps for this process. The expansion of the time

limit and continuing request for fiscal analysis on amendments or substitutes will provide better information as a bill moves through the process. "Truth testing" some bills every year through the fiscal impact report process is very important, because it is sometimes difficult to provide accurate cost estimates when legislation is pending. Good, updated fiscal information should not be partisan.

Testimony Against: None.

Testified: Doug Levy, cities of Everett and Kent; Tom Lineham, Department of Community, Trade, and Economic Development, Local Government Fiscal Notes Program; Dave Williams, Association of Washington Cities; and Paul Parker, Washington State Association of Counties.