

SENATE BILL REPORT

SB 6374

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 1, 2010
Ways & Means, February 9, 2010

Title: An act relating to fiscal note instructions.

Brief Description: Regarding fiscal note instructions.

Sponsors: Senators Kilmer, Delvin, Swecker, Shin, Kastama, Eide, Marr, Hatfield, Sheldon, Berkey, Haugen and Ranker.

Brief History:

Committee Activity: Economic Development, Trade & Innovation: 1/25/10, 2/01/10 [DP-WM].
Ways & Means: 2/08/10, 2/09/10 [DPS].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

Staff: Jack Brummel (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6374 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Tom, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hewitt, Honeyford, Kline, Murray, Oemig, Parlette, Pridemore, Rockefeller and Schoesler.

Staff: Steve Jones (786-7440)

Background: Legislators may request fiscal notes to provide information on the fiscal impacts of proposed legislation. A fiscal note estimates the revenue and expenditure impact of the proposed legislation for the current fiscal biennium and for the following two biennium. The Office of Financial Management (OFM) is responsible for establishing the

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procedures for the provision of fiscal notes. Estimates of fiscal impacts are to be calculated per instructions issued by OFM.

Summary of Bill (Recommended Substitute): The Office of Financial Management and the Department of Revenue must conduct a five-year pilot project on economic modeling on three examples of economic development legislation to model the increased economic activity which may result from economic development contemplated in legislation.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): The modification of Fiscal Note instructions is deleted. A five-year pilot project is established.

Appropriation: None.

Fiscal Note: Requested on January 19, 2010.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill (Economic Development, Trade & Innovation): PRO: The tools exist to do dynamic fiscal notes that take into account the upside. It would be good to look at the long-term value of proposals that the current system doesn't examine. This is one of the most important bills to be considered this session. Economic development interests are frustrated by our not accounting for positive outcomes. This would be a return on investment indicator for when we do economic development in Washington.

CON: How to assess and give information with value is difficult and expensive. A large majority of states have abandoned dynamic fiscal notes because they don't work. There is no model available to factor in business decisions. We should focus on attracting the right industries.

Persons Testifying (Economic Development, Trade & Innovation): PRO: Senator Kilmer, prime sponsor; Jim Justin, Assn. of WA Cities; Ron Newbry, Impact WA; Amber Carter, AWB; Bryce Yadon, WA Economic Development Assn.

CON: Julie Murray, OFM.

Staff Summary of Public Testimony on Original Bill (Ways & Means): PRO: There is a definite need for data to allow the evaluation of the impacts of economic development legislation. The Community Economic Revitalization Board is an example where the dynamic effects of economic development legislation can be very useful.

OTHER: Legislators are understandably mystified by the dark art of preparing Fiscal Notes. Fiscal Notes are inherently inexact because future economic activity cannot be precisely predicted. To do a proper job of predicting the economy, significantly greater resources would be needed.

Persons Testifying (Ways & Means): PRO: Bryce Yadon , Washington Economic Development Association.

OTHER: Julie Murray, Office of Financial Management.