

SSB 5915 - S AMD 272

By Senator Hargrove

ADOPTED 3/11/2015

1 Strike everything after the enacting clause and insert the  
2 following:

3 "Sec. 1. RCW 43.88A.010 and 1977 ex.s. c 25 s 1 are each amended  
4 to read as follows:

5 The legislature hereby recognizes the necessity of developing a  
6 uniform and coordinated procedure for determining the expected fiscal  
7 impact of bills and resolutions on state government. The legislature  
8 also recognizes that developing (~~(such)~~) these statements of fiscal  
9 impact(~~(, which shall be known as fiscal notes,)~~) requires the  
10 designation of a state agency to be principally responsible  
11 (~~(therefor)~~) for the statements. The statements are to be known as  
12 fiscal notes and dynamic fiscal impact statements.

13 NEW SECTION. Sec. 2. A new section is added to chapter 43.88A  
14 RCW to read as follows:

15 (1)(a) For purposes of this chapter, a dynamic fiscal impact  
16 statement is: (i) A written statement that includes a dynamic impact  
17 estimate of the legislation or proposed legislation; and (ii)  
18 contained only in the narrative explanation of the fiscal note and  
19 not reflected in the fiscal impact calculation required by RCW  
20 43.88A.020.

21 (b) A dynamic fiscal impact statement must include information on  
22 the assumptions that were used in computing the dynamic impact  
23 estimate. The dynamic impact estimate should, at a minimum, be based  
24 on assumptions of the probable behavioral response of persons  
25 directly impacted by the legislation or proposed legislation.

26 (2) Dynamic fiscal impact statements may be produced only on  
27 request from members of the senate ways and means committee, house  
28 ways and means committee, or any successor committee to these  
29 committees.

30 (3) Dynamic fiscal impact statements may not be made unless the  
31 fiscal note in which it would be contained reflects a positive or

1 negative revenue impact of more than ten million dollars per fiscal  
2 year.

3 (4) Requests for dynamic fiscal impact statements must be  
4 submitted to the office of financial management at least sixty days  
5 before the beginning of a legislative session.

6 (5) Nothing in this section may be construed to limit the  
7 provisions of chapter 43.132 RCW.

8 (6) For purposes of this chapter, "dynamic impact estimate" means  
9 an estimate of the net fiscal impact of a bill, resolution, or  
10 proposed legislation that takes into account behavioral changes of  
11 persons directly impacted by the legislation or proposed legislation  
12 and the effect that those behavioral changes may have on the economy  
13 as a whole. Dynamic impact estimates may take into consideration  
14 factors such as the effects of the legislation or proposed  
15 legislation on persons to save, spend, invest, and expand or reduce  
16 their business activities in this state.

17 **Sec. 3.** RCW 43.88A.020 and 2011 c 140 s 1 are each amended to  
18 read as follows:

19 (1)(a) The office of financial management shall, in cooperation  
20 with appropriate legislative committees and legislative staff,  
21 establish a procedure for the provision of fiscal notes on the  
22 expected impact of bills and resolutions which increase or decrease  
23 or tend to increase or decrease state government revenues or  
24 expenditures.

25 (b) Beginning January 1, 2017, and if requested by a member of a  
26 legislative fiscal committee for legislation projected to result in  
27 an increase or decrease in state expenditures exceeding five million  
28 dollars, fiscal notes dealing with corrections, child welfare, and  
29 mental health issues shall include, in addition to the increases or  
30 decreases of state government revenue and expenditures, an estimate  
31 of the fiscal impact of expenditure reductions or increases on other  
32 state or local program expenditures as well as any return on  
33 investment as a result of the legislation.

34 (2) Such fiscal notes shall indicate by fiscal year the impact  
35 for the remainder of the biennium in which the bill or resolution  
36 will first take effect as well as a cumulative forecast of the fiscal  
37 impact for the succeeding four fiscal years.

38 (3) Fiscal notes shall separately identify the fiscal impacts on  
39 the operating and capital budgets. Estimates of fiscal impacts shall

1 be calculated using the procedures contained in the fiscal note  
2 instructions issued by the office of financial management.

3 (4) In establishing the fiscal impact called for pursuant to this  
4 chapter, the office of financial management shall coordinate the  
5 development of fiscal notes with all state agencies affected.

6 (5) The preparation and dissemination of the ongoing cost  
7 projections and other requirements of RCW 43.135.031 for bills  
8 increasing taxes or fees shall take precedence over fiscal notes.

9 (6) For proposed legislation that uniquely affects school  
10 districts, in addition to any fiscal note prepared under this  
11 chapter, a school district fiscal note must be prepared under the  
12 process established in RCW 28A.300.0401.

13 NEW SECTION. **Sec. 4.** (1)(a) The legislature recognizes the  
14 increasing importance of having complete information to establish and  
15 enforce budgetary priorities, coordinate actions on spending and  
16 revenue legislation, and develop budgetary and economic information  
17 independently of the executive branch.

18 (b) The legislature finds it is critically important for the  
19 legislature to have more information about the longer-term and  
20 holistic impact of budget decisions, particularly in light of the  
21 four-year balanced budget requirement.

22 (c) The legislature intends to spend public resources in a manner  
23 that is transparent and accountable. To accomplish this goal, it  
24 needs appropriate fiscal information to make evidence-based  
25 investments.

26 (d) The legislature believes that to enhance its ability to make  
27 sound fiscal decisions, fiscal notes should include not only the  
28 expenditure and revenue data associated with legislation but also the  
29 impact of expenditure reductions or increases on other state and  
30 local programs, including the rate of return on any fiscal decision  
31 the legislature makes.

32 (2)(a) The director of the office of financial management and the  
33 director of the Washington state institute for public policy shall  
34 convene a work group to explore the establishment of a nonpartisan  
35 agency to conduct objective, impartial fiscal analysis on behalf of  
36 the legislature. The directors shall be the cochairs of the work  
37 group.

1 (b) The work group shall consider whether the Washington state  
2 institute for public policy should subsume the functions of impartial  
3 fiscal analysis on behalf of the legislature.

4 (c) The work group shall conduct a study of the accuracy and  
5 reliability of fiscal notes by examining a sample of fiscal notes on  
6 enacted legislation to compare the projected cost of the legislation  
7 with the actual costs incurred in the legislation's implementation.

8 (d) The work group shall be comprised of at least the following  
9 members:

10 (i) One member from each of the two largest caucuses of the  
11 senate chosen by the president of the senate;

12 (ii) One member from each of the two largest caucuses of the  
13 house of representatives chosen by the speaker of the house of  
14 representatives;

15 (iii) One representative from the legislative evaluation and  
16 accountability program committee;

17 (iv) One representative from the office of the state treasurer;

18 (v) One representative of the caseload forecast council; and

19 (vi) One representative of the economic and revenue forecast  
20 council.

21 (e) The first meeting of the work group shall occur no later than  
22 August 1, 2015.

23 (f) The work group shall report its findings and recommendations  
24 to the governor and the appropriate committees of the legislature no  
25 later than December 1, 2016.

26 (g) This section expires June 30, 2017.

27 NEW SECTION. **Sec. 5.** Sections 1, 2, and 3 of this act expire  
28 June 30, 2022."

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29 On page 1, line 1 of the title, after "notes;" strike the  
30 remainder of the title and insert "amending RCW 43.88A.010 and  
31 43.88A.020; adding a new section to chapter 43.88A RCW; creating a  
32 new section; and providing expiration dates."

EFFECT: Simplifies the process for developing dynamic fiscal impact statements. Allows the statements to be updated during the legislative session. Dynamic fiscal notes on social service programs are limited to bills with impacts exceeding 5 million dollars. The tasks of the work group are simplified to focus on fiscal note preparation.

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