

SENATE BILL REPORT

SB 5915

As Reported by Senate Committee On:
Ways & Means, February 26, 2015

Title: An act relating to dynamic fiscal impact statements.

Brief Description: Concerning dynamic fiscal impact statements. **[Revised for 1st Substitute:**
Addressing fiscal notes and fiscal impact statements.]

Sponsors: Senators Brown, Angel, Miloscia, Braun, Dangel, Schoesler, Hewitt and Chase.

Brief History:

Committee Activity: Ways & Means: 2/23/15, 2/26/15 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5915 be substituted therefor, and the substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Honeyford, Vice Chair, Capital Budget Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Becker, Billig, Brown, Conway, Fraser, Hasegawa, Hatfield, Hewitt, Kohl-Welles, O'Ban, Padden, Parlette, Rolfes, Schoesler and Warnick.

Staff: Steve Jones (786-7440)

Background: A fiscal note is a statement of estimated fiscal impacts of proposed legislation. A fiscal note estimates the state and local government revenue and expenditure impact of the proposed legislation for the current fiscal biennium and for the following two biennia. Fiscal Notes are prepared by state agencies, and the process is supervised by the Office of Financial Management (OFM). Estimates of fiscal impacts are calculated under instructions issued by OFM.

Summary of Bill (Recommended Substitute): Upon the request of a member of the fiscal committees of the Legislature, OFM must prepare a dynamic fiscal impact statement that estimates the net fiscal impact of the bill, including behavioral changes that may have an impact on the state economy as a whole. The request must be made at least 60 days prior to a legislative session, and the dynamic fiscal impact statement is prepared only if the bill has an annual revenue impact greater than \$10 million. The act expires on June 30, 2022.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Beginning in 2017, fiscal notes dealing with corrections, child welfare, and mental health issues must include an estimate of impacts on expenditures of other state and local government programs, and a return on investment as a result of the legislation.

OFM and the Washington State Institute for Public Policy must convene a workgroup to explore the establishment of a nonpartisan agency to conduct impartial fiscal analysis on behalf of the Legislature. The workgroup must include members of the Senate and House of Representatives, as well as representatives of the Legislative Evaluation and Accountability Program Committee, the State Treasurer, the Caseload Forecast Council, and the Economic and Revenue Forecast Council. The workgroup must report its findings and recommendations to the Legislature by December 1, 2016.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): Beginning in 2017, fiscal notes dealing with corrections, child welfare, and mental health issues must include an estimate of impacts on expenditures of other state and local government programs, and a return on investment as a result of the legislation.

OFM and the Washington State Institute for Public Policy must convene a workgroup to explore the establishment of a nonpartisan agency to conduct impartial fiscal analysis on behalf of the Legislature. The workgroup must include members of the Senate and House of Representatives, as well as representatives of the Legislative Evaluation and Accountability Program Committee, the State Treasurer, the Caseload Forecast Council, and the Economic and Revenue Forecast Council. The workgroup must report its findings and recommendations to the Legislature by December 1, 2016.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony on Original Bill: PRO: To encourage a thriving state economy, dynamic fiscal impact statements will show the positive economic impact of state investments. This will tell the whole story, including the costs and the consequences. More information is better than less information. The dynamic fiscal impact statements will provide a more thoughtful analysis of pending legislation. This will result in fewer fiscal notes that have indeterminate findings. Local government will be helped by more complete fiscal analysis.

CON: Macroeconomic shifts are difficult to forecast, and such projections are unreliable and create uncertainty.

Persons Testifying: PRO: Senator Brown, prime sponsor; Amber Carter, Assn. of WA Business; Brian Enslow, WA Assn. of Counties.

CON: Kim Justice, WA State Budget and Policy Center.