
SUBSTITUTE SENATE BILL 5443

State of Washington

65th Legislature

2017 Regular Session

By Senate Ways & Means (originally sponsored by Senators Brown, Darneille, Miloscia, Becker, Rivers, McCoy, Sheldon, Walsh, Chase, Bailey, Hobbs, Ericksen, Warnick, Angel, Honeyford, Rolfes, Padden, Billig, Zeiger, Wilson, Conway, Fain, Keiser, Hunt, and Kuderer)

READ FIRST TIME 02/16/17.

1 AN ACT Relating to fiscal notes; amending RCW 43.88A.010 and
2 43.88A.020; adding a new section to chapter 43.88A RCW; creating a
3 new section; and providing expiration dates.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 43.88A.010 and 1977 ex.s. c 25 s 1 are each amended
6 to read as follows:

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

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.88A
16 RCW to read as follows:

17 (1)(a) For purposes of this chapter, a dynamic fiscal impact
18 statement is: (i) A written statement that includes a dynamic impact
19 estimate of the legislation or proposed legislation; and (ii)
20 contained only in the narrative explanation of the fiscal note and

1 not reflected in the fiscal impact calculation required by RCW
2 43.88A.020.

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

8 (2) Dynamic fiscal impact statements may be produced only on
9 request from members of the senate ways and means committee, house
10 ways and means committee, or any successor committee to these
11 committees.

12 (3) Dynamic fiscal impact statements may not be made unless the
13 fiscal note in which it would be contained reflects a positive or
14 negative revenue impact of more than ten million dollars per fiscal
15 year.

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

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

21 (6) For purposes of this chapter, "dynamic impact estimate" means
22 an estimate of the net fiscal impact of a bill, resolution, or
23 proposed legislation that takes into account behavioral changes of
24 persons directly impacted by the legislation or proposed legislation
25 and the effect that those behavioral changes may have on the economy
26 as a whole. Dynamic impact estimates may take into consideration
27 factors such as the effects of the legislation or proposed
28 legislation on persons to save, spend, invest, and expand or reduce
29 their business activities in this state.

30 (7) This section expires July 1, 2022.

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

33 (1)(a) The office of financial management (~~shall~~) must, in
34 cooperation with appropriate legislative committees and legislative
35 staff, establish a procedure for the provision of fiscal notes on the
36 expected impact of bills and resolutions (~~which~~) that increase or
37 decrease or tend to increase or decrease state government revenues or
38 expenditures.

1 (b) Beginning January 1, 2018, subject to the availability of
2 amounts specifically appropriated for this purpose and if requested
3 by a member of a legislative fiscal committee for legislation
4 projected to result in an increase or decrease in state expenditures
5 exceeding five million dollars, fiscal notes dealing with
6 corrections, child welfare, and mental health issues must include, in
7 addition to the increases or decreases of state government revenue
8 and expenditures, an estimate of the fiscal impact of expenditure
9 reductions or increases on other state or local program expenditures
10 as well as any return on investment as a result of the legislation.

11 (2) Such fiscal notes (~~shall~~) must indicate by fiscal year the
12 impact for the remainder of the biennium in which the bill or
13 resolution will first take effect as well as a cumulative forecast of
14 the fiscal impact for the succeeding four fiscal years.

15 (3) Fiscal notes (~~shall~~) must separately identify the fiscal
16 impacts on the operating and capital budgets. Estimates of fiscal
17 impacts (~~shall~~) must be calculated using the procedures contained
18 in the fiscal note instructions issued by the office of financial
19 management.

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

23 (5) The preparation and dissemination of the ongoing cost
24 projections and other requirements of RCW 43.135.031 for bills
25 increasing taxes or fees (~~shall~~) takes precedence over fiscal
26 notes.

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

31 NEW SECTION. Sec. 4. (1)(a) The legislature recognizes the
32 increasing importance of having complete information to establish and
33 enforce budgetary priorities, coordinate actions on spending and
34 revenue legislation, and develop budgetary and economic information
35 independently of the executive branch.

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

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

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

11 (2)(a) Subject to the availability of amounts specifically
12 appropriated for this purpose, the director of the office of
13 financial management and the director of the Washington state
14 institute for public policy must convene a work group to explore the
15 establishment of a nonpartisan agency to conduct objective, impartial
16 fiscal analysis on behalf of the legislature. The directors must be
17 the cochairs of the work group. Staff support for the work group must
18 be provided by the Washington state institute for public policy.

19 (b) The work group must consider whether the Washington state
20 institute for public policy, the legislative evaluation and
21 accountability program committee, or a new nonpartisan agency should
22 subsume the functions of impartial fiscal analysis on behalf of the
23 legislature.

24 (c) The work group must conduct a study of the accuracy and
25 reliability of fiscal notes by examining a sample of fiscal notes on
26 enacted legislation to compare the projected cost of the legislation
27 with the actual costs incurred in the legislation's implementation.

28 (d) The work group must be comprised of at least the following
29 members:

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

32 (ii) One member from each of the two largest caucuses of the
33 house of representatives chosen by the speaker of the house of
34 representatives;

35 (iii) One representative from the legislative evaluation and
36 accountability program committee;

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

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

39 (vi) One representative of the economic and revenue forecast
40 council.

1 (e) The first meeting of the work group must occur no later than
2 August 1, 2017.

3 (f) The work group must report its findings and recommendations
4 to the governor and the appropriate committees of the legislature no
5 later than December 1, 2018.

6 (g) This section expires July 1, 2019.

7 NEW SECTION. **Sec. 5.** Sections 1 and 3 of this act expire July
8 1, 2022.

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