H-0839.2

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**HOUSE BILL 1960**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Representatives Chandler, Manweller, Wilcox, and Stokesbary

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

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

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

The legislature hereby recognizes the necessity of developing a uniform and coordinated procedure for determining the expected fiscal impact of bills and resolutions on state government. The legislature also recognizes that developing ((~~such~~)) these statements of fiscal impact, ((~~which shall be known as fiscal notes,~~)) requires the designation of a state agency to be principally responsible ((~~therefor~~)) for the statements. The statements are to be generally known as fiscal notes and dynamic fiscal impact statements. Dynamic fiscal impact statements may be included in certain fiscal notes in accordance with section 2 of this act.

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

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

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

(2) By July 1, 2018, the office of financial management must, in consultation with the economic and revenue forecast council, establish the process and methodology for dynamic fiscal impact statements and dynamic impact estimates.

(3) Dynamic fiscal impact statements may be produced only on request from a member of the senate ways and means committee, house of representatives appropriations committee, house of representatives finance committee, or any successor committee to these committees.

(4) Dynamic fiscal impact statements may not be made unless: (a) The fiscal note in which it would be contained reflects a positive or negative revenue impact of more than ten million dollars per fiscal year; or (b) the proposed or draft legislation is a broad-based business or labor regulation reasonably likely to exceed ten million dollars per year in impact on business.

(5) Requests for dynamic fiscal impact statements on existing or draft legislation must be submitted to the office of financial management at least sixty days before the beginning of a regular legislative session.

(6) Dynamic fiscal impact statements may not be updated when a bill or resolution is substantively amended during a legislative session. If the office of financial management determines that a substantive amendment to a bill or resolution would likely affect the dynamic impact estimate for that bill or resolution, the dynamic fiscal impact statement must be removed from any fiscal note that reflects the amendment.

(7) This section does not limit the provisions of chapter 43.132 RCW.

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

(9) This section expires June 30, 2023.

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

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

(2)(a) The director of the house of representatives office of program research and the director of senate committee services shall convene a work group to explore ways to improve and expand nonpartisan fiscal and program information available to the legislature. The directors are the cochairs of the work group.

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

(c) The work group shall also inventory nonpartisan program and fiscal information made available to the public by the legislative branch including, but not limited to, information posted at fiscal.wa.gov, the web site for the legislative evaluation and accountability program, web sites for the house of representatives and senate, the web site of the joint legislative audit and review committee, and the web site for the Washington state institute for public policy. The inventory should also include materials on the web sites of the caseload forecast council and the economic and revenue forecast council. The work group must also inventory the use of dynamic spending and revenue estimates in other states, including their use in fiscal notes.

(d) The work group shall also recommend methods to:

(i) Improve the accuracy and timeliness of cost and revenue estimates for proposed legislation;

(ii) Improve the long-term budget projections for proposed and enacted budgets;

(iii) Improve and expand the regular reporting and analysis of state spending and revenue totals; and

(iv) To the extent practicable, include dynamic fiscal estimates in both revenue and expenditure estimates.

(e) As part of its work, the work group must analyze whether a new nonpartisan legislative fiscal agency should be created. In conducting the analysis, the work group must, at a minimum, examine models in other states including, but not limited to, the California legislative analyst's office. If the work group recommends the establishment of a new legislative agency, the recommendations must outline the responsibilities of the new nonpartisan legislative fiscal agency and whether any existing functions or entities should be transferred to or subsumed in the newly created nonpartisan legislative fiscal agency.

(f) In addition to the two cochairs, the work group is comprised of at least the following members:

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

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

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

(iv) One representative from the Washington state institute for public policy; and

(v) One representative from the office of financial management.

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

(h) The work group shall report its findings and recommendations to the governor and the appropriate committees of the legislature no later than December 1, 2018.

(3) This section expires December 31, 2018.

NEW SECTION. **Sec.**  Section 1 of this act expires June 30, 2023.

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