
SUBSTITUTE SENATE BILL 5915

State of Washington

64th Legislature

2015 Regular Session

By Senate Ways & Means (originally sponsored by Senators Brown, Angel, Miloscia, Braun, Dandel, Schoesler, Hewitt, and Chase)

READ FIRST TIME 02/27/15.

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) By July 1, 2016, the office of financial management must, in
9 consultation with the economic and revenue forecast council,
10 establish the process and methodology for dynamic fiscal impact
11 statements and dynamic impact estimates.

12 (3) Dynamic fiscal impact statements may be produced only on
13 request from members of the senate ways and means committee, house
14 ways and means committee, or any successor committee to these
15 committees.

16 (4) Dynamic fiscal impact statements may not be made unless the
17 fiscal note in which it would be contained reflects a positive or
18 negative revenue impact of more than ten million dollars per fiscal
19 year.

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

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

30 (7) If the dynamic impact estimate would reduce the existing
31 general fund ending balance to less than one percent of current
32 biennial appropriations, the dynamic fiscal impact statement must be
33 excluded from the fiscal note when it is filed as required by RCW
34 43.88A.030.

35 (8) Nothing in this section may be construed to limit the
36 provisions of chapter 43.132 RCW.

37 (9) For purposes of this chapter, "dynamic impact estimate" means
38 an estimate of the net fiscal impact of a bill, resolution, or
39 proposed legislation that takes into account behavioral changes of
40 persons directly impacted by the legislation or proposed legislation

1 and the effect that those behavioral changes may have on the economy
2 as a whole. Dynamic impact estimates may take into consideration
3 factors such as the effects of the legislation or proposed
4 legislation on persons to save, spend, invest, and expand or reduce
5 their business activities in this state.

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

8 (1)(a) The office of financial management shall, in cooperation
9 with appropriate legislative committees and legislative staff,
10 establish a procedure for the provision of fiscal notes on the
11 expected impact of bills and resolutions which increase or decrease
12 or tend to increase or decrease state government revenues or
13 expenditures.

14 (b) No later than January 1, 2017, fiscal notes dealing with
15 corrections, child welfare, and mental health issues shall include,
16 in addition to the increases or decreases of state government revenue
17 and expenditures, an estimate of the fiscal impact of expenditure
18 reductions or increases on other state or local program expenditures
19 as well as any return on investment as a result of the legislation.
20 The office of financial management and the Washington state institute
21 for public policy, in consultation with university-based research
22 institutions, shall work together to implement this subsection
23 (1)(b).

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

28 (3) Fiscal notes shall separately identify the fiscal impacts on
29 the operating and capital budgets. Estimates of fiscal impacts shall
30 be calculated using the procedures contained in the fiscal note
31 instructions issued by the office of financial management.

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

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

38 (6) For proposed legislation that uniquely affects school
39 districts, in addition to any fiscal note prepared under this

1 chapter, a school district fiscal note must be prepared under the
2 process established in RCW 28A.300.0401.

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

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

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

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

22 (2)(a) The director of the office of financial management and the
23 director of the Washington state institute for public policy shall
24 convene a work group to explore the establishment of a nonpartisan
25 agency to conduct objective, impartial fiscal analysis on behalf of
26 the legislature. The directors shall be the cochairs of the work
27 group. Specifically, the work group is tasked with reviewing whether
28 this agency should perform the following functions:

29 (i) Analyze the governor's proposed budgets;
30 (ii) Provide the legislature with long-term budget projections;
31 (iii) Provide cost estimates on proposed and introduced
32 legislation;

33 (iv) Provide a monthly analysis of state spending and revenue
34 totals;

35 (v) Provide frequent tabulations of legislative action affecting
36 spending and revenues and whether this action is consistent with the
37 spending and revenue levels set in the enacted budgets; and

38 (vi) Determine whether any existing agencies or functions can be
39 transferred to or subsumed in the nonpartisan agency.

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 and 2 of this act expire June
28 30, 2022.

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