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**SUBSTITUTE SENATE BILL 5636**

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**State of Washington**

**66th Legislature**

**2020 Regular Session**

**By** Senate Ways & Means (originally sponsored by Senators Brown, Becker, Warnick, and Palumbo)

READ FIRST TIME 01/27/20.

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 finance committee, or any successor committee to these committees.

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

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

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

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

29 (7) This section expires July 1, 2025.

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

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

38 (b) Beginning January 1, 2021, subject to the availability of  
39 amounts specifically appropriated for this purpose and if requested

1 by a member of a legislative fiscal committee for legislation  
2 projected to result in an increase or decrease in state expenditures  
3 exceeding five million dollars, fiscal notes dealing with  
4 corrections, child welfare, and mental health issues must include, in  
5 addition to the increases or decreases of state government revenue  
6 and expenditures, an estimate of the fiscal impact of expenditure  
7 reductions or increases on other state or local program expenditures  
8 as well as any return on investment as a result of the legislation.

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

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

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

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

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

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

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

38 (c) The legislature intends to spend public resources in a manner  
39 that is transparent and accountable. To accomplish this goal, it

1 needs appropriate fiscal information to make evidence-based  
2 investments.

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

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

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

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

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

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

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

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

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

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

37 (vi) One representative of the economic and revenue forecast  
38 council.

39 (e) The first meeting of the work group must occur no later than  
40 August 1, 2020.

1 (f) By December 1, 2021, and in compliance with RCW 43.01.036,  
2 the work group must report its findings and recommendations to the  
3 governor and the appropriate committees of the legislature.

4 (g) This section expires July 1, 2022.

5 NEW SECTION. **Sec. 5.** Sections 1 and 3 of this act expire July  
6 1, 2025.

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