S-2074.2

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**SUBSTITUTE SENATE BILL 5915**

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**State of Washington 64th Legislature 2015 Regular Session**

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

AN ACT Relating to fiscal notes; amending RCW 43.88A.010 and 43.88A.020; 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 known as fiscal notes and dynamic fiscal impact statements.

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, 2016, 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 members of the senate ways and means committee, house ways and means committee, or any successor committee to these committees.

(4) Dynamic fiscal impact statements may not be made unless 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.

(5) Requests for dynamic fiscal impact statements must be submitted to the office of financial management at least sixty days before the beginning of a 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) If the dynamic impact estimate would reduce the existing general fund ending balance to less than one percent of current biennial appropriations, the dynamic fiscal impact statement must be excluded from the fiscal note when it is filed as required by RCW 43.88A.030.

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

(9) 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.

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

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

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

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

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

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

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

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

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 critically important for the legislature to have more information about the longer-term and holistic impact of budget decisions, particularly in light of the four-year balanced budget requirement.

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

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

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

(i) Analyze the governor's proposed budgets;

(ii) Provide the legislature with long-term budget projections;

(iii) Provide cost estimates on proposed and introduced legislation;

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

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

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

(b) The work group shall consider whether the Washington state institute for public policy should subsume the functions of impartial fiscal analysis on behalf of the legislature.

(c) 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.

(d) The work group shall be 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 office of the state treasurer;

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

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

(e) The first meeting of the work group shall occur no later than August 1, 2015.

(f) The work group shall report its findings and recommendations to the governor and the appropriate committees of the legislature no later than December 1, 2016.

(g) This section expires June 30, 2017.

NEW SECTION. **Sec.**  Sections 1 and 2 of this act expire June 30, 2022.

**--- END ---**