S-1338.1

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**SUBSTITUTE SENATE BILL 5443**

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**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)

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) 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.

(3) 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.

(4) 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.

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

(6) 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.

(7) This section expires July 1, 2022.

**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~~)) must, 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~~)) that increase or decrease or tend to increase or decrease state government revenues or expenditures.

(b) Beginning January 1, 2018, subject to the availability of amounts specifically appropriated for this purpose and if requested by a member of a legislative fiscal committee for legislation projected to result in an increase or decrease in state expenditures exceeding five million dollars, fiscal notes dealing with corrections, child welfare, and mental health issues must 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.

(2) Such fiscal notes ((~~shall~~)) must 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~~)) must separately identify the fiscal impacts on the operating and capital budgets. Estimates of fiscal impacts ((~~shall~~)) must 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~~)) must 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~~)) takes 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) Subject to the availability of amounts specifically appropriated for this purpose, the director of the office of financial management and the director of the Washington state institute for public policy must 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 must be the cochairs of the work group. Staff support for the work group must be provided by the Washington state institute for public policy.

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

(c) The work group must 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 must 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 must occur no later than August 1, 2017.

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

(g) This section expires July 1, 2019.

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

**--- END ---**