

SENATE BILL REPORT

SB 5443

As Reported by Senate Committee On:
Ways & Means, February 14, 2017

Title: An act relating to fiscal notes.

Brief Description: Concerning fiscal notes.

Sponsors: 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.

Brief History:

Committee Activity: Ways & Means: 2/08/17, 2/14/17 [DPS].

Brief Summary of Substitute Bill

- Allows members of the fiscal committees of the Legislature to request dynamic fiscal impact statements or dynamic fiscal analysis in fiscal notes for certain legislation.
- Establishes a workgroup to explore the establishment of a nonpartisan agency to provide fiscal analysis for the Legislature and to study the accuracy and reliability of fiscal notes.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5443 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Brown, Vice Chair; Rossi, Vice Chair; Honeyford, Vice Chair, Capital Budget; Ranker, Ranking Minority Member; Rolfes, Assistant Ranking Minority Member, Operating Budget; Frockt, Assistant Ranking Minority Member, Capital Budget; Bailey, Becker, Carlyle, Conway, Darneille, Fain, Hasegawa, Keiser, Miloscia, Padden, Schoesler, Warnick and Zeiger.

Staff: Julie Murray (786-7711)

Background: A fiscal note is a statement of estimated fiscal impacts of proposed legislation. A fiscal note estimates the state and local government revenue and expenditure impact of the

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

proposed legislation for the current fiscal biennium and for the following two biennia. Fiscal notes are prepared by state agencies, and the process is supervised by the Office of Financial Management (OFM). Estimates of fiscal impacts are calculated under instructions issued by OFM.

Summary of Bill (First Substitute): Upon the request of a member of the fiscal committees of the Legislature, OFM must prepare a dynamic fiscal impact statement that estimates the net fiscal impact of the bill, including behavioral changes that may have an impact on the state economy as a whole. The request must be made at least 60 days prior to a legislative session, and the dynamic fiscal impact statement is prepared only if the bill reflects a positive or negative revenue impact greater than \$10 million per fiscal year. In addition, beginning January 1, 2018, a member of the fiscal committees of the Legislature may request for legislation projected to result in a \$5 million or more increase or decrease in state spending dealing with corrections, child welfare, and mental health issues. The fiscal note must also include an estimate of any reduction or increase to other state or local program spending and any return on investment resulting from the legislation. These portions of the act expire on June 30, 2022.

The OFM Director and the Director of the Washington State Institute for Public Policy (WSIPP) must convene a workgroup to explore the establishment of a nonpartisan agency to provide fiscal analysis for the Legislature, including whether WSIPP, the Legislative Evaluation and Accountability Program (LEAP) or a new bipartisan agency should assume this function. The workgroup must study the accuracy and reliability of fiscal notes by comparing the projected cost contained in a sample of fiscal notes of enacted legislation against actual cost. The workgroup is comprised of at least the following members:

- one member from each of the two largest caucuses of the House and Senate;
- one representative from the LEAP;
- one representative from the Office of the State Treasurer;
- one representative from the Caseload Forecast Council; and
- one representative from the Economic Revenue Forecast Council.

WSSIP will provide staff support to the work group. The workgroup must convene by August 1, 2017, and report its findings and recommendations to the Governor and appropriate committees of the Legislature by December 1, 2018. This portion of the bill expires July 1, 2019.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (First Substitute):

- Clarifies that the Washington Institute for Public Policy will provide staff support to the work group convened to review fiscal notes.
- Requires that the work group must consider the Washington Institute for Public Policy, the Legislative Evaluation and Accountability Program Committee (LEAP), or a new nonpartisan agency to provide fiscal analysis of proposed bills.
- Changes the due date for the work group's report and recommendations from December 1, 2017 to December 1, 2018. This section expires on July 1, 2019 rather than July 1, 2018.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: Yes.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: It is important that legislators, when proposing policies, have an understanding of the actual impacts of those policies. This bill has been seen before and has strong bipartisan support. We want to enhance the fiscal note to see longer term impacts and returns on investment. I opposed cuts to mental health funding in prior budgets due to their impact on courts, jails, and communities, and with that kind of information, you may have made different decisions. Successful decisions are preceded by a complete cost-benefit analysis. More information is better, whether positive or negative, to help make decisions. The work group is a good idea and will lend better credibility to the information we are currently receiving in fiscal notes.

Persons Testifying: PRO: Senator Sharon Brown, Prime Sponsor; Seth Dawson, National Alliance on Mental Illness, NAMI Washington; Seth Dawson, Washington Association for Substance Abuse & Violence Prevention; Seth Dawson, Washington Association for Children & Families; Laurie Lippold, Partners for Our Children; Cassandra Ando, NAMI Washington.

Persons Signed In To Testify But Not Testifying: No one.