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The Cost of Legislation: Expanding Michigan's Fiscal Notes

July 2015

Report 391

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The Cost of Legislation: Expanding Michigan's Fiscal Notes

Contents

Tables

The Cost of Legislation:
Expanding Michigan's Fiscal Notes

Summary

Fiscal notes are estimates of the financial impacts of proposed and enacted legislation and administrative rules. In Michigan, fiscal notes for bills are prepared by the Senate Fiscal Agency and the House Fiscal Agency, depending on the chamber in which the bill is under consideration. The purpose of fiscal notes in Michigan is to provide a nonpartisan financial and legislative analysis of the true spending and revenue impacts of proposed and enacted bills by which policymakers can inform their decision-making. Nearly every state in the nation has an informal or formal fiscal notes process that is defined in legislation or legislative rules.

Fiscal notes nearly always contain quantitative and descriptive estimates of the legislative impacts to the state budget. While they often discuss impacts to relevant local governments such as schools, cities, and townships, they almost never analyze impacts to businesses or individuals. In cases where local government impacts are considered, the analysis rarely includes quantitative estimates of impacts and nearly never addresses whether a bill contains a mandate to local governments that would need to be funded based on Article IX, Section 29 of the Michigan Constitution. These additions to fiscal notes would be helpful in informing policymakers of the true costs of bills to parties outside of state government.

Challenges in Expanding the Scope of Fiscal Notes

Several factors contribute to the limited scope of fiscal notes. First, local government, business, and individual financial information is difficult to access. For example, business and individual tax return data are subject to privacy laws and the fiscal agencies must work with Michigan's Department of Treasury to gain access to these data. Additionally, these data are difficult to assess because of inconsistencies in business fiscal years and tax filings.

Data access for local governments is also a challenge primarily due to the large number of local governments that vary in size, unit type, service demand, need, and provision. A variety of financial data for all Michigan local governments are now easily accessible through a database sponsored by the Department of Treasury. However, this great mass of data may still be insufficient to determine financial impacts for all proposed and enacted legislation affecting local governments.

Surveys provide one method of obtaining business and local government financial impact information. With this strategy, the accuracy and reliability of the survey methodology are important to provide confidence that those questioned are representative of all relevant parties. Additionally, it is difficult to control for responses that may be skewed intentionally or unintentionally toward the most desirable outcome for those surveyed rather than the actual result.

The speed of the legislative process is a second challenge to expanding the scope of fiscal notes. Because Michigan employs a full-time legislature, bills are introduced year round and may move very quickly through the legislative process. Fiscal analysts, therefore, may not have sufficient time to collect the necessary data and conduct a proper analysis for each iteration of the bill before it is considered by legislators.

Third, fiscal agency staff currently have a great deal of expertise in financial matters affecting state government, but limited expertise in those affecting local government, business, and individual financial matters. For example, fiscal analysts would need knowledge of corporate accounting methods to analyze some business impacts. In regards to local governments, fiscal agencies also lack expertise to examine whether legislation imposes a Section 29 mandate.

Finally, by expanding the scope of fiscal notes, policymakers should ensure that fiscal agencies continue to maintain their current standards with regard to analyzing state budget impacts.

Recommendations to Expand the Scope of Fiscal Notes

If policymakers wish to expand the scope of fiscal notes to aid decision-making, CRC recommends several policies:

- **Consider rules for timing.** These rules should allow enough time for fiscal analysts to conduct reasonable reviews of legislation while also not hindering the legislative process. Many states have laws or rules of this nature.

- **Establish local government networks.** To understand how legislation would affect local governments, Michigan should establish a network of local governments to participate in voluntary information sharing for the purposes of preparing fiscal notes.

- **Formalize a process of working with the Department of Treasury.** This would ensure that both parties have the resources necessary to create and share business and individual tax data.

- **Expand content.** Commit to producing more fiscal notes for bills that affect local governments that include quantitative impact estimates, or when necessary, a high and low range of impacts, with explanations. If fiscal notes wade into the issue of local mandates, ensure that their role is advisory, identifying the existence and costs of a local mandate regardless of whether it is a Section 29 mandate.

- **Increase staffing and resources as appropriate.** More staff and resources may be necessary to ensure that fiscal agency staff can provide expanded analysis and continue to sufficiently perform all the duties in which they are currently tasked.

In light of the trusted and respected nature of fiscal notes in Michigan, expanding their scope could provide additional critical information to inform policymaking at the state level. While many states perform analyses of local governments, businesses, and individuals to a greater level of detail than is done currently in Michigan, these states almost exclusively employ part-time legislatures. Therefore, while expanding the scope of fiscal notes would lead to more informed decision-making, the costs of doing so must also be considered.

The Cost of Legislation:
Expanding Michigan's Fiscal Notes

Fiscal notes are estimates of the financial impact of proposed and enacted legislation and administrative rules prepared by legislative agencies or the executive branch. Fiscal notes inform legislative deliberations and provide a fuller picture of the potential impact of proposed legislation or administrative rules. The presence of fiscal notes can help to instill legislative discipline and deter frivolous legislation. Michigan's House Fiscal Agency and Senate Fiscal Agency currently prepare fiscal notes for state administrative rules requiring state funding and any bill considered by a legislative committee. The fiscal agencies update the fiscal notes as bills move through the legislative process.

The fiscal notes produced by Michigan's fiscal agencies primarily focus on the fiscal impact on the state budget, including spending and revenue considerations. While fiscal notes sometimes include a discussion of the fiscal impact to those outside of state government, they are generally not sufficient to establish the degree to which legislation stands to affect the affairs of local governments, and they rarely consider the impact on individuals and businesses. Of particular note, fiscal notes often do not address whether proposed legislation complies with the constitutional prohibition against unfunded mandates to local governments.

A number of factors contribute to the limited scope of fiscal notes including the availability of reliable information, the amount of time necessary to produce fiscal notes, and the availability of resources required to produce in-depth, broadened, and comprehensive fiscal notes. Expanding the scope of Michigan's fiscal notes would bring expanded benefits by illustrating the costs or benefits of legislation to businesses, individuals, and local governments, but these benefits will need to be weighed against the additional cost of producing the notes.

Michigan's Current Fiscal Notes Practice

All states except for Hawaii have a formal fiscal notes process that is defined in statute or legislative rules. The rules and laws defining fiscal notes vary in specifics, meaning that some states provide a system allowing for, requiring, or generally guiding fiscal notes while other states detail the exact contents and timing of fiscal notes. In Michigan, fiscal notes are prepared by the House Fiscal Agency and/or the Senate Fiscal Agency, depending on the chamber in which the bill is under consideration.

Creation, Purpose, and Administration of Fiscal Agencies

The origin of Michigan's fiscal agencies dates back to the 1960s, but Public Act 268 of 1986 is the current law dictating the purpose and administration of both the House Fiscal Agency and the Senate Fiscal Agency. Public Act 268 states, "There is created a nonpartisan agency to be known as the senate fiscal agency to be of service to the appropriations committee of the senate and other members of the senate." Similar language is included in the portion of the law creating the House Fiscal Agency. Public Act 268 creates the fiscal agencies, outlines their purpose, how they are governed, the availability of their work products, and other administrative details.

A key feature of the law creating the Senate and House fiscal agencies is a provision to ensure their nonpartisan nature. The law specifies that the boards governing the agencies are comprised of leaders from both the majority and minority political parties, chairs of the respective appropriations committees, and other members of the respective House of Representatives or Senate with certain assurances that both the majority and minority parties are mostly equally represented.[a] This bipartisan representation on the governing boards, the lack of interference from the executive branch, and the practiced objectivity of the work originating from the fiscal agencies has promoted their credibility and value over time.

[a] The Senate Fiscal Agency is governed by a board of five members and as such one party is represented by one more member than the other party. The House Fiscal Agency's governing committee has an even number of members that are equally split among the majority and minority political parties.

Current Scope of Fiscal Notes

While the exact responsibilities of the House and Senate fiscal agencies are not outlined in statute, the chairs of the appropriations committees have, in practice, tasked the agencies with a variety of duties.[b] One of these duties is to analyze and estimate revenue and expenditure impacts to both state government and local governments for any bill considered by a legislative committee and to update these fiscal notes as bills move through the legislative process.

In the 2011-2012 legislative session (January 2011 through December 2012), 1,360 bills were reported from committees in the Michigan House of Representatives.[1] Many more bills were taken up in committees but not reported out. Current procedures provide that fiscal notes generally include the impact of the proposed legislation on state finances, both revenues and expenditures, as well as any fiscal impacts to school districts and local governments. Fiscal notes also include a legislative analysis that serves as a concise summary of the bill and/or a more in-depth analysis of the bill's provisions that may include a brief fiscal impact statement, a description of the problem being addressed, a description of the contents of the bill, arguments made for and against the bill, and a list of the positions of interested organizations.

Internal guidelines for the House Fiscal Agency state that the goal of a fiscal note is to describe and estimate direct fiscal impacts and that indirect impacts[c] should only be included if they will affect expenditures and/or revenues. The general purpose and format of a fiscal impact statement is to,

> "Describe the nature (increase/decrease) and, if possible, estimated annual amounts of any impacts the bill should have on the following: expenditures made by state government; revenues received by state government; expenditures made by local units of government; revenues received by local units of government. Expenditure reductions may be in the form of cost avoidance (a reduction from an increasing baseline). Revenue impacts should include associated federal funds, if relevant."[2]

House Fiscal Agency guidelines also specify that analysts should describe fiscal impacts as indeterminate when they are unable to estimate the magnitude of a fiscal impact.

The guidelines go on to specify that local units of government to consider in determining potential fiscal impacts include counties; cities, villages, and townships; school districts; community colleges; and other local authorities. Additionally, fiscal notes should include both short-term and long-term fiscal impacts if the impacts are expected to vary over time.

House Fiscal Agency guidelines specify that analysts should describe fiscal impacts as indeterminate when they are unable to estimate the magnitude of a fiscal impact. Although PA 268 calls for fiscal analyses to be prepared for governmental entities other than state government, these analyses often contain "indeterminate" fiscal impact estimates when analyzing bills that affect the finances of these other governmental entities. This practice arguably limits the usefulness of fiscal notes in that legislators are not apprised of the magnitude of the fiscal impacts during policy deliberations.

[b] The additional responsibilities of the House Fiscal Agency are outlined at: www.house.mi.gov/hfa/About.asp.
A description of the Senate Fiscal Agency work products can be found at: www.senate.michigan.gov/sfa/Main/WorkProducts.html.

[c] An indirect impact is one that occurs secondarily. For example, if the state income tax is raised then the direct impact would be a decline in the disposable incomes of Michigan residents and an increase in state income tax revenue collections. An indirect impact of such a policy change would be the resulting reductions in spending at Michigan businesses, resulting in lower business incomes and reduced state business income revenue.

Benefits of Expanding the Scope of Fiscal Notes

When deemed accurate and credible, fiscal notes help legislators evaluate the merit of proposed legislation, its estimated cost or benefit, whether the bill should be revised to reduce expenditures or increase revenues, and in some cases, how the bill may affect parties outside of state government. A report by the Center on Budget and Policy Priorities and the American Civil Liberties Union asserts that, "Good fiscal notes promote an open and rational policy-making process…"[3] The report goes on to say that high-quality fiscal notes can help state legislators make rational policy and fiscal decisions, depoliticize the policymaking process, make the budget process more open and transparent, reveal long-term budget impacts, and help ensure a balanced budget.

Part of having high quality fiscal notes is ensuring that their content scope is broad enough to provide the most useful policymaking information. Michigan's fiscal agencies currently are tasked with examining and estimating the impacts of proposed legislation on the revenue and expenditures of the state government as well as local governments, as appropriate. Some assert that the current scope of fiscal notes is insufficient to properly inform policymakers of a proposed legislation's cost impacts on businesses, individuals, and local governments.

Including Impacts on Businesses and Individuals

Expanding the scope of Michigan's fiscal notes to include financial impacts on businesses and individuals will provide legislators with a more accurate assessment of the true cost of a bill prior to their vote. Public Act 306 of 1969 includes a requirement that state agencies imposing administrative rules affecting small businesses must estimate the effect on small businesses, but no such requirement exists for legislation.

The Citizens Research Council reviewed the fiscal note practices in other states and found that fewer than ten states include businesses in their fiscal impact statements. Maryland includes a fiscal impact analysis on small businesses in each fiscal note as well as an economic impact analysis rating.[4] Missouri requires that a fiscal note examine whether the proposed legislation will have an economic impact on small businesses, which it defines as those that are independently owned and operated and employing fifty or fewer full-time employees; actual cost impact estimates are not required, only whether there will be an economic impact.[5] New Hampshire statute requires that fiscal impact statements for administrative rules analyze the impact on independently owned businesses employing fewer than 10 employees and include a description of reporting and recordkeeping requirements.[6] In practice, New Hampshire's Office of the Legislative Budget Assistant identifies areas of possible fiscal impact to relevant businesses of all sizes.[7]

Only two states discuss the fiscal impact on individuals when appropriate. Utah statute specifies that the duty of the Office of Legislative Fiscal Analyst is to, "prepare cost estimates on all proposed bills that anticipate direct expenditures by any Utah resident or business, and the cost to the overall impacted Utah resident or business population."[8] Utah's legislative rules instruct analysts to show the impact of a bill on a single person and the total impact on all individuals statewide.[9] In practice, fiscal notes in Utah provide aggregate costs for bills that would have a direct expenditure impact on residents and businesses (See **Appendix A** for examples).[10] New Hampshire statute requires that an administrative rule fiscal impact statement include a narrative discussing the costs and benefits to the citizens of the state and its political subdivisions; they typically do not calculate a quantitative cost.[11]

Currently, Michigan legislators rely on data from interest groups and partisan legislative staff analysts to inform them of how proposed legislation will impact businesses and residents throughout the state. Even when these data are accurate, no formal distribution process is employed to ensure that all members of the legislature receive the same information.

The nonpartisan fiscal agencies are known for their objectivity and accurate analyses and would continue to provide value to decision-makers if their role was broadened to include calculating or describing fiscal impacts to businesses and individuals.

Expanding Discussion of Local Governments

The inclusion of local government fiscal analyses in fiscal notes serves two purposes. First, laws affecting the finances of local governments are subjected to examination prior to enactment. Some state laws create processes or local government services that improve government operations for citizens and businesses, but these responsibilities also bring new costs. Comprehensive fiscal notes would give legislators the opportunity to assess whether the goal pursued is worth the costs imposed. Second, fiscal notes (current scope or expanded) create difficulty in enacting laws affecting local governments in abbreviated time frames, such as those introduced in a lame duck session.[d] Consequently, legislators may be forced to utilize time to more deeply consider the implications of policy and local governments will have more time to make a case for or against the legislation.

In at least 30 states, statute, constitutional provisions, or legislative rules require fiscal notes to address the fiscal impacts of proposed and/or enacted legislation on local governments.[12] Some states' fiscal notes only consider fiscal impacts to a few specified types of local government, such as school districts or cities and counties, and other states specify that fiscal notes should look at the fiscal impact to all political subdivisions as appropriate.

[d] For example, in 2014, 216 of the 572 public acts enacted were signed into law in December or later.

While Michigan's fiscal agencies currently estimate the impact of legislation relevant to Michigan's local governments, the analyses do not always provide quantitative estimates or address whether the proposed legislation complies with the constitutional provision against unfunded mandates to local governments.

Complying with Section 29 of the Headlee Amendment

At the November 1978 general election, Michigan voters approved an amendment to the 1963 Michigan Constitution limiting state and local taxation. The amendment, generally referred to as the Headlee Amendment, amended Article IX, Section 6 and added ten new sections (25 through 34) to Article IX of the Constitution. One of those sections, Section 29, prohibits the state from:

- Mandating local governments to provide new services or activities after 1978 without proper funding;
- Increasing the level of mandated activities and services required beyond what was required in 1978 without proper funding; or
- Decreasing the proportion of state funding for existing mandates from the proportion provided in 1978.

Defining State Mandates

In the case *Durant v. State of Michigan*,[i] the Michigan Supreme Court determined that Section 29 of the Headlee Amendment only applies to services and activities required by state statutes and state agency rules. In other words, the state is not required to fund requirements that must be implemented as part of an optional service or activity or to fund mandates included in the Michigan Constitution.

Many laws are enacted with the net result of increasing the cost of local governments providing services and activities even though they do not constitute a state requirement under current interpretations of Section 29. These laws impose requirements on local governments that choose to provide an optional service or activity. One example is the requirements on fire departments and authorities for the use of specific gear or training.[ii] No type of Michigan local government is required to provide fire protection, so this service is seen as an optional service. If local governments opt to provide fire protection, as most urban jurisdictions of the state are compelled to do as part of providing an essential public service, they must comply with the requirements. Under current court interpretation, the optional nature of fire protection makes all such requirements on gear and training exempt from the Section 29 state funding requirements. The net effect is a new requirement that increases the cost of operating local government for those jurisdictions that provide fire protection.

[i] *Durant v. State of Michigan,* 456 Michigan 175, 566 NW2d 272 (1997).
[ii] Although not technically a state required service, very few areas of the state are outside of a jurisdiction that provides for fire protection, either directly or through inter-local agreements with neighboring jurisdictions.

Section 29 was thought to be necessary because a companion section of the Headlee Amendment, Section 26, limits state government revenues in any given year to a fixed percentage of total personal income. Drafters of the Headlee Amendment anticipated that state policymakers might attempt to mitigate the effects of the revenue limit by shifting to units of local government responsibility for programs previously funded by the state in order to save the money the state would have needed to spend if it continued to provide such services. Section 29 was intended to forestall such attempts unless they were accompanied by state appropriations to fund the services transferred.

Unfortunately, in practice, the prohibition against unfunded state mandates is largely unobserved. Public Act 101 of 1979, the law enacted to implement Section 29, was never fully implemented and state requirements of local governments subsequently have been enacted without regard to this provision in the Constitution.[13]

A 2009 report by the CRC found that 28 states have constitutional or statutory requirements that state mandates be identified and, in many states, that funding must accompany any state laws that mandate local government services and activities. Some states prospectively identify the cost of legislation to local governments before the laws are enacted while other states do this in addition to retrospectively identifying mandates and their costs in existing laws. While the latter tactic would be most effective in Michigan, particularly because Section 29 of the Headlee Amendment has been rarely enforced since its passage, this report focuses only on the role that fiscal notes play in identifying costs to local governments arising from proposed legislation.

A fiscal notes process that informs legislators as to whether proposed bills have Headlee implications in terms of the spending that local governments would be forced to shoulder because of the law could aid decision-making and improve compliance with the Michigan Constitution. If a bill does not include funding to cover the new mandate, the fiscal agencies could attempt to estimate to what that funding amounts. If there is an appropriation for compliance with the new law, the fiscal agencies could point this out and determine whether the appropriation is sufficient to cover the estimated costs that local units of government would incur.

Avoiding "Indeterminate" Fiscal Impact Statements

The Center for Budget and Policy Priorities and American Civil Liberties Union underscore that in order to be useful, fiscal notes need to indicate a magnitude of change to revenues or expenditures even if the exact number is imprecise.[14] Conversely, arriving at a fiscal impact estimate that may be inaccurate due to incomplete information may be less constructive than stating an indeterminate impact; making legislative decisions based on inaccurate data devalues the role of the fiscal agencies.

An example of some of the limitations of the current fiscal notes process is evident in the fiscal notes generated from the 2013-2014 legislative session through December 2014 (**Table 1**). A fiscal note was generated for 28 bills that were referred to Michigan Senate committees and filed under the "local government" bill category (regardless of the committee to which they were referred). Of these 28 bills, a package of ten bills contained local government fiscal impacts in aggregate, six bills were decided to have an indeterminate fiscal impact, the fiscal impact of two bills was determined to be "unknown," two bills were estimated to have a negligible impact, two were estimated to have minor fiscal impacts, but a value was not calculated, one bill was reported to have a minor but positive impact, and one bill was estimated to increase costs but an amount was not calculated. The remaining four bills were determined to have no fiscal impact on local governments. The fiscal notes for the legislation that were determined to have an indeterminate or unknown impact on local governments typically included brief text explaining the context for the fiscal impact. None of these bills included any estimate of an impact, but many provided some text on how costs could be estimated for individual local units. In cases where the bill provided local authority, it would be difficult for the fiscal agencies to estimate total costs without knowing how many local units would choose to exercise this authority.

The National Conference of State Legislatures (NCSL) recognizes that it is not always possible to calculate

Table 1
Fiscal Impact Estimate of Legislation Reviewed by Senate Committees in the 2013-2014 Legislative Session and Filed under Local Government

Fiscal Impact Statement	Number of Bills	Senate Bill Number(s)
Indeterminate	3	8, 247, 1088
Indeterminate and negligible	1	574
Indeterminate, but positive	1	882
Indeterminate effect on expenses and unknown impact on revenues	1	312
Unknown impact	2	594, 687
Negligible effect on revenue	2	36, 37
Minor fiscal impact (no numeric estimate)	1	468
Minor reductions in some costs and an increase in other costs (no numeric estimate)	1	585
Minor, but positive (no numeric estimate)	1	753
Increased costs (no numeric estimate)	1	969
Numeric Fiscal Impacts (in aggregate)	10	821 - 830
No fiscal impact	4	173, 444, 437, 631
Total Bills	**28**	

Source: CRC review of Michigan legislative analyses

Note: If multiple fiscal notes were available, only the most recent was used for this analysis. All fiscal notes analyzed were from the Senate Fiscal Agency in order to ensure consistency in terms used.

fiscal impacts and recommends that when this occurs, that the fiscal note explain why and offer a high and low estimate, a range, and the assumptions used to generate both.[15] In the Center for Budget and Policy Priorities and American Civil Liberties Union's analysis of adult criminal justice bills over a three year period, their report found that Michigan was one of six states that sometimes or always failed to explain the rationale as to why the fiscal note concluded that the fiscal impact was indeterminate.[16]

Considerations for Expanding Michigan's Fiscal Notes

Three main factors contribute to the fiscal agencies' capacities to expand the scope of fiscal notes to include costs to local governments, businesses, and individuals and determine whether a bill imposes a mandate on local governments: 1) availability of reliable information, 2) time constraints resulting from the legislative process, and 3) agency resources required to produce in-depth and expanded analysis.

Access to Reliable Data

The fiscal agencies have a variety of resources to aid them in estimating accurate fiscal impacts to the state budget. First, they have access to the state accounting system that provides detailed spending and revenue data by state department. Second, fiscal agency staff each have an area of expertise aiding them in building relationships with important contacts within each state department who are accustomed to assisting analysts in estimating fiscal impacts. Third, their own tenure working in dedicated policy areas helps them accumulate expertise over time and is a crucial resource. In contrast, reliable information needed to calculate fiscal impacts for local governments, businesses, and individuals is more elusive.

Business and Individual Data Limitations

Expanding the scope of fiscal notes to include fiscal impacts to businesses and individuals presents challenges related to data access and the accuracy of the estimates. These estimates can be most effectively assessed in two ways: using business and individual tax returns and through surveys. Using business and individual tax returns provides the most accurate data to form estimates regarding the impact of proposed legislation. However, under current law these data are unobtainable due to privacy considerations. Michigan's Public Act 122 of 1941 dictates the conditions under which Michigan's Department of Treasury may divulge information or facts obtained in connection with the administration of a tax. Tax information can only be disclosed if it is required to properly administer a tax law, pursuant to judicial order, or is required for the effective administration or enforcement of laws. Nothing in the law allows for the disclosure of taxpayer information to assist in the policymaking process.

Within the boundaries of privacy, the Michigan Department of Treasury provides the fiscal agencies with a stratified sample of anonymous individual income tax data along with a tax simulation model that they can use to model tax change scenarios. The data are aggregated and weighted in such a way as to maintain the confidentiality of tax filers.[17] Nevertheless, this model is limited and may not be sufficient to calculate all possible fiscal impacts of proposed legislation. The Internal Revenue Service publishes federal tax return data for each state, which can be utilized for fiscal impact calculations, but again the data are in the aggregate and may not be sufficient for all estimates.

Case Study: Missouri

Missouri, which operates with a part-time legislature, is one of several states that require a fiscal note for all legislation. With the exception of appropriations bills, before a bill is acted upon by either chamber in the state legislature, it is submitted to the Oversight Division of the Committee on Legislative Research, a nonpartisan office, which writes a fiscal note. The Oversight Division reviews the bill and forwards a copy of their analysis to all affected state agencies and local political subdivisions who help gather data for the fiscal note.

By state law, the fiscal note must include:

- The cost of proposed legislation to the state for the next two fiscal years;
- Whether the bill will have a fiscal impact upon any political subdivision of the state;
- Whether the bill will have an economic impact on small businesses (defined in law as those independently owned and operated and employing fifty or fewer employees);
- Whether new facilities or state agencies will be required or duplicated in any way; and
- Whether there is a federal mandate for the proposed program or agency.

To gather this information, the Oversight Division works with state agencies, local governments, research staffs in the House and Senate, and the State Auditor to obtain an accurate assessment. The Oversight Division compiles these data with their own independent research to estimate fiscal impacts on the state, local governments, and small businesses. State and local impacts include numerical estimates whenever possible while small business impacts are descriptive only.

When the note is completed, it is posted online and emailed to the committee chair, sponsor of the bill, and both House and Senate secretaries. The fiscal note accompanies the bill throughout the legislative process and legally cannot be changed or revised without approval of the chairman of the Legislative Research Committee except to reflect changes made in the bill it accompanies or to correct technical errors.

Oversight Division FY2013 budget: $696,480
Committee on Legislative Research FY2013 budget: $2,326,642
Total fiscal notes in 2013: 1,484[iii]
Staff size: 2 support staff, 10 professional staff

[iii] Information from conversations with Legislative Library staff

Fiscal impact estimates for businesses are further hampered by Michigan's corporate income tax, which is applied only to C-corporations, and narrows the number of businesses that now file tax returns with the State of Michigan.[e] The small number of filers limits the legal ability of the Department of Treasury to share this information. As such, when the fiscal agencies want estimates for proposed legislative impacts (for sales tax changes, for example), they must be calculated by Treasury. When this occurs, the fiscal agencies cannot verify these calculations, but can only verify the methodology used by Treasury.

In addition to limitations in procuring business spending and revenue data, the fiscal agencies would have further challenges in estimating accurate impacts of state legislation to businesses. The complexity of the tax law, the number of changes to the business tax over the last decade, and the inconsistency of business fiscal years and tax filings are just a few of the obstacles that pose challenges to calculating accurate estimates. Additionally, the fiscal agencies do not currently have the expertise in corporate accounting that would be necessary to conduct these calculations.

Relative to bills that affect state departments or governmental entities, the considerable diversity that exists among local units of government would require more time, staff, and pertinent data to estimate accurate fiscal impacts of state legislation.

Local Government Data Limitations

Public school spending and revenue data from local school districts are centrally collected by the State Budget Office through the Center for Educational Performance and Information (CEPI). Because public school finances are fairly uniform in their design, service provision is similar, and the data included in this system are fairly comprehensive and easily accessible to fiscal analysts, quantitative fiscal impacts of proposed legislation to schools are typically included in fiscal notes.

Similarly, a wide range of financial data are typically available for other public entities such as universities and community colleges. Further facilitating the ease of fiscal analysis of these units is the relatively small number of institutions (e.g., 28 community colleges).

Unlike those prepared for these educational entities, county, city, village, and township local government cost estimates are complicated by the large number of diverse units. In addition to wide variations in size (geographic and population) and service provision between them, local government data for use in fiscal analyses has been encumbered by the insufficiency of existing databases and an absence of a local government network readily accessible to fiscal analysts.

Michigan has 1,856 general-purpose local units. These local governments vary widely in their size of population, unit type, service needs, and service efficiency. Each of these factors influences the amount a local unit spends for certain services and are typically not uniform even across units of the same population size or government type (i.e. across all counties or townships). Service demands vary by local unit type, geographic location, and population density: residents in urban areas will typically demand more public services than those in rural townships. But even among the same unit type, local residents' service preferences vary, which contributes to differences in tax and spending levels.

Relative to bills that affect state departments or governmental entities, the considerable diversity that exists among local units of government would require more time, staff, and pertinent data to estimate accurate fiscal impacts of state legislation. For example, economies of scale cannot be assumed; a fire department operating in a small, rural township may cost considerably less per resident than a fire department in a larger, urban city. The latter may have higher costs associated with a higher level of service: they may need more expensive fire trucks to access taller buildings and a full-time fire fighting staff that is trained in hazardous materials response.

The Department of Treasury's launch of an interactive

[e] Businesses in Michigan that are not C-corporations pay taxes on business income through the personal income tax. This business income data still provides limited data to inform fiscal analyses.

local government finance database in 2010 has simplified access to Michigan local government revenue and expenditure data. By law, each local unit of government must submit a completed Michigan Form F-65 (referred to as F-65) on an annual basis, which populates the database. The F-65 requests revenue and expenditure data and Michigan's Department of Treasury has increased the amount and type of data requested over the years. Data on the site are accessible to anyone in downloadable form and are available dating back to FY2005.

In addition to detailed expenditure and revenue data, the Department of Treasury requests information about millage levies, capital outlays, assets and liabilities, short-term and long-term debt, employee benefits, and other data from which many fiscal impacts may be calculated. However, this may not be comprehensive enough to indicate impacts from all types of legislation. For example, broad social services expenditure data may not help agency analysts determine the impact to county departments of specific foster care system changes. More detailed information would be required than is available in the F-65 database. Additionally, while the database may include total fire expenditures, it does not provide contextual data on how those dollars are spent differently among local governments on inputs such as fire fighters, call centers, and equipment.

The F-65 database has other limitations. Notably, the data are self-reported and not verified for accuracy. The data are often submitted by local government officials who do not have accounting expertise and few incentives are offered to them to ensure their data submissions are precise.

Value of Survey Data

Some states use one of two types of surveys to gather data for fiscal note estimates: 1) surveying among business or local government associations or professional organizations and 2) random surveys among relevant parties. Local government organizations may include those representing counties and municipalities, and business organizations may include chambers of commerce.

Accuracy and reliability are important in survey methodology to provide confidence that the responses given by those questioned are representative of all others that are not surveyed. This is achieved when there is a random selection of participants to take part in the survey and the sample size is significantly large that participants have a reasonable chance to represent all interests. Thus, local governments and businesses, in an ideal arrangement, would be randomly selected to participate in the fiscal note preparation process. However, a random sampling could also draw local governments and businesses without the time or wherewithal to respond to the questionnaire and does not necessarily guarantee a representative sample.

An Example of a Local Government Survey Network

The Virginia Commission on Local Governments (COLG) establishes a network of about 50 (15 percent) volunteer local fiscal contacts in cities and counties. Those cities and counties are strategically selected to represent geographic and size differences throughout the state. Because bills imposing mandates must be introduced on or before the first day of the legislative session (Virginia has a part-time legislature), the COLG receives notification of the bills to be examined as soon as the session commences and advances to the local fiscal contacts the material needed to begin their analysis. In consultation with the Virginia Municipal League and Virginia Association of Counties, the bills introduced are prioritized and the dozen or so bills with the highest priority are submitted for analysis. COLG relies on these network participants, information from state agency representatives, and its own independent research to complete the fiscal analyses.

Most communication with volunteer local fiscal contacts occurs by e-mail and the COLG website. That website includes publications with instructions on how to receive, complete, and return fiscal impact estimate forms, what makes a good fiscal impact statement, and links to prior fiscal impact statements that can be used for reference.[iv]

[iv] Virginia Commission on Local Government, Fiscal Impact Analysis webpage, www.dhcd.virginia.gov/index.php/commission-on-local-government/legislative-fiscal-impact-review.html (accessed September 19, 2014).

Practically, it is often necessary to select participants in a nonrandom manner. For the purposes of learning how a proposed law would affect these parties, it is important to have active participants that represent all sizes and types of relevant government and business. As a result, states have tended to concentrate their efforts on larger communities when sampling local government. For local governments, the sampling results tend to have an urban bias, but those results do not differ wholly from the relative levels of spending by urban and rural local governments. Because of the number of Michigan local governments with very small populations, surveying the 25 to 50 most populous cities and townships would likely provide a good estimate of the total cost to all cities, villages, and townships. Population estimates from the United States Census Bureau show that in 2010, 29.4 percent of Michigan's population lived in the 25 largest local governments, and 40.4 percent lived in the 50 largest local governments.

The request for feedback through surveys used in other states typically occurs only once for each bill. Participants cannot realistically be sent new questionnaires each time a bill is revised during the legislative process. Unless the bill revision results in wholesale changes to the bill's intent, the result of resampling would be marginal changes to the cost estimates. Thus, relevant parties are questioned at the beginning of the legislative process and informed adjustments are made to the cost estimates as bills wind their way through the legislative process.

In using surveys, fiscal agency staff and policymakers would need to be aware that this approach is not perfect. Surveys sent to associations or professional organizations as well as those sent to random relevant parties can sometimes yield data of questionable accuracy. First, the party filling out the survey may not have expertise in the areas being questioned and may not understand the changes proposed in the bills. Second, while survey data can be valuable, especially as a supplement, fiscal agencies cannot be sure of the accuracy of the data when parties have a stake in the outcome. Local governments, local government and business associations, businesses, and individuals may intentionally or unintentionally over or under estimate their costs or revenues depending on whether the proposed change may help or hurt them. There would be few ways that the fiscal agency could verify the accuracy of the data and these data would be of a lower quality than other fiscal impact estimates.

Speed of Legislative Process

The speed of the legislative process may act as a barrier to expanding the scope of Michigan's fiscal notes. A major variable in determining the number and speed of bills moving through the legislature is whether the legislature is full-time or part-time. The National Conference of State Legislatures defines a full-time legislature as one that requires legislators to devote time equal to around 80 percent or more of a full-time job.[18] Based on this criteria, ten states have full-time legislatures: Alaska, California, Florida, Illinois, Massachusetts, Michigan, New York, Ohio, Pennsylvania, and Wisconsin. Agencies and departments in states with part-time legislatures have the luxury of time in analyzing bills before they are submitted at the beginning of the legislative session. Bills can be analyzed and the local government associations can draw attention to worrisome legislation that otherwise might not be subjected to a fiscal note. With an ongoing legislative session throughout the year in Michigan, bills are introduced at all times during a legislative session and legislative committees can take up bills for consideration fairly quickly.

Michigan's fiscal agencies analyze each bill that is on the agenda of a House or Senate committee and update the analyses as bills are changed or amended and move through the legislative process. This amount of work is often difficult for bills that move very quickly from introduction to committee to the House or Senate floor for voting. This rapid pace can limit the amount of time analysts spend gathering the necessary data for accurate estimates. The tight turnaround of fiscal notes make it difficult in some cases for fiscal analysts to spend sufficient time calculating actual quantitative estimates, which may cause a higher frequency of fiscal notes to conclude unknown or indeterminate estimates.

Fiscal notes that incorporate impacts to businesses and individuals and include whether a bill complies with Section 29 of the Headlee Amendment require even more time to produce. A report from Minnesota's Office of the Legislative Auditor calculated that local

Table 2
Comparison of the Scope of Fiscal Notes Among States with Full-Time Legislatures

	Parties on whom impacts are analyzed				State has Local Government
	State Government	Local Governments	Businesses	Individuals	Funding Mandate
Alaska	Yes	No	No	No	Yes
California	Yes	Yes	No	No	Yes
Florida	Yes	No	No	No	Yes
Illinois	Yes	Yes*	No	No	Yes
Massachusetts	Yes	No†	No	No	Yes
Michigan	Yes	Yes	No	No	Yes
New York	Yes	Yes*	No	No	No
Ohio	Yes	Yes*	No	No	No
Pennsylvania	Yes	Yes**	No	No	No
Wisconsin	Yes	Yes**	No	No	Yes

* Specified in statute

** Specified in legislative rules

† Massachusetts statute enables local governments to request a fiscal analysis of a proposed law or rule but this is rarely done in practice.

Note: "No" means that these analyses are not performed on a regular basis and instructions to include parties outside of state government are not in statute or legislative rules.

Sources: Conversation with Geoff Long, Chief Consultant of the California State Assembly Committee on Appropriations; Illinois 25 ILCS 50/1, Ch. 63, par. 42.31; Massachusetts GLC 29, s.27C(f); Laws of New York Article- Legislative, Article 3, §51.2; Ohio Revised Code 103.14(A); Pennsylvania 2013-2014 General Operating Rules of the House of Representatives Rule 19(a)(3); Wisconsin Joint Rule 41(1)(a)

impact notes took an average of 27.0 working days to complete compared to 8.3 working days on average for state impact notes. While it makes sense that local impact notes would take longer, Minnesota does not regularly assess local impacts (they only completed 13 over a three year period to come up with this average) therefore they likely do not have the same efficiencies in this research as Michigan's fiscal agencies.[19] But this estimate is demonstrative of the need for either more time or additional staffing for certain types of impact analyses.

The Scope of Fiscal Notes in Michigan Compared to Other States

Producing fiscal notes for full-time legislatures has unique challenges that may not occur in states with part-time legislatures. In addition to the challenges arising from the speed of the legislative process, producing fiscal notes in states with full-time legislatures differs in that there are a larger number of staff employed, a greater breadth of other duties given to fiscal analysts, and a greater number of bills proposed each legislative year. **Table 2** provides a summary of the scope of fiscal notes in states with full-time legislatures.

Alaska, Florida, and Massachusetts either make no mention of including local government impacts in fiscal notes or it is not done in practice. Seven states with full-time legislatures, including Michigan, have either statutes or legislative rules that require inclusion of local government impacts in fiscal notes or generally provide such information as part of their standard practice. States with local government funding mandates similar to Michigan's Section 29 are not more likely to look at local government fiscal impacts to proposed laws or administrative rules than are the states without these mandates. In fact, New York, Ohio, and Pennsylvania do not have a local government funding mandate, but all three have laws or rules that require the estimate of local government impacts in fiscal notes.

While a much smaller pool of states includes businesses of any size in fiscal notes, and an even smaller number of states include individuals, states with full-time legislatures are not among this group.

Time Needed to Conduct Surveys

Surveys take time to set up and time to administer and often fiscal analyses must be conducted within a week or less of a bill being taken up in committee. Considering the fast pace of the legislative process in Michigan, conducting surveys of local governments, businesses, or individuals to collect needed data may not always be practical and may result in legislation moving forward without a comprehensive fiscal note or with legislation being delayed in waiting for a fiscal note.

Staff Expertise

Currently, fiscal agency staff are each assigned a state budget area, which becomes their area of expertise. As legislation arises, staff is assigned fiscal notes based on their area of expertise. This is a problem for legislation that impacts the finances of local governments (other than schools and higher education), businesses, and individuals because there is currently no staff specifically dedicated to these areas. Economists in the fiscal agencies have expertise in local finance issues such as revenue sharing and property taxes, but they are less likely to have extensive knowledge on local government expenditure matters.

Additionally, to properly conduct fiscal impact analyses related to businesses, fiscal analysts would need knowledge of corporate accounting methods. This lack of proficiency and capacity within the fiscal agencies makes it difficult to conduct fiscal analyses on local government and business impacts within a timely manner.

A Model Fiscal Note to Address State Funding Mandates

Researcher Janet Kelly has created a model fiscal note including recommendations on how fiscal notes can help the legislature in cases where local mandates are imposed.[v] Dr. Kelly has written extensively on processes for states to assess the costs of local government in implementing legislation that imposes mandates or requirements. Regardless of how proposed legislation fares under Section 29, Article IX of the Michigan Constitution, these recommendations are useful for considering how the roles of the House Fiscal Agency and Senate Fiscal Agency could be expanded when assessing legislation that affects local governments. Her model suggests the following elements are important to successful fiscal notes:

Use of Language. The fiscal note should address the estimated cost of the proposed legislation to all local governments affected. When necessary, the fiscal note should address future costs. Notes should recognize differential impacts on local governments relative to size, functional scope, or tax base. When it is not possible to quantify the cost with a numerical estimate, the note should include a detailed explanation of the reason why it is not possible and a thought out description of the bills' consequences should be offered in substitute for the numeric estimate. Every agency and department of the state should be directed to cooperate with the preparer whenever and to the extent requested.

Sampling and Data Resources. Preparation of fiscal notes should employ sampling data and secondary data developed in cooperation with the local government associations. Past estimates should be retained for a historical record and to serve as a baseline for future estimates of similar legislation.

Timing. Estimates should be submitted within 14 working days of the first reading of the bill. The law or rule establishing the process should include provisions banning the committee or subcommittee to which the bill is referred from acting upon the bill until the fiscal note has been attached. Each time the bill is amended, one working day should be allowed to adjust the estimated cost before the bill is reconsidered.

[v] Janet M. Kelly, *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies*, pp. 33-40.

While in some regards the fiscal agencies' role in legislative analysis may put them in an ideal position to assess whether bills impose mandates on local governments, again, the fiscal agencies currently lack the expertise to make these assessments with any finality or authority. In Michigan, this is left to the courts to decide. For example, Massachusetts statute puts this role in the hands of an agency especially created for the purpose of determining whether a law creates a mandate and if so, its financial impact.[20] Assessing whether a bill imposes a Section 29 mandate is ultimately a judicial decision and therefore outside the purview of how the fiscal agencies can add value. This does not negate the importance of the fiscal agencies in estimating costs for proposed legislation regardless of its classification as a mandate.

Intent of Fiscal Notes

Purpose and ultimate use are the final considerations in expanding the scope of fiscal notes. Fiscal notes are limited in purpose in that they are intended to provide an accurate estimate of the fiscal impacts of proposed and enacted legislation. Fiscal notes are then ideally read by legislators who determine, along with other considerations and factors, whether the benefits of the bill justify the costs. Fiscal notes cannot endorse or oppose a bill, but rather should be objective and leave legislative decisions to lawmakers.[21]

The ultimate use of fiscal notes should be central to the discussion of whether fiscal notes should be expanded in scope, and if so, what the scope of fiscal notes should include. To illustrate this using the case of local government mandates, one researcher points out: "A good fiscal note statute or rule is not enough to inhibit unfunded mandates. It must be accompanied by administrative expertise, commitment, and the time and resources to generate good cost estimates. It also must be accompanied by legislative commitment to make use of the estimates as they consider the mandate."[22] In other words, informing the legislature of the cost of local government mandates or business and individual fiscal impacts is a step, but well-reasoned, fact-based public policy is the ultimate goal and is not guaranteed by expanding the scope of fiscal notes to include these impacts.

Recommendations to Expand the Scope of Fiscal Notes

If policymakers choose to formally expand the scope of fiscal notes to include detailed financial impacts of proposed legislation on businesses, individuals, and local governments, then the following include a summary of the best strategies to achieve this goal.

Consider Rules for Timing

It is not in the public's best interests for fiscal analyses to slow the progress of important legislation, nor is it wise to enact legislation without first considering its impact on state government, local governments, businesses, and individuals' scarce resources. The need to craft a legislative response to a perceived problem versus ensuring the necessary time for accurate quantitative fiscal impact estimates is a balancing act.

Janet Kelly's model fiscal note process outlined in the National League of Cities publication *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies* suggests successful fiscal notes are governed by a law or rule establishing a process that includes provisions banning the committee or subcommittee to which the bill is referred from acting upon the bill until the fiscal note has been attached.[23] Each time the bill is amended, one working day should be allowed to adjust the estimated cost before the bill is reconsidered. Several states have rules or laws along these lines. Texas Senate Rules require that, "Prior to a final vote by a committee to report any bill or joint resolution, except the general appropriations bill, there shall be attached a fiscal note signed by the director of the Legislative Budget Board."[24]

Several states with full-time legislatures have similar restrictions: Alaska requires that a fiscal note be attached to every bill, except an appropriation bill, that is reported from a committee and Pennsylvania requires that a fiscal note be attached to every bill before it may be given third consideration.[25]

To help ensure that fiscal agency analysts have sufficient time to calculate local government, business, and individual fiscal impacts, rules or legislation could be introduced that would prevent bills from progressing until an analysis has been completed but allow a trigger for emergency or urgent bills.

Establish Local Government Networks

To understand how legislation would affect local governments, Michigan should establish a network of local governments to participate in voluntary information sharing for the purposes of preparing fiscal notes. Representative groups would have to be established to allow each type of local government to respond to surveys when bills are introduced that affect that type of government. This network should involve existing associations that represent local units of government such as the Michigan Municipal League, the Michigan Association of Counties, and the Michigan Township Association. Virginia's Commission on Local Governments (COLG) establishes a network of about 50 volunteer local fiscal contacts in cities and counties and also consults with the Virginia Municipal League and Virginia Association of Counties. New Hampshire sends relevant bills to the associations representing counties and municipalities. These networks work well in each of these states in helping to assess financial and other impacts of legislation on local units of government.

Formalize Process for Working with the Department of Treasury

The best way to ensure that fiscal analyses of the impacts of proposed legislation on businesses and individuals is accurate and uses the most reliable data is to continue to have Michigan's Department of Treasury provide these calculations. A formal process that includes Treasury's role in the creation of fiscal notes and resources to ensure that Treasury has the capacity to provide the work necessary to complete these tasks may be required.

Expand Content

Expanding the scope of fiscal notes should include the commitment to producing more notes with actual quantitative estimates. As mentioned above, a strategy recommended by NCSL in situations when it is not possible to calculate fiscal impacts is to explain why and offer a high and low estimate, a range, and the assumptions used to generate both.[26]

In cases where a bill provides local authority and the fiscal agencies cannot reasonably estimate the number of local units that might exercise the authority, the fiscal notes could include examples of costs for various types of local units and for those of different sizes.

Additionally, if fiscal notes are to wade into the issue of local mandates, their role should be advisory, identifying the existence and costs of a local mandate regardless of whether it is a Section 29 mandate. This would allow the agencies to focus on their role of providing a full cost analysis of bills and making better attempts to determine actual costs.

Increase Staffing

To be able to meet the demands of including impacts on individuals and businesses in Michigan's fiscal notes process and expanding the analyses related to local governments, Michigan's fiscal agencies would likely need more legislative staff, likely with different backgrounds and skill sets. Current staff may not have the capacity to conduct surveys, and they lack expertise in certain areas of local government and business finance and accounting. Adding staff would be the most costly consideration associated with expanding the scope of the fiscal notes. In FY2014, the House and Senate fiscal agencies were each appropriated $3.43 million and each agency employs roughly 20 fiscal and legislative analysts.

Conclusion

Fiscal notes are designed to be informative in nature, not decisive, in that their role in Michigan is to provide unbiased facts to aid legislators in legislative decision-making. Legislators must be aware of the costs and benefits of their decisions and they are the ones who are chosen by the electorate to make the final decisions.

The role of Michigan's legislative fiscal agencies in the development of legislative and fiscal analyses of bills that are on the agenda of a legislative committee is well established. Currently, the fiscal agencies engage in a variety of best practices to ensure thorough, accurate, and nonpartisan analyses. But the depth of analyses on the fiscal impacts of bills on local governments is lacking and mostly non-existent for businesses and individuals. Some states assess these fiscal impacts despite limitations in data collection and efforts can be made by the fiscal agencies if it is deemed that this information will be valuable in informing state legislators prior to enactment of bills, given the costs of procuring the information.

Expanding the scope of fiscal notes is not a simple task. Reliable data for local governments, businesses, and individuals are hard to come by because of privacy limitations with tax return data and the accuracy of existing databases and survey results. Additionally, with Michigan's full-time legislature, bills can move through the legislative process quickly making it difficult for fiscal analysts to spend the needed time estimating fiscal impacts. Finally, the fiscal agencies lack some of the expertise necessary to carry out new and expanded fiscal estimates.

To successfully expand the scope of fiscal notes, fiscal agencies will need more time to complete fiscal notes and more staff with expertise in local government spending and corporate accounting. Some of the need for this expertise can be circumvented by surveying and having close contact with local government and business associations and organizations. These changes should allow the fiscal agencies to provide quantitative impact statements more consistently. Expanding the scope of fiscal notes would likely provide better decision-making information to legislators, but at an increased cost.

Appendix A
Utah Fiscal Notes that Discuss Fiscal Impacts to Individuals

Fiscal Note
H.B. 50 2015 General Session
Securities Exemption Amendments
by Greene, B.

General, Education, and Uniform School Funds JR4-5-101

	Ongoing	One-time	Total
Net GF/EF/USF (rev.-exp.)	$11,000	$(8,800)	$2,200

State Government UCA 36-12-13(2)(b)

Enactment of this bill could increase revenue to the Commerce Service Fund by $60,000 annually. Of that amount, after Commerce Service Fund expenditures, $11,000 ongoing and ($8,800) one-time would accrue to the General Fund.

Revenues	*FY 2015*	*FY 2016*	*FY 2017*
Commerce Service Fund	$0	$49,000	$49,000
General Fund	$0	$11,000	$11,000
Commerce Service, One-time	$0	$8,800	$0
General Fund, One-Time	$0	$(8,800)	$0
Total Revenues	$0	$60,000	$60,000

Enacting this bill could cost the Commerce Department $49,000 ongoing and $8,800 one-time from the Commerce Service Fund in FY 2016 to verify and investigate exemption certificates. Spending from the Commerce Service Fund impacts year-end transfers to the General Fund.

Expenditures	*FY 2015*	*FY 2016*	*FY 2017*
Commerce Service Fund	$0	$49,000	$49,000
Commerce Service, One-time	$0	$8,800	$0
Total Expenditures	$0	$57,800	$49,000

Net All Funds	$0	$2,200	$11,000

Local Government UCA 36-12-13(2)(c)

Enactment of this legislation likely will not result in direct, measurable costs for local governments.

Individuals & Businesses UCA 36-12-13(2)(d)

An estimated 500 applicants will pay $120 to apply for the exemption resulting in aggregate costs of $60,000.

Performance Note JR4-2-404

No performance note required for this bill

2015/01/27 17:58, Lead Analyst: Andrea Wilko Attorney: PO

H.B. 50

Fiscal Note
S.B. 93 2015 General Session
Uniform Commercial Code Filing Amendments
by Hillyard, L.

General, Education, and Uniform School Funds JR4-5-101

	Ongoing	One-time	Total
Net GF/EF/USF (rev.-exp.)	$0	$(3,000)	$(3,000)

State Government UCA 36-12-13(2)(b)

Enactment of this bill could reduce year-end transfers to the General Fund by $3,000 one-time in FY 2016.

Revenues	*FY 2015*	*FY 2016*	*FY 2017*
General Fund, One-Time	$0	$(3,000)	$0
Commerce Service, One-time	$0	$3,000	$0
Total Revenues	$0	$0	$0

Enactment of this legislation could cost Commerce $3,000 one-time from the Commerce Service Fund for rule making, system modification, and data mining. Spending from the Commerce Service Fund impacts year-end transfers to the General Fund.

Expenditures	*FY 2015*	*FY 2016*	*FY 2017*
Commerce Service, One-time	$0	$3,000	$0
Total Expenditures	$0	$3,000	$0

Net All Funds	$0	$(3,000)	$0

Local Government UCA 36-12-13(2)(c)

Enactment of this legislation likely will not result in direct, measurable costs for local governments.

Individuals & Businesses UCA 36-12-13(2)(d)

Individuals who violate provisions of this bill will be guilty of a class B misdemeanor and subject to a fine of up to $680 for a first offense, and a class A misdemeanor and subject to a fine of up to $1,950 for a subsequent offense.

Performance Note JR4-2-404

No performance note required for this bill

Endnotes

[1] Email from Chris Couch, Associate Director, Legislative Analysis Unit, House Fiscal Agency, July 28, 2014.

[2] House Fiscal Agency Guidelines. July 17, 2014.

[3] Leachman, Michael, Inimai M. Chettiar, and Bejamin Geare. "Improving Budget Analysis of State Criminal Justice Reforms: A Strategy for Better Outcomes and Saving Money." Center on Budget and Policy Priorities and the American Civil Liberties Union. January 2012.

[4] "Fiscal and Policy Analysis," General Assembly of Maryland, Department of Legislative Services webpage. Accessed October 15, 2014. http://dls.state.md.us/Content.aspx?page=40

[5] Missouri Revised Statutes, Chapter 23, Section 23.140

[6] New Hampshire Revised Statutes 541-A:5

[7] Conversation with Michael Kane, Deputy Legislative Budget Assistant, New Hampshire's Office of the Legislative Budget Assistant, October 24, 2014.

[8] Utah Code Title 36, Chapter 12, Section 13.

[9] "Fiscal Note Manual: Legislative Fiscal Analyst." State of Utah. February 2014. http://le.utah.gov:443/lfa/reports/toolbox.pdf

[10] Conversation with Stan Eckersley, Fiscal Note Coordinator, Utah Office of the Legislative Fiscal Analyst, October 27, 2014.

[11] New Hampshire Revised Statutes 541-A:5

[12] Office of the Legislative Auditor, State of Minnesota, "Evaluation Report: Fiscal Notes." February 2012.

[13] For a more in-depth discussion of attempts and failures of implementing Section 29 see "Reforming the Process for Identifying and Funding Section 29 Mandates on Local Governments." Citizens Research Council, Report 355, July 2009. http://crcmich.org/PUBLICAT/2000s/2009/rpt355.html

[14] Leachman, Michael, Inimai M. Chettiar, and Benjamin Geare. "Improving Budget Analysis of State Criminal Justice Reforms: A Strategy for Better Outcomes and Saving Money." Center for Budget and Policy Priorities and American Civil Liberties Union, January 2012.

[15] "Guidelines for Writing a Fiscal Note: Skills for Legislative Fiscal Staff," National Conference of State Legislatures. 2005.

[16] Leachman, Michael, Inimai M. Chettiar, and Benjamin Geare. "Improving Budget Analysis of State Criminal Justice Reforms: A Strategy for Better Outcomes and Saving Money." Center for Budget and Policy Priorities and American Civil Liberties Union, January 2012.

[17] Conversation with Jim Stansell, House Fiscal Agency, October 2, 2014.

[18] "Full- and Part-Time Legislatures," National Conference of State Legislatures, June 1, 2014. Accessed October 14, 2014. www.ncsl.org/research/about-state-legislatures/full-and-part-time-legislatures.aspx

[19] Office of the Legislative Auditor, State of Minnesota, "Evaluation Report: Fiscal Notes." February 2012.

[20] Massachusetts GLC 29, s.27C(f)

[21] House Fiscal Agency State Guidelines. July 17, 2014.

[22] Kelly, Janet M., *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies*. A Research Report of the National League of Cities, February 1992, p. 21.

[23] Janet M. Kelly, *State Mandates: Fiscal Notes, Reimbursement, and Anti-Mandate Strategies*, pp. 33-40.

[24] The Senate of Texas, Senate Rules, adopted January 9, 2013, Rule 7.09.

[25] Alaska Statute 24.08.035 and Pennsylvania § 9.64. Fiscal notes(a)

[26] "Guidelines for Writing a Fiscal Note: Skills for Legislative Fiscal Staff," National Conference of State Legislatures. 2005.