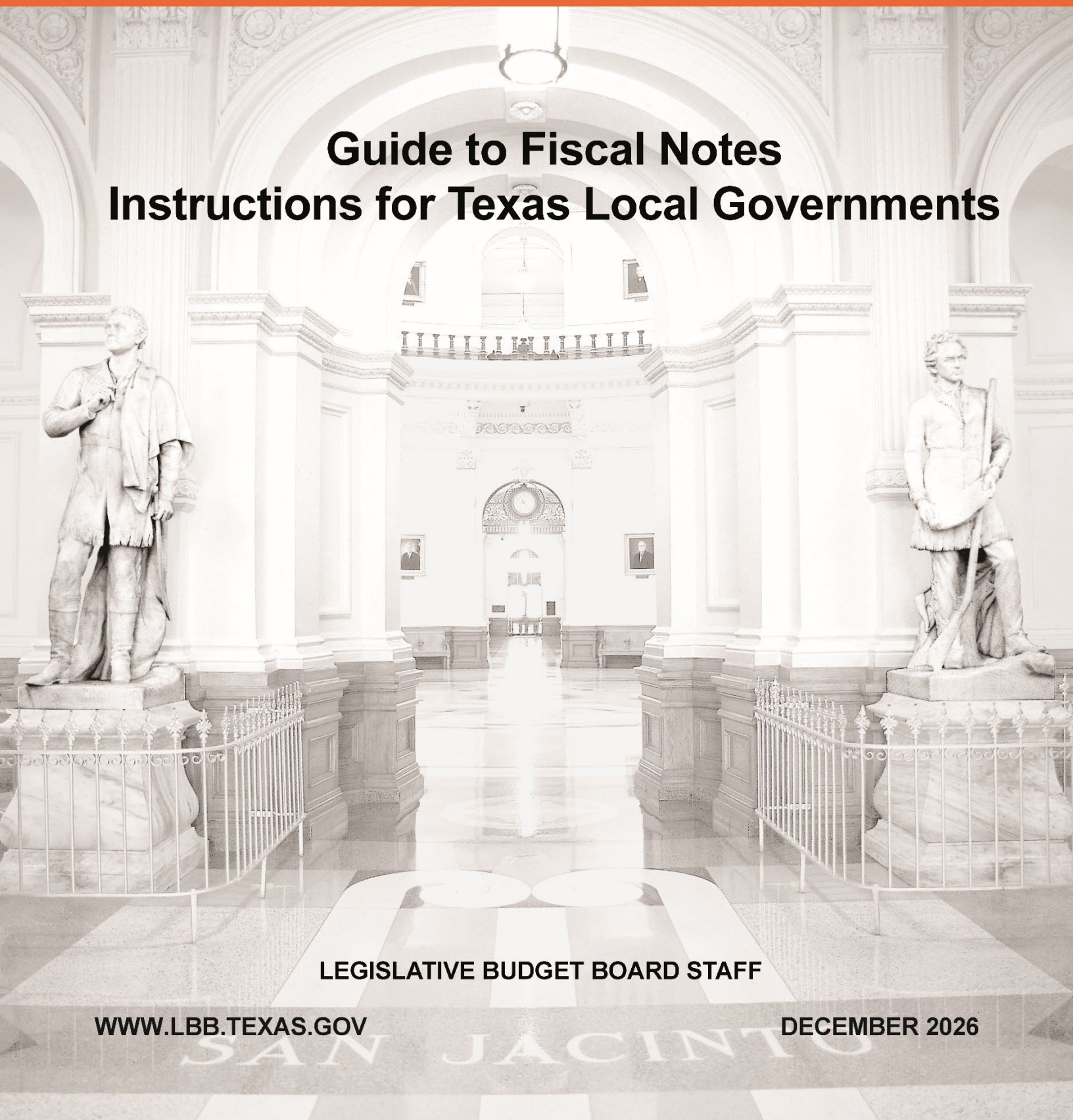
LEGISLATIVE BUDGET BOARD

Guide to Fiscal Notes
Instructions for Texas Local Governments



LEGISLATIVE BUDGET BOARD STAFF

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PART I – THE FISCAL NOTE PROCESS

INTRODUCTION

Texas statute and House and Senate rules require a fiscal note to be prepared and accompany a bill or joint resolution as it goes through the legislative process. A fiscal note is a written estimate of the fiscal implications, i.e., the costs, savings, revenue gain, or revenue loss, that may result from implementation of a bill or joint resolution. It serves as a tool to help legislators better understand how a bill might affect the state budget, individual agencies, and in some instances, local governments. The Legislative Budget Board (LBB) does not prepare fiscal notes for simple or concurrent resolutions apart from House simple resolutions to go outside the bounds on bills assigned to conference committee.

In preparing fiscal notes, LBB staff consider estimates of fiscal impact provided by state agencies and units of local government, if applicable.

TIMING

The majority of the LBB's fiscal note work is done in conjunction with legislative committees, which request fiscal notes from the LBB. The timeframes under which LBB staff prepare and deliver fiscal notes vary by bill version.

BILL VERSION	TYPICAL DEADLINES FOR AGENCY AND LOCAL GOVERNMENT INPUT	FISCAL NOTE DEADLINE
Introduced bills **Engrossed bills**	24-72 hours from the time the bill is posted for hearing.	Hearing date and time.
Bills as amended or substituted **Bills as passed the second house/chamber**	12 hours from when the fiscal note is requested.	24-48 hours from when the fiscal note is requested.
Conference committee reports (CCRs)	12 hour or less from when the fiscal note is requested.	Generally, 24 hours or less from when the fiscal note is requested; no later than midnight on the final Saturday of session.
House simple resolutions to go "outside the bounds" on CCRs	As soon as possible.	As soon as possible.

PROCESS FOR LOCAL GOVERNMENT IMPACT

The LBB has fiscal note coordinators who liaise with legislative committees and review bills and joint resolutions to determine which LBB analyst is responsible for preparing the fiscal note and which state agencies will be asked to provide estimates of fiscal impact for the analyst to consider in preparing the state government impact section of the fiscal note. If a bill could have an impact on units of local government, the fiscal note coordinators assign a dedicated local government coordinator to assist the analyst in completing the local government impact section of the fiscal note. If the bill is primarily local in its impact, fiscal note coordinators assign the dedicated local government coordinator and a dedicated local government analyst to prepare the full fiscal note.

If necessary, the local government coordinator solicits estimates of fiscal impact from potentially affected units of local government for consideration by the analyst responsible for completing the fiscal note. State agencies are also asked to provide local impact information when applicable; however, they are not always able to do so.

Local government analysts also consider unsolicited estimates of fiscal impact from units of local government if those estimates are provided in a timely fashion.

PART II – LOCAL GOVERNMENTS' ROLE IN THE FISCAL NOTE PROCESS

INTRODUCTION

Units of local government can submit estimates of the fiscal impact that may result from the implementation of a bill or joint resolution either on request from LBB staff or at their own discretion.

SUBMITTING INFORMATION TO THE LBB

Units of local government should submit fiscal impact statements via email to the LBB's local government coordinator identified on the second page of this guide. Again, statements must be provided in a timely fashion to be considered in preparing the fiscal note. If a local government intends to submit a fiscal impact statement but is not sure whether it can be submitted in a timely fashion, the local government should notify the local government coordinator as early as possible. The coordinator may be able to delay completion of the fiscal note or otherwise accommodate.

PREPARING A FISCAL NOTE STATEMENT

In providing a fiscal note impact statement to the LBB, please follow these steps:

1. Include identifying information about the person providing the statement, the local governmental entity they represent, and the bill or joint resolution, including version, to which the statement applies.
2. Read the bill or joint resolution to determine whether implementing its provisions would result in any fiscal implications, i.e., costs, savings, revenue gains, or revenue losses.
3. If there would be no fiscal implications or no significant implications, say so in the statement.
4. If there would be significant fiscal implications, identify them and explain the methodology and data used to do so. Identify which provisions would result in a fiscal impact and the corresponding dollar amount of the impact for five fiscal years, if possible.
5. Include explanations of any assumptions made to determine fiscal impact.
6. Submit completed fiscal impact statements and any supplemental data or information in the body of an email or as Word or Excel attachments.

NOTE

Even if a bill states that a local government "may" take certain actions, as opposed to "shall" or "must," the LBB assumes the actions will be taken to provide a full sense of potential impact. Therefore, local governments are asked to estimate impacts as though permissive provisions of a bill would be implemented.

FISCAL IMPLICATIONS

If a bill includes provisions that would require a local government to spend more than it currently spends, the entity would incur COSTS by implementing the bill.

If a bill includes provisions that would allow a local government to reduce its spending, a local governmental entity would incur SAVINGS by implementing the bill.

If a bill includes provisions that would allow a local government to increase the amount of fees, taxes, or other revenue it collects, or to create a new fee, tax, or other revenue source, the local governmental entity would incur REVENUE GAINS by implementing the bill.

If a bill includes provisions that would require a local governmental to decrease the amount of fees, taxes, or other revenue the agency or the state collects, or to discontinue or divert elsewhere an existing fee or other revenue source, the local governmental entity would incur REVENUE LOSSES by implementing the bill.

NOTE

Costs and savings within a bill can offset one another, as can revenue gains and revenue losses. If costs, savings, gains, or losses would occur, include each within the fiscal impact statement even if they do offset one another and the outcome is no fiscal impact.

EXAMPLE OF FISCAL IMPACT USING AN ASSUMPTION

The following is an example of an assumption:

> It is assumed the Example Department within Example County would need to hire three additional full-time staff and purchase 20 widgets for the first year of implementation. The annual cost thereafter would be for staff salaries and benefits and maintenance of the widgets.

Figure 1 shows an example of a format that could be used to explain the assumption.

FIGURE 1
EXAMPLE OF AN ASSUMPTION

NEW COSTS	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Number of new staff	3 FTEs	0	0	0	0
Estimated cost of new staff (3 x $30,000 for salaries and benefits first two years)	$90,000	$90,000	$93,600	$93,600	$97,200
New capital outlay items: (furniture and equipment at 3 x $5,000 and 20 widgets x $2,250)	$60,000	$0	$0	$0	$0
New operational costs	$0	$0	$0	$0	$0
Other costs: Widget maintenance	$0	$10,000	$10,000	$10,000	$10,000
Total New Costs	**$150,000**	**$100,000**	**$103,600**	**$103,600**	**$107,200**
Level of fiscal impact of new costs in proportion to *overall* current FY budget	Insignificant	Insignificant	Insignificant	Insignificant	Insignificant
Level of fiscal impact of new costs in proportion to current FY budget of *affected department*	Moderate	Moderate	Moderate	Moderate	Moderate

NOTE: FTE=full-time-equivalent positions.

If estimating specific figures is not possible, providing an estimated range or a narrative and estimate of percentage change to the overall local government budget and that of the affected division will help convey the impact.

EXAMPLE OF FISCAL IMPACT USING AN ESTIMATED RANGE

The following is an example of an estimated range:

> Revenue would increase based on the number of permits sold. If 8,000 to 12,000 permits are sold at a rate of $5 per permit, the district could see a revenue gain of $40,000 to $60,000 per year.

It would be appropriate in this example to provide a rationale for the assumptions with which the range was calculated, e.g., for assuming 8,000 to 12,000 permits may be sold.

Figure 2 shows an example of a possible local estimated fiscal impact worksheet.

FIGURE 2
EXAMPLE OF A POSSIBLE LOCAL GOVERNMENT ESTIMATED FISCAL IMPACT WORKSHEET

Bill Number and Version	
Name of Local Government	
Name and Title of Person Responding	
Phone Number of Person Responding	
Population of Government Entity	
Overall Current FY Budget	$
Current FY Budget of Affected Department or Division	$
Proportion of Fiscal Impact	Significant = >10% change Moderate = 1% to 9% change Insignificant = <1% change
Description of Fiscal Impact	