



LEGISLATIVE BUDGET BOARD

Introduction to Fiscal Notes for State Agencies

PRESENTED TO TEXAS STATE AGENCY BUSINESS ADMINISTRATORS' ASSOCIATION

LEGISLATIVE BUDGET BOARD STAFF

July 2022

What are Fiscal Notes

Fiscal notes are written estimates of the fiscal impact that may result from the implementation of a bill or joint resolution.

They serve as a tool to help legislators better understand how proposed legislation might impact the state budget, state agencies, and, if applicable, local governments.

Fiscal notes can reflect:

- Costs
- Savings
- Revenue Gains
- Revenue Losses

Types of Fiscal Notes

Fiscal Implication

Proposed legislation may result in a cost or savings or impact state revenue.

No Fiscal Implication (NFI)

Implementing proposed legislation will not require any additional resources, nor produce any savings, nor create any state revenue impact.

No Significant Fiscal Implication (NSFI)

Any change in resources to implement proposed legislation is insignificant relative to the budget of an affected agency and could be absorbed with existing resources.

Cannot Be Determined (CBD)

The fiscal impact cannot be determined due to a lack of necessary data or some other special circumstance.

Hybrids

Combination of types, e.g., the cost posed by certain bill provisions can be determined while others cannot.

Fiscal Note Example – Fiscal Implication

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 6, 2021

TO: Honorable Philip Cortez, Chair, House Committee on Urban Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1226 by Campos (Relating to the establishment by the Texas Department of Housing and Community Affairs of a pilot program to solicit donations made by text message for the benefit of local programs that provide services to homeless individuals and families in certain municipalities.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB1226, As Introduced : a negative impact of (\$282,724) through the biennium ending August 31, 2023.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Fiscal Implication cont'd

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	(\$282,724)
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from General Revenue Fund 1	Probable Savings/(Cost) from Appropriated Receipts 666	Probable Revenue Gain/(Loss) from Appropriated Receipts 666	Change in Number of State Employees from FY 2021
2022	(\$282,724)	\$0	\$1,021,352	1.0
2023	\$0	(\$1,361,802)	\$1,361,802	1.0
2024	\$0	(\$1,361,802)	\$1,361,802	1.3
2025	\$0	(\$1,361,802)	\$1,361,802	1.3
2026	\$0	(\$1,361,802)	\$1,361,802	1.3

Fiscal Implication cont'd

Fiscal Analysis

The bill would amend the Government Code relating to the establishment by the Texas Department of Housing and Community Affairs (DHCA) of a pilot program to solicit donations made by text message for the benefit of local programs that provide services to homeless individuals and families in certain municipalities. The bill would allow DHCA to adopt rules to govern the implementation and administration of the pilot program, including establishing a separate fund at the department to receive and disburse funds.

Methodology

Based on information provided by DHCA, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill would require 1.0 FTE (Program Specialist) in fiscal years 2022-2026, and 0.3 FTE (Auditor) in fiscal years 2024-2026, including personnel costs, agency payroll contribution, and equipment. Further, implementation of Text to Donate services and Marketing and Outreach would cost \$0.2 million in fiscal year 2022, and \$0.1 million in fiscal year 2023 and subsequent fiscal years.

This analysis assumes that costs in fiscal year 2022 (\$0.3 million) will be funded through General Revenue in order to develop the program, procure vendors, market the program, and begin accrual of funds for disbursement. All costs thereafter will be funded through Appropriated Receipts collected through donations to the program.

Based on information provided by DHCA, the agency anticipates collecting \$1.4 million in donations per fiscal year, and expending \$1.2 million in grants to municipalities, \$0.1 million in administration and professional services, and \$0.1 million in marketing and outreach, per fiscal year in Appropriated Receipts.

Fiscal Implication cont'd

Technology

The bill would result in anticipated technology impacts of \$2,500 in General Revenue in fiscal year 2022, and \$2,500 in Appropriated Receipts in fiscal year 2023, for hardware and software for new FTEs.

Local Government Impact

According to the Texas Municipal League, no fiscal impact to municipalities is anticipated. The fiscal impact to other units of local government is not anticipated to be significant.

Source Agencies: 304 Comptroller of Public Accounts, 332 Dept Housing-Comm Affairs

LBB Staff: JMc, AF, MB, MPUK

Fiscal Note Example - NSFI

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATURE 2nd CALLED SESSION 2021

September 1, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB20 by Cain (Relating to censorship of or certain other interference with digital expression, including expression on social media platforms or through electronic mail messages.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

Based on information provided by the Office of the Attorney General, it is assumed that duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 212 Office of Court Admin, 302 Office of the Attorney General

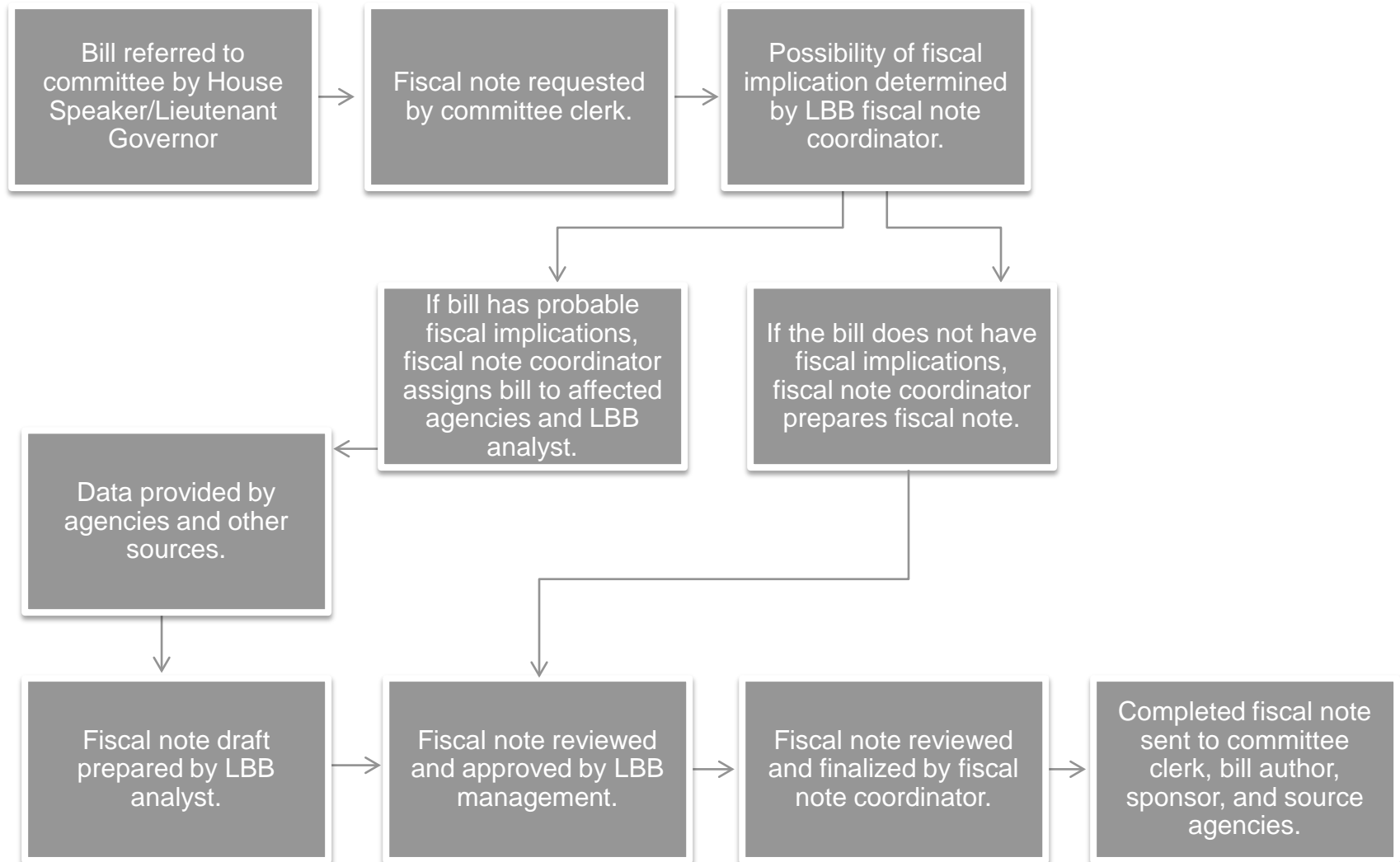
LBB Staff: JMc, LBO, CMA, DA

Who is Involved in Producing Fiscal Notes

Short answer: LBB and agency staff

- Chris Mattsson and Scott Dudley manage the process.
- LBB fiscal note coordinators assess which state agencies are affected by proposed legislation and assign to affected agencies and appropriate LBB analysts.
- Agency staff are asked to submit an estimate of the proposed legislation's fiscal impact on the agency, under deadlines if applicable, via an LBB web application called the Fiscal Note System.
- LBB analysts consider that estimate and other resources and consult other LBB staff in writing the fiscal note, which is reviewed prior to delivery to legislative committee, legislative author and sponsor, and source agencies.

Fiscal Note Process



When are Fiscal Notes Produced

In advance of and during legislative sessions.

88th Legislative Session

- Monday, November 14, 2022 – Bills may begin to be prefiled.
- Tuesday, January 10, 2023 – 88th Legislature convenes.
- Friday, March 10, 2023 – 60-day deadline for bill filing.

Committees typically organize and begin hearing proposed legislation in late January-February.

Agency Estimate Deadlines

- Deadlines for agency estimates are informed by committee activity.
- LBB staff are notified of that activity directly by committee staff or by publicly posted notice.
- Senate committees must post notice of a meeting at least 24 hours before the meeting.
- House committees must comply with the following notice requirements, unless the rule is suspended by floor vote:
 - for a public hearing held during a regular legislative session, notice must be posted at least five calendar days before the hearing;
 - for a public hearing held during a special session, notice must be posted at least 24 hours before the hearing; and
 - for a formal meeting or a work session, written notice must be posted and transmitted to each member of the committee two hours in advance of the meeting, or an announcement must be read in the house while in session.

Agency Estimate Deadlines, cont'd

- For introduced and engrossed versions of bills and joint resolutions heard in public hearings, expect 24–72-hour deadlines on average.
- For amended bills and joint resolutions, committee substitutes, bills and joint resolutions that have passed the second chamber, and conference committee report versions of bills and joint resolutions, expect tighter deadlines – 24 hours or less.
- Deadlines are not limited to business hours.
- Amended bills and committee substitutes will be available to affected agencies via the Fiscal Note System.

How to Estimate Fiscal Impact

- Determine what the proposed legislation would do – take note of the effective date, any temporary provisions, repeals of existing law, etc.
- Make any necessary assumptions regarding how proposed legislation would be implemented.
- Identify fiscal issues, e.g., if a bill requires a new agency program:
 - How many FTE positions and what types of positions would it take to launch and operate the program?
 - Would costs be spread evenly over time? What factors might change costs from year-to-year?
 - Would there be one-time start-up costs?
 - What would demand for the program be? Would it change over time?
 - How many people or entities would be subject to the program?
 - Would there be a time lag before the program's full effects are felt?
 - Would provisions of the legislation raise revenue or save money?
 - Would the agency be able to absorb any added workload requirements and expenditures?

Preparing a Fiscal Estimate

Fiscal Estimates are submitted via the Fiscal Note System; components resemble those of the fiscal note:

- **Fiscal Analysis** – Brief statement about the parts of the proposed legislation that would have fiscal implication to the state or units of local government as compared with the current law regardless of other legislation that has passed or is under consideration.
- **Fiscal Impact** – Estimate of the fiscal impact the proposed legislation would have on the state. The estimate should cover a five-year period, beginning with the implementation date of the bill.
- **Methodology** – Assumptions, data, and methods used to develop an estimate.
- **Technology Impact** – If proposed legislation is likely to create costs, the portion of those costs attributable to an agency's technology budget, including capital needs.
- **Local Government** – Explanation of what actions local governments would have to take to implement provisions of the bill and estimates of the resulting costs or savings and increased or decreased revenue from state aid or local sources.

Agency Estimate Reminders

- Agency estimates should exclude costs due to inflation.
- Agency estimates should only include direct impacts; secondary impacts are excluded from fiscal note estimates.
- LBB estimates may agree or differ with information provided by agencies.
- If an agency resubmits information that differs substantially from its original submission, the LBB will evaluate that information and use whichever submission is determined to be most accurate and reliable. The LBB is not obligated to use agency estimates of costs, impacts, caseloads, etc.

Agency Estimate Reminders, cont'd

- When in doubt, include dollar amounts of any costs or savings in your estimate, no matter how small.
- If identifying a bill as NSFI in your estimate (i.e., not including dollar amounts), make sure your NSFI criteria is understood by your LBB analyst.
- Feel free to share spreadsheets used for estimate calculations with your LBB analyst.

General Reminders

- Fiscal note coordinators aren't perfect; consider tracking bills that affect your agency and getting in touch if a bill hasn't been assigned to your agency after a reasonable amount of time.
- If you have the capacity, consider preparing if not submitting estimates prior to proposed legislation being scheduled for hearing.
- Consider lending some thought to your internal process for preparing and reviewing estimate requests before having to use that process.

Frequently Asked Questions

1. Is there an impact if a bill authorizes but does not require a program to be implemented?

For estimates of impact to the state, the LBB treats “shall” and “may” in the same way and assumes full implementation. This provides the legislature with information regarding the potential costs of the proposed legislation and a specific dollar amount that the legislature can use when deciding how much, if any, of the program costs to fund through the appropriation process.

2. What if a mistake is made when submitting an estimate? Can the submissions be edited?

Estimates can be resubmitted. Contact the fiscal note coordinator who assigned the proposed legislation.

3. How are fiscal notes distributed, and are copies available for agencies?

Fiscal notes are delivered electronically directly to the requesting committee, the bill author/sponsor, and source agencies. Copies of fiscal notes are also available on Texas Legislature Online once the bill has been heard in committee.

4. Who is available to assist our agency with fiscal notes?

The LBB has a technical support team to assist with any issues relating to the Fiscal Note System. LBB analysts, fiscal note coordinators, Chris Mattsson, and Scott Dudley are available to answer questions relating to fiscal notes and the fiscal note process.



LEGISLATIVE BUDGET BOARD

Contact the LBB

Legislative Budget Board

www.lbb.texas.gov

512.463.1200