



**GUIDE TO PREPARING
FISCAL NOTES ON
LOCAL GOVERNMENT
ISSUES IN TEXAS**

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PART I: LOCAL GOVERNMENTS' ROLE IN THE FISCAL NOTE PROCESS

PURPOSE

This guide is designed to provide local government entities with basic information about the fiscal note system and to explain what the Legislative Budget Board (LBB) is seeking when it requests fiscal information about a bill that would have local impact.

WHY LOCAL GOVERNMENT INPUT IS IMPORTANT

State statute and legislative rules require lawmakers to consider the fiscal implications a bill would have on both state and local government before taking legislative actions. The LBB works with state agencies to provide state fiscal impact information to the Legislature. When local governments provide fiscal impact data, they help ensure that decision-makers also have the local government financial facts they need for deciding what actions to take on a bill.

LBB CRITERIA FOR DETERMINING SOURCES TO CONTACT

Several issues are taken into consideration before the LBB determines who to contact for local government fiscal impact information. As a result, local governments that have agreed to provide fiscal impact information may or may not actually receive a request from the LBB during the legislative session. In addition to the topic covered by the bill, the following issues are considered:

- if the provisions of the bill would affect more than one local government entity;
- if the provisions of the bill would affect only one geographical area of the state;
- if the provisions of the bill would affect only local governments within a certain population size of city, county, or district;
- if there is an association that represents the

majority of the local governments that would be affected; and

- if there is reliable information already gathered and available from a central source such as a state agency or an Internet website.

Due to time constraints during the session, the LBB may only contact a small sample of representative local governments per applicable bill, or may only contact applicable associations. In an effort not to overburden any particular local government resources, the LBB tries to vary the contacts used throughout the legislative session, although this is not always possible.

Note: If a local government would like to provide fiscal input on a bill, but that entity has not received a request from the LBB, the entity may submit the data unsolicited to one of the local government analysts listed on page 13.

READING A BILL

When the LBB sends a request for fiscal impact information, it is necessary to first read the entire bill, not just the bill caption. When reading a bill, it is important to look for certain elements:

- all aspects of the bill that might have a fiscal impact on local governments;
- proposed new statutory requirements;
- changes to existing statutory requirements;
- removal of language from existing statutes; and
- the repeal of current statutes.

It may also be helpful to read the bill analysis, when available, on the Texas Legislature Online website. [Go to www.legis.state.tx.us, enter the bill number in the blank box of the Search Legislation section and then click Go. At the next screen, click on Text, which will take you to

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a screen with icons in columns for the bill text, fiscal note, and analysis. If no icon appears, the item has not yet been submitted to the committee.]

RESPONDING TO AN LBB REQUEST

When the LBB determines that your input is needed, you will receive a request via email. The request will include the bill number, the response deadline, instructions, and attachments of the bill text and an Excel spreadsheet to complete. (See pages 6 and 7.)

There may be times when a local entity receives a request from the LBB but for some reason cannot assist with a particular bill (e.g., may have a time problem or may not have information on the topic). If you receive a request to which you cannot respond, please notify the LBB immediately so that we will know to contact another resource.

WHEN YOU ARE ABLE TO RESPOND TO AN LBB FISCAL NOTE REQUEST, FOLLOW THESE STEPS:

1. Enter the information requested in the first box on the Excel spreadsheet, which is the box requesting identifying information about the local government entity and the person completing the spreadsheet. Be sure to enter the correct bill number and version, too.
2. Read the bill. Determine if implementation of the requirements contained in the bill would create any costs, savings, revenue gains, or revenue losses to the local government. If implementation of the bill would have no fiscal impact for the local government, type an X in the box indicated, and return the spreadsheet to the LBB. If it is determined that there *would be* a fiscal impact, enter data in the other sections of the spreadsheet (Costs, Savings, Revenue Gains, and Revenue Losses).

Enter in the first column of each section what items would result in a fiscal impact. Enter dollar amounts for each of the next 5 fiscal years in the subsequent columns.

[**Note:** If it is not feasible to prepare 5-year estimates, 1-year is acceptable, although five is preferred when possible.]

3. Include in the final spreadsheet box, or in the email when sending the spreadsheet back to the LBB, general comments and/or explanations of how assumptions were made for determining fiscal impact.
4. Send the completed spreadsheet to the LBB via email or by fax (preferably by email). The LBB email and fax information is contained in the email request sent to the local government by the LBB.

DETERMINING FISCAL IMPACT

After reading the bill, determine what actions, if any, the affected local government entity would have to take to implement the provisions of the bill.

IMPORTANT: EVEN IF THE BILL STATES THAT AN ENTITY “MAY” RATHER THAN “SHALL” TAKE ACTIONS, THE LBB IS STILL REQUIRED TO SUBMIT A FISCAL NOTE, AND THE NOTE MUST REFLECT ESTIMATED POTENTIAL FISCAL IMPACT; THEREFORE, LOCAL GOVERNMENT CONTACTS ARE ASKED TO PREPARE ESTIMATES AS THOUGH THE PROVISIONS OF THE BILL *WOULD BE* IMPLEMENTED.

It may be necessary to make certain assumptions in order to calculate the fiscal impact. Be sure to state those assumptions in the response prepared for the LBB. If necessary, explain why/how those

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assumptions were made. Be specific and to the point. (As noted on the previous page, include assumptions and other explanations in either the General Comments/ Assumptions box on the spreadsheet or in the email to which the spreadsheet is attached when responding to the LBB.)

EXAMPLE OF AN ASSUMPTION

It is assumed the affected department within the local government would need to hire three additional full-time staff and purchase 20 widgets for the first year of implementation. Thereafter, the annual cost would be for salaries, benefits, and maintenance of the widgets. **Table**

1 shows what the costs section of the spreadsheet would look like. [**Note:** Show the percentage of change from the existing overall budget for the local government (e.g., county, city, special district) compared to what the budget would be under the proposed legislation AND show the percentage of change from the existing budget of the specifically affected department (e.g., county court, city police department) compared to what the budget would be under the proposed legislation.]

If estimating specific figures is not possible, provide an *estimated range*. An estimated range may be entered either in the appropriate cells of the spreadsheet or in the General Comments/ Assumptions box. If the range

| COST | FISCAL YEAR 2010 | FISCAL YEAR 2011 | FISCAL YEAR 2012 | FISCAL YEAR 2013 | FISCAL YEAR 2014 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| 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 (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: 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 current year <i>overall budget</i> | Not Significant |
| Level of fiscal impact of new costs in proportion to current year budget for <i>applicable department</i> | Moderate | Moderate | Moderate | Moderate | Moderate |

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is provided in the latter, type “See Comments” in the costs, savings, etc. sections of the spreadsheet.

EXAMPLE OF AN ESTIMATED RANGE

This is an example of an estimated range when provided in the General Comments section:

Revenue would increase based on the number of permits sold. At a rate of \$5 per permit and if an estimated 8,000 to 12,000 permits are sold, the district could see a revenue gain of \$40,000 to \$60,000 per year.

Provide rationale in the General Comments section for assuming 8,000 to 12,000 permits may be sold.

Table 2 shows an example of an estimated range if it is provided in the Revenue Gains section of the spreadsheet.

Remember to discuss all aspects of the fiscal impact. In the example of a revenue gain of \$5 per permit sold, there may also be costs for administering the permit program (printing the permits, staff to process applications, etc.). If the costs are equivalent to the revenue gain, then there would be no fiscal impact because one offsets the

other. If the revenue gain is reduced to \$1 per permit after allowing for costs, the fiscal impact would likely be considered insignificant.

Focus **ONLY** on the fiscal implications of a bill. Avoid subjectivity. Do not comment on whether the bill is a good idea or a bad idea. Do not discuss what would make the bill better. The LBB provides only factual, unbiased fiscal analyses, not policy recommendations.

| TABLE 2 EXAMPLE OF AN ESTIMATED RANGE | | | | | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| REVENUE GAIN | FISCAL YEAR 2010 | FISCAL YEAR 2011 | FISCAL YEAR 2012 | FISCAL YEAR 2013 | FISCAL YEAR 2014 |
| 8,000 to 12,000 permits sold x \$5 per permit | \$40,000–\$60,000 | Same | Same | Same | Same |

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DIFFERENT VERSIONS OF A BILL

Throughout the legislative process, bills undergo review, discussion, votes, and sometimes revisions, so each version of the bill may differ from the previous version. A new fiscal note is required for each version of the bill unless no changes have been made. Therefore, you may be contacted about the same bill more than once. Changes to the bill may or may not change the fiscal impact. The LBB will contact you regarding various versions of the bill unless the LBB determines the changes would not impact the fiscal issues or the LBB already has sufficient information to make any needed changes in the fiscal note.

Amendments to bills (added wording) and substitute bills (rewrites) are not always immediately available on the Internet. In those circumstances, the LBB will fax the new wording to you if new fiscal information is needed. **Fiscal notes on amendments and substitutes must be submitted to the Legislature within 24 hours of their request, so a quick response from the local government to the LBB request is necessary.**

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Please enter information in each table. Use NA if the item is not applicable.

| | |
|---------------------------------------|--|
| Bill Number and Version | |
| Name of Local Government Entity | |
| Name and Title of Person Responding | |
| Phone Number of Person Responding | |
| Population of Local Government Entity | |
| Overall Current FY Budget | |
| Affected Dept Current FY Budget | |

Check here if the bill would have no fiscal impact to your local government.

If the bill would have no fiscal impact, there is no need to complete the tables.

Proportion Key:

Significant = >10% change

Moderate = 1% to 9% change

Insignificant = < 1% change

| COST | FISCAL YEAR 2010 | FISCAL YEAR 2011 | FISCAL YEAR 2012 | FISCAL YEAR 2013 | FISCAL YEAR 2014 |
|--|------------------|------------------|------------------|------------------|------------------|
| Number of new staff required | | | | | |
| Estimated cost of new staff | | | | | |
| New capital outlay (list each item and estimated cost) | | | | | |
| New operational costs, excluding new staff (list each item and estimated cost) | | | | | |
| Other | | | | | |
| Other | | | | | |
| TOTAL NEW COSTS | | | | | |
| Level of fiscal impact of new costs in proportion to <i>overall</i> current year budget | | | | | |
| Level of fiscal impact of new costs in proportion to current year budget of <i>affected department</i> | | | | | |

| SAVINGS List all items within the bill that would create a savings over current year budget and how much. | FISCAL YEAR 2010 | FISCAL YEAR 2011 | FISCAL YEAR 2012 | FISCAL YEAR 2013 | FISCAL YEAR 2014 |
|--|------------------|------------------|------------------|------------------|------------------|
| | | | | | |
| | | | | | |
| TOTAL NEW SAVINGS | | | | | |
| Level of fiscal impact of savings in proportion to current year <i>overall budget</i> | | | | | |
| Level of fiscal impact of savings in proportion to current year budget of <i>affected department</i> | | | | | |

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| REVENUE GAINS Identify estimates of revenue gains and explain how those estimates were determined | FISCAL YEAR 2010 | FISCAL YEAR 2011 | FISCAL YEAR 2012 | FISCAL YEAR 2013 | FISCAL YEAR 2014 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Example: Current fee for copying services is \$0.10 per page and on average copy 5,000 pages per year; bill would allow increase to \$0.15 per page; \$0.05 increase x 5,000 | \$250 | \$250 | \$250 | \$250 | \$250 |
| | | | | | |
| | | | | | |
| | | | | | |
| TOTAL REVENUE GAINS | | | | | |
| Level of fiscal impact of revenue gains in proportion to current year overall budget | | | | | |
| Level of fiscal impact of revenue gains in proportion to current year budget of <i>affected department</i> | | | | | |

| REVENUE LOSSES Identify estimates of revenue losses and explain how those estimates were determined | FISCAL YEAR 2010 | FISCAL YEAR 2011 | FISCAL YEAR 2012 | FISCAL YEAR 2013 | FISCAL YEAR 2014 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Example: Current fee for copying services is \$0.10 per page and on average copy 5,000 pages per year; bill would decrease allowable fee to \$0.05 per page; \$0.05 decrease x 5,000 | (\$250) | (\$250) | (\$250) | (\$250) | (\$250) |
| | | | | | |
| | | | | | |
| | | | | | |
| TOTAL REVENUE LOSSES | | | | | |
| Level of fiscal impact of revenue losses in proportion to current year <i>overall</i> budget | | | | | |
| Level of fiscal impact of new costs in proportion to current year budget of <i>affected department</i> | | | | | |

General Comments/Assumptions about the bill's possible fiscal impact:

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OVERVIEW OF LBB FISCAL NOTE PROCEDURES

Legislative committees request fiscal notes from the LBB via an electronic system. The date the bill is scheduled to be considered in either a committee hearing or for floor debate determines the deadline for completing the fiscal note. The LBB is generally given five calendar days' advance notice of what bills will be heard in House committee hearings, but only one to three calendar days' notice of what bills will be heard in Senate committee hearings. (Senate rules require only one day.)

The LBB has nine fiscal note coordinators that are liaisons with the legislative committees. The LBB coordinators receive the committees' fiscal note requests and then assign the appropriate LBB budget analyst to review the bill and prepare the fiscal note. State agencies are also assigned to provide data for the analyst to use in preparing the state impact portion of the fiscal note. Some state agencies provide local impact information as well. If the assigned state agencies do not have local fiscal impact information, one of the local government analysts may be assigned to prepare the local portion of the fiscal note. If however, the fiscal note would only impact local government, the bill is assigned to the primary local government analyst from the start. The local government analyst contacts local entities and/or representative associations to obtain local fiscal impact data.

The analyst(s) complete the fiscal note, which is reviewed by an LBB manager and the LBB executive director or his designee. Upon approval, the fiscal note is sent electronically to the requesting committee. These procedures are repeated for each version of the bill.

BACKGROUND ON FISCAL NOTES

- In 1973, the Sixty-third Legislature enacted the requirement for the LBB to prepare fiscal notes for proposed legislation (see Chapter 314, Government Code).
- In 1977, Senate and House rules first included the requirement for local government information to be included in fiscal notes.
- Each LBB analyst who prepared fiscal notes addressed both state and local issues until the Seventy-fifth Legislature, 1997, when the LBB established a local government analyst position to prepare local government fiscal notes.
- The LBB local government analyst prepares fiscal notes for bills that would primarily affect local government. The LBB analysts that have state agency assignments usually prepare the local government portion of fiscal notes that would primarily affect state government, although periodically, a local government analyst writes the local section of those notes.
- The primary local government analyst also serves as a fiscal note coordinator, responsible for ensuring fiscal notes are prepared for bills referred to the Senate Committee on Intergovernmental Relations and to the House Committee on County Affairs and the House Committee on Urban Affairs. This requires assigning the bills to the appropriate LBB analyst (usually, the local government analyst) and sending the completed fiscal notes to the committees within the deadlines set by Senate and House rules.

PART III:

DEFINITIONS, STATISTICS, AND CONTACT INFORMATION

DEFINITIONS

FISCAL NOTE

A document that presents the estimated costs, savings, revenue gain, or revenue loss resulting from implementation of a bill or joint resolution. Legislators use fiscal notes as a tool to better understand how a bill might impact the state budget as a whole, individual state agencies, and local governments.

LOCAL GOVERNMENT

County, city, town, school district, conservation district, hospital district, or any other political subdivision or special district.

LOCAL BILL

Generally speaking, a bill that impacts local government only.

Other bills that are defined as local bills include the following:

- bills for which publication of notice is required under Article XVI, Section 59 (conservation and reclamation districts) or Article IX, Section 9 (hospital districts) of the Texas Constitution;
- bills relating to hunting, fishing, or conservation of wildlife resources of a specified locality;
- bills creating or affecting a county court or statutory court or courts of one or more specified counties or municipalities;
- bills creating or affecting the juvenile board or boards of a specified county or counties; or,

- bills creating or affecting a road utility district under the authority of Article III, Section 52 of the Texas Constitution.

REGULAR LEGISLATIVE SESSION

The 140-day period in which the Texas Legislature convenes every odd-numbered year, beginning on the second Tuesday of January. The Eightieth Legislature will convene on January 9, 2007 and adjourn on May 28, 2007.

SPECIAL LEGISLATIVE SESSION

A 30-day period in which the Legislature is convened by proclamation of the Governor at a time other than the regular session period to consider a subject or subjects designated by the Governor.

BILL FILING PERIOD

Bills may be filed (introduced) in a regular session during the first 60 days of the session; however, local bills (as specifically defined above) may be filed at any time during a regular session under the general rules and order of business of the Senate and the House.

PRE-FILING

In accordance with Senate and House rules, bills may be filed prior to the start of a session, beginning the first Monday after the November general election that precedes the next regular legislative session or within 30 days prior to any special session.

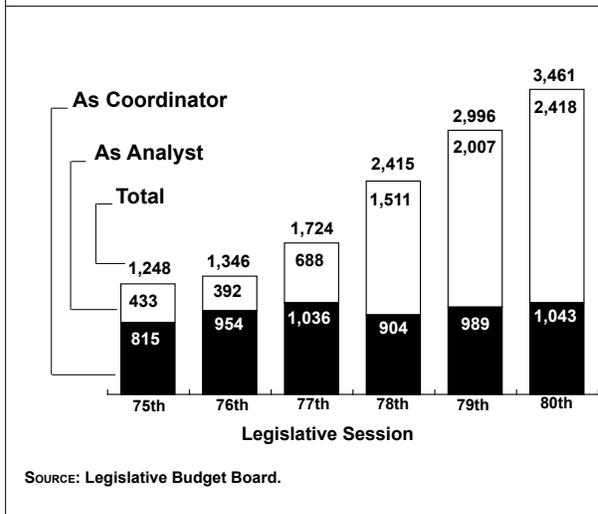
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LOCAL GOVERNMENT FISCAL NOTE STATISTICS

The number of bills, and therefore fiscal notes, that apply primarily or solely to local government has increased steadily each legislative session. **Figure 1** illustrates how many local government fiscal notes were processed by the LBB local government analyst in the role of coordinator plus the number of fiscal notes completed in the role of primary analyst. Local government fiscal note sections written by the local government analyst for bills primarily impacting the state budget are NOT included in the chart. Those are referred to as secondary analyst assignments.

The number of fiscal notes “completed” refers to those which were written AND submitted to a committee. Research for fiscal note information is conducted on ALL bills because the LBB cannot predict which bills will actually be heard in committee (laid out). “Completed” therefore does not reflect the total number of bills handled by fiscal note coordinators and analysts. In addition, the number of fiscal notes may include multiple fiscal notes per bill because a note is prepared for each version of a bill if changes in the content of the bill occur.

**FIGURE 1
NUMBER OF FISCAL NOTES COMPLETED
BY LOCAL COORDINATOR/ANALYST**



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