



Understanding Fiscal Notes

Not Physical Notes

Skills Building Workshop

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What is a Fiscal Note?

Colorado:

Fiscal notes explain how proposed legislation impacts the expenditures of state agencies, state tax or fee revenue, and the expenditures and revenue of local governments. Fiscal notes provide a substantive summary of each bill, describe how the proposal changes current law, and estimate the change in state funding and staff needed to implement that change.

Maine:

Fiscal notes are brief descriptions of the effect of a bill or amendment on the finances of Maine State Government. Fiscal notes are intended to accurately and objectively describe the fiscal impact of bills and amendments so the Legislature can make informed decisions with respect to state and local government finances.

Texas:

A fiscal note is a written estimate of the costs, savings, revenue gain, or revenue loss that may result from implementation of requirements in a bill or joint resolution. It serves as a tool to help legislators better understand how a bill might impact the state budget as a whole, individual agencies, and in some instances, local governments.

What is a Fiscal Note?

Tennessee

Tenn. Code Ann. § 3-2-107 (a)

(a)(1) *Fiscal notes shall be provided for all general bills or resolutions increasing or decreasing state or local revenues, making sum-sufficient appropriations, or increasing or decreasing existing appropriations or the fiscal liability of the state or of the local governments of the state....*

(a)(2) *The fiscal note shall, if possible, include an estimate in dollars of the anticipated change in revenue, expenditures, or fiscal liability under the provisions of the bill or resolution. It shall also include a statement as to the immediate effect and, if determinable or reasonably foreseeable, the long-range effect of the measure. If, after careful investigation, it is determined that no dollar estimate is possible, the note shall contain a statement to that effect, setting forth the reasons why no dollar estimate can be given. The fiscal note statement shall include an explanation of the basis or reasoning on which the estimate is founded, including any assumptions involved.*

A Fiscal Note Is:

A document providing an estimate of the cost for or revenue generated by a piece of legislation.

- Often includes direct costs:
 - State
 - Federal
 - Local
 - Other (dedicated funds, earmarks, passthroughs)
- May also include indirect costs:
 - Economic impacts
 - Regulatory functions
 - Federal funding

Why are fiscal notes important?

IDEALLY:

- They provide an UNBIASED and REALISTIC reflection of the fiscal impact legislation will have on state finances.
- Legislators and budget staff use this information to ensure policies/legislation are properly funded and budgets are balanced.

REALISTICALLY:

- Fiscal notes are the easiest way to KILL LEGISLATION

Examples:

Iowa

<https://www.legis.iowa.gov/docs/publications/FN/1374191.pdf>

Rhode Island

<https://www.rilegislature.gov/housefiscalreport/Fiscal%20Notes/2020%20Session/7095.PDF>

Washington State

<https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=68737>

Tennessee

<https://www.capitol.tn.gov//Bills/113/Fiscal/HB0670.pdf>

Types of Fiscal Impacts

The three types of fiscal impacts:

Quantifiable

Unquantifiable

Unquantifiable with a point of reference

Quantifiable

The fiscal impact is measured or expressed in a quantity

- Can be shown with an amount or to have a minimal/no impact.
- Needed for a quantifiable fiscal note:
 - Relevant Data
 - Data with a direct correlation to the issue
 - Not just because someone wants it to be correlated
 - Previous Experience
 - Experience from other state
 - Historically from a previous program in your state
 - Published Studies
 - Others doing the research for you
 - Universities
 - Think Tanks and Professional Associations

Unquantifiable

Unable to measure or express in terms of quantity also known as “no clue”

- There is no reasonable way to calculate the fiscal impact but there could be impacts resulting from the legislation.
- Examples:
 - Increases a liability to the state or local governments
 - Requirements that completely change a program
 - Too many variables
 - Multiple if/then statements

Unquantifiable + Reference Point

Unable to measure or express in terms of quantity BUT you can provide a point of reference to explain what the impact could be

- Can quantify a total but you know some piece that can be provided for information.
- Examples:
 - Federal funds jeopardized
 - Fixed costs to build medical facilities/schools/prisons
 - The cost to provide services to one individual
 - Local government impacts

Considerations

Whether writing or reviewing a fiscal note, there are certain ideas to always consider:

1. Is the fiscal note reflecting a fiscal impact statement or a budget impact statement?
 1. Fiscal impact statements reflect the fiscal ramifications
 2. Budget impact statements reflect the impact to a specific budget
2. Is the fiscal note an advisory statement or is it an actionable statement?
 1. Is the document being used for informational purposes only?
 2. Is the fiscal impact required to be accounted for in budgeting process?
3. Are statutory requirements driving the fiscal impact?
 1. Are certain variables required to be included?
 2. Are there time limitations?
 3. Is it a requirement or just long standing practice?

Good to Great

- Build your knowledge base
 - Do not wait for someone to tell you what you need to know
 - Review the work of others
 - Research the work of others
- Question your work
 - Where are the holes in your analysis?
 - Is it reasonable as well as logical?
 - Put yourself in the position of implementer
- Be confident but humble
 - Question those with more experience
 - No one knows everything
 - You are not right 100% of the time
- Build your connections
 - Network at conventions
 - Be civil with department/agency contacts/stakeholders
- Own your bias
 - Everyone is biased
 - Know what your biases are and how they are reflected in your work

What have we learned

- Each state's fiscal note process is different but the end goal is the same.
- There is a reason fiscal notes are based on estimates.
- Fiscal notes are used in many ways.
- Continual learning/improvement.
- Be vulnerable enough to question yourself and others.



Thank you!

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