

## **Department of Planning and Budget 2017 Fiscal Impact Statement**

**1. Bill Number:** HB2115

|                        |                                     |              |                          |            |                          |           |
|------------------------|-------------------------------------|--------------|--------------------------|------------|--------------------------|-----------|
| <b>House of Origin</b> | <input checked="" type="checkbox"/> | Introduced   | <input type="checkbox"/> | Substitute | <input type="checkbox"/> | Engrossed |
| <b>Second House</b>    | <input type="checkbox"/>            | In Committee | <input type="checkbox"/> | Substitute | <input type="checkbox"/> | Enrolled  |

**2. Patron:** Keam

**3. Committee:** House Appropriations Committee

**4. Title:** General Assembly; Department of Planning and Budget; fiscal impact statements.

**5. Summary:** This bill requires the Department of Planning and Budget to prepare a fiscal impact statement for all bills that affect the total revenue available for appropriation or that establish a new state program or initiative that would require an appropriation. The Budget Bill and debt bills are excluded from the requirement. The fiscal impact statement would include analysis of the (i) fiscal impact estimates, (ii) impact on any state entity charged with administering the new program or initiative or affected by the revenue increase or decrease, and (iii) potential costs to citizens in terms of increased taxes. The bill also provides for each fiscal impact statement to be reviewed by the appropriate staff of the Senate Committee on Finance and the House Committee on Appropriations prior to being heard by the standing committee to consider the legislation.

**6. Budget Amendment Necessary:** See Item 8

**7. Fiscal Impact Estimates:** FISCAL IMPACT ESTIMATES ARE NOT AVAILABLE

**8. Fiscal Implications:**

Although the Department of Planning and Budget (DPB) has prepared fiscal impact statements (FIS) on bills with a state program impact since 1978, this function has never been required by statute. Several other agencies prepare fiscal impact statements in lieu of those prepared by DPB. The State Corporation Commission, the Commission on Local Government within the Department of Housing and Community Development, and the Department of Taxation work collaboratively with DPB to ensure that a FIS is prepared for any bill that impacts state government in their respective subject areas. Additionally, the Virginia Criminal Sentencing Commission prepares a FIS on bills that would result in a net increase in periods of imprisonment in state adult correctional facilities.

Because preparing fiscal impact statements is a component of DPB's existing practice, the impact on DPB could be minimal. However, the actual impact would depend upon the expected timeline for production of the FIS in order to meet the additional review requirements set out in the bill. Moreover, additional staff could be required because of the differences between current practice and the bill requirements:

- The bill may change the number of FISs that are created as a bill moves through the legislative process. DPB prepares a FIS on every version of a bill, so one bill may have several versions of a FIS. About 1,700 bills require a FIS during the short session, and over 2,000 in a long session. It is unclear from the bill if a FIS would be required on all versions.
- The bill would increase the number of FIS completed by DPB, by requiring a FIS for all revenue bills and those bills that establish a new state program or initiative. Some of these FISs are currently prepared by other state agencies, and thus additional resources may be required at DPB.
- The bill also would require DPB to create FIS more quickly, which may require additional staff. The bill requires DPB to submit the FIS to the money committees, who must then provide a written review prior to the bill being heard by the standing committee. Staff of both money committees state that the fiscal impact on their offices is indeterminate; however, this new role for money committee staff may require additional staff for all offices (DPB and money committees) to ensure the FIS review process meets the timeliness of this requirement. Although DPB prepares some FIS prior to the bill being heard in committee, DPB does not have the available staff to complete this process at this stage for every bill. Preparing fiscal impact statements often takes extensive research, analysis, and correspondence with potentially affected agencies.
- A FIS is not currently produced by DPB for all legislation. Some bills amend sections of the Virginia Code that are not subject to DPB's review. An example is Title 15.2 (counties, cities, and towns), for which FISs are prepared by the Commission on Local Government. Upon initial review, the bill does not appear to increase the overall number of FISs required, but the bill could increase the number of FISs that are produced by DPB each year.

The Joint Legislative Audit and Review Commission (JLARC) currently provides "second-opinion" reviews of legislative fiscal impact statements, upon request, as required by the Appropriation Act. The new review of FIS by the money committee staff may eventually render the JLARC FIS review obsolete. JLARC typically reviews about five FIS per year while the money committee staff would be reviewing all FIS.

Finally, this bill may require a number of system changes which may require DPB and money committee staff to commit time to evaluate and then implement these changes. FISs are currently submitted through DPB's Electronic Fiscal Impact System to the Legislative Information System (LIS), where they are posted online.

- 9. Specific Agency or Political Subdivisions Affected:** Senate Finance Committee, the House Appropriations Committee, the Virginia Department of Planning and Budget, and the Virginia Department of Taxation.

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None