

## Department of Planning and Budget 2020 Fiscal Impact Statement

**1. Bill Number:** SB986

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

**2. Patron:** Peake

**3. Committee:** Rules

**4. Title:** Fiscal impact statements.

**5. Summary:** Requires the Department of Planning and Budget (the Department) or an agency designated by the Department to prepare a fiscal impact statement for any bill and any amended version of a bill, except the Budget Bill and debt bills, that increases or decreases the total revenue available for appropriation or that establishes a new state program or initiative requiring an appropriation. The fiscal impact statement would include analysis of (i) the fiscal impact estimates, (ii) the impact on any state entity affected by the revenue increase or decrease or charged with administering the new program or initiative, (iii) the potential costs to citizens in terms of increased taxes, and (iv) any other information the Department or its designee deems appropriate. The bill also provides for each fiscal impact statement to be reviewed by the appropriate staff of the Senate Committee on Finance and Appropriations 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:** Preliminary; 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 Virginia Retirement System, 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 an existing practice for DPB and the agencies mentioned above, the impact on DPB or the above designated agencies could be minimal unless the number of bills requiring a fiscal impact are increased.

It should be noted that 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. Under the current process, a FIS is prepared for any bill expected to have an impact on state programs or resources. Because a FIS is not prepared for every bill, if the expectation of this legislation is to prepare a FIS for every bill, there would be an indeterminate impact on DPB resulting from the additional workload. About 1,800 impact statements are completed during the short session, and over 2,300 in a long session. These figures include different versions of the same bill, such as substitutes.

This legislation stipulates that a FIS would be required on all versions of a bill. DPB or its current designees currently prepare a FIS on every version of an eligible bill, so one bill may have several versions of a FIS. This provision of the proposed legislation is not expected to have an impact unless the number of bills requiring a FIS are increased.

The actual impact of this legislation also would depend upon the expected timeline for production of the FIS in order to meet the additional review requirements set out in the bill. Additional staff could be required to address the differences between current practice and this bill's requirements.

Specifically, the bill requires DPB or designees 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. The bill could require DPB and designated agencies to create a FIS more quickly. Staff of both money committees state that the fiscal impact on their offices is indeterminate; however, this new role for money committee staff and any changes to the process of preparing a FIS may require additional staff for all offices (DPB, affected agencies, and money committees) to ensure the FIS review process meets the timeliness of this requirement. Although DPB prepares some impact statements 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. These timelines are shortened because the final, printed version of a bill often times is not available with sufficient lead time to accomplish the work necessary to prepare a FIS.

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

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. The cost of any system changes is indeterminate at this time.

**9. Specific Agency or Political Subdivisions Affected:** Senate Finance and Appropriations 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.

Date: January 21, 2020

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