

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE

House Bill 44 (Delegate Smigiel)
 Rules and Executive Nominations

State Spending Procedure - Fiscal Notes

This bill prohibits a committee of the General Assembly from voting on a bill or amendment to a bill that has a fiscal impact until an original or revised fiscal note prepared by the Department of Legislative Services (DLS) that analyzes the fiscal impact of the bill or committee amendment has been posted on the General Assembly web site for at least five days. It also requires DLS to identify the assumptions used in calculating the fiscal impact of proposed legislation.

Fiscal Summary

State Effect: General fund expenditures increase by \$426,100 in FY 2011 for DLS to hire additional analysts to address the increased work load for the fiscal and policy note function. Out-year expenditures reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	426,100	542,100	567,500	594,200	622,100
Net Effect	(\$426,100)	(\$542,100)	(\$567,500)	(\$594,200)	(\$622,100)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: DLS must prepare a fiscal and policy note for each bill considered by the General Assembly. In general, a standing committee of the General Assembly may not

vote on a bill unless it is accompanied by a fiscal and policy note. A fiscal and policy note prepared by DLS must contain:

- an estimate of the fiscal impact of the bill on the revenues and expenditures of the State government and of local governments for five years, beginning with the year the bill takes effect. If the bill's full fiscal impact is not expected to occur during that time, the analysis must include each year until, and the first year during which, the impact occurs;
- for bills that require a mandated appropriation in the State budget, a statement to that effect and an estimate of the fiscal impact of the mandated appropriation;
- for bills that impose a mandate on a unit of local government, a statement to that effect and an estimate of the fiscal impact of the local mandate, including the effect on local property tax rates;
- an analysis of the bill's economic impact on small businesses; and
- a list of sources of information used in preparing the fiscal impact estimates.

DLS must prepare a revised fiscal and policy note as soon as possible after the adoption of an amendment that changes the fiscal impact of a bill. A revised fiscal and policy note is typically prepared when a bill passes third reading in the house of origin and crosses over for consideration by the opposite house.

Background: Exhibit 1 shows the number of first and third reader fiscal notes prepared by DLS for the last four years. The number of first reader notes with a fiscal impact applies only to the impact on State government.

Exhibit 1
Fiscal and Policy Notes Prepared
2006-2009 Legislative Sessions

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
First Reader	2,785	2,414	2,550	2,557
<i>With Fiscal Impact</i>	1,219	1,010	1,077	1,121
Third Reader	582	503	548	599

Source: Department of Legislative Services

State Fiscal Effect: Given current law and DLS practice, the bill's provisions require additional staffing for the fiscal and policy note function within DLS. The requirement that DLS prepare revised fiscal notes to reflect proposed amendments that have a fiscal effect will significantly increase the workload for the fiscal and policy note function. This provision will require a two-stage process. First, fiscal and policy note analysts must conduct a preliminary review of each committee amendment introduced to determine if it is likely to have a fiscal effect. Second, fiscal and policy note analysts need to revise a fiscal note whose fiscal effect is likely to be affected by a proposed amendment. In some cases, multiple versions of a revised note will be generated to reflect different committee amendments being proposed for the same bill. Each revised version of the fiscal note will likely need to be posted on the web site, which may generate confusion regarding the status of the bill and proposed amendments.

Although DLS tracks the number of fiscal and policy notes written each year and the number of amendments drafted by the Amendment Office, those data do not track whether amendments are drafted for committee or floor debates, or whether the proposed amendments have a fiscal impact. Over the past four sessions, the number of sponsor amendments drafted by DLS has ranged from a low of 1,510 in 2007 to a high of 2,526 in 2009, for an annual average of 1,973. Over that same time span, an average of 43% of bills introduced had an effect on State finances (based on data shown in Exhibit 1). For this analysis, DLS assumes that:

- 75% of amendments prepared are committee amendments (based on estimates provided by DLS staff); and
- 43% percent of amendments introduced change a bill's fiscal effect (based on the average number of bills that have a fiscal effect).

Based on these assumptions, and an average of 1,973 sponsor amendments introduced each year, DLS has to produce approximately 636 revised fiscal notes to reflect proposed changes to a bill's fiscal effect. This amounts to a 25% increase in the workload for the fiscal and policy note function, based on a normal workload of 2,500 first reader notes prepared.

The fiscal and policy note function currently has the equivalent of 15 analysts and 6 reviewers. To handle the increased workload created by this bill, the function requires six new positions. General fund expenditures increase by \$426,120 in fiscal 2011, which accounts for the bill's October 1, 2010 effective date. This estimate reflects the cost of hiring four policy analysts and two principal policy analysts to enable the fiscal and policy note function to adequately review all committee amendments introduced to determine if they have a fiscal effect and to produce and review revised fiscal notes for

those that do. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	6.0
Salaries and Fringe Benefits	\$388,365
Start-up Costs	26,010
Ongoing Operating Expenses	<u>11,745</u>
Total FY 2011 State Expenditures	\$426,120

Future year expenditures reflect full salaries with 4.4% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

Additional Comments: The requirement to post a first reader or revised fiscal note five days before a committee vote on a bill or amendment has a significant operational effect on the General Assembly. Any bill introduced, or that has an amendment introduced, in committee less than seven days before *Sine Die* will not have an opportunity for a vote, after accounting for the two days it typically takes DLS to prepare and post a fiscal note. Likewise, many fewer bills will be able to be voted on in time to meet the “crossover” date to ensure consideration in the opposite house.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 25, 2010
mpc/lgc

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