Legislative Fiscal Office

Ken Rocco
Legislative Fiscal Officer

Larry Niswender
Deputy Legislative Fiscal Officer

900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301
503-986-1828

Budget Information Brief / 2005-2

Fiscal Impact Statement

The Legislative Fiscal Office (LFO) is responsible for preparing an independent, objective analysis of the expenditures, revenues[i], staffing, and organizational effects of each measure introduced in the Legislative Assembly on state and local governments[ii]. This analysis is commonly referred to as a fiscal impact statement[iii] (FIS) and is one of the tools that a legislator has to evaluate proposed legislation.

FIS – What's In, What's Out

- Fiscal impact is not synonymous with economic impact. Only the direct expenditure and revenue effects to state and local governments are included in a FIS. LFO does not attempt to quantify the effect on private enterprise or secondary actions that may occur if a measure passes.
- The FIS will present the fiscal change from the current legislatively approved budget that is attributable to only one measure. If related measures are under consideration, the FIS may refer to them, but the cumulative fiscal change will not be included.
- Subjective comments on whether a bill is "good" or "bad" will not be included in the FIS, but LFO may include a discussion of potential mechanical defects (e.g., effective and operative dates) or ambiguity.
- Occasionally, a sponsor's expressed intent does not coincide with the measure's language. LFO may acknowledge the differences, but the FIS will reflect LFO's literal interpretation of the language, not intent.
- The fiscal estimate for the second biennium of implementation does not adjust for inflation or merit increases.

Limitations of the FIS

- Four positions are allocated to the FIS process during session. The volume of measures filed and amendments considered during a session will significantly influence the perceived timeliness of issuing a FIS. In 2003, LFO received 2,922 introduced measures and more than 1,200 amendments. More than 2,000 FISs were issued.
- LFO does not maintain separate databases on caseloads and other critical cost drivers, and therefore must rely on input from state agencies and organizations representing local government (e.g., Oregon School Boards Association, Association of Oregon Counties, League of Oregon Cities, special districts, etc.) that may be affected by the provisions of a measure. This approach has caused some to question whether the analysis is truly independent or objective. However, LFO critically evaluates the information provided and the FIS will reflect LFO's best judgment of the effects of a measure.

FIS Process and Committees

- By both Senate and House rules, a FIS shall be filed along with a committee's report at the chamber desk within three session days following final committee action on a measure. To meet this priority, a great deal of communication between Committee Services and LFO is required. Timely notice of which measures a committee truly intends to work and copies of viable amendments should be provided to LFO in advance of a committee meeting. Delays in providing this information often lengthen the time to complete the FIS.
- A committee may take testimony related to the fiscal impact from interested parties; however, this testimony should not be substituted for the FIS. ORS 173.035 requires a committee to review the FIS prior to reporting a measure out. In the past, some committees have opted to proceed without a FIS. This sometimes has led to committee reconsideration of its vote in light of the fiscal impact.

- The FIS is a document prepared at the request of a committee. Although information is collected from various sources, LFO does not discuss the final FIS with the interested parties or release it to the public until after it is released to a committee.

FIS Process and the Chambers

The FIS may affect the process the Legislature follows when considering a measure:

$50,000 Myth

Myth: "If the fiscal impact is less than $50,000, a measure will not be referred to Ways and Means [where it will die]." There are several variations on this myth, most of which are incorrect.

If a measure appropriates General Fund or allocates a statewide resource (e.g., Lottery revenue, tobacco taxes, etc.) at **any level**, the bill should be referred to the Joint Committee on Ways and Means for consideration in the legislatively adopted budget. Given the volume of measures filed each session, avoiding the Joint Committee on Ways and Means could cause more moneys to be allocated than are available.

For measures that affect Other and Federal Funds, the presiding officers may require the Joint Committee on Ways and Means to approve bills with fiscal impacts that exceed a certain threshold (e.g., $50,000). Referral of these measures to the Joint Committee on Ways and Means is not required by either the Senate or House rules. For a number of reasons, they are not always handled in a consistent manner. However, referral to the Joint Committee on Ways and Means does allow new programs and requirements to be balanced along with existing programs in the context of available resources.

Unfunded Mandates

When the Legislature requires any local government to establish a new program or increase the level of service for an existing program, Section 15, Article XI of the Oregon Constitution requires the state to appropriate money to local governments, or to identify and direct the imposition of a fee or charge to recover costs. If funding is not provided, a local government does not need to comply with the new requirements unless the measure was approved by a three-fifths vote in each house[iv]. A three-fifths vote in each house is also required prior to reducing the distributions of state-shared revenues to local governments below a certain level.

---

[i] Statewide revenues (e.g., income tax, lottery, tobacco tax, etc.) generally will not be included in a FIS. The Legislative Revenue Office is responsible for preparing revenue impact statements for those resources.
[ii] ORS 173.025–173.055, 2003 Senate Rule 8.50(4) and (5), and 2003 House Rule 14.25(3).
[iii] Appropriation bills will have budget reports issued rather than fiscal impact statements.
[iv] Unfunded mandates are permitted without a three-fifths vote in each house in certain circumstances (Section 15(7) and (10), Article XI of the Oregon Constitution).

For additional information, contact:
Adrienne Sexton, 503-986-1841