

A low-angle photograph of the Texas State Capitol dome, showing its ornate architecture and the statue on top. To the right, the United States flag and the Texas state flag are flying on a pole against a clear blue sky.

Fiscal Notes Overview

Legislative Budget Board

Fiscal notes

Government Code, Chapter 314: Fiscal Notes and Cost Projections

Statute requires the Legislative Budget Board (LBB) to establish a system of fiscal notes identifying the probable costs of each bill or resolution that authorizes or requires expenditure or diversion of state funds for a purpose other than one provided for in the general appropriation bill.

Rules

In accordance with House rules, a fiscal note, when required, must be distributed to committee members before a bill is laid out before a committee. Senate rules authorize a bill to be heard without a fiscal note; however, the fiscal note must be distributed before a final vote on the measure can be taken in committee.

Definition

A fiscal note is a written estimate of the costs, savings, revenue gain, or revenue loss that may result from implementation of a bill or joint resolution. It serves as a tool to help legislators better understand how a bill might impact the state budget, individual agencies, and in some instances, local governments. The LBB does not prepare fiscal notes for simple or concurrent resolutions, except for House simple resolutions to go outside the bounds on bills assigned to conference committee.

Types of fiscal notes

Fiscal Implication

Proposed legislation may result in a cost or savings or impact state revenue.

No Fiscal Implication (NFI)

Implementing proposed legislation will not require any additional resources, nor produce any savings, nor create any state revenue impact.

No Significant Fiscal Implication (NSFI)

Any change in resources to implement proposed legislation is insignificant relative to the budget of an affected agency and could be absorbed with existing resources.

Cannot Be Determined (CBD)

The fiscal impact cannot be determined due to a lack of necessary data or some other special circumstance.

Hybrids

Combination of types, e.g., the cost posed by certain bill provisions can be determined while others cannot.

Example – fiscal implication

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 6, 2021

Heading

TO: Honorable Philip Cortez, Chair, House Committee on Urban Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB1226** by Campos (Relating to the establishment by the Texas Department of Housing and Community Affairs of a pilot program to solicit donations made by text message for the benefit of local programs that provide services to homeless individuals and families in certain municipalities.),
As Introduced

The “top box”

Estimated Two-year Net Impact to General Revenue Related Funds for HB1226, As Introduced : a negative impact of (\$282,724) through the biennium ending August 31, 2023.

The bill would make no appropriation but could implement the provisions of the bill.

Biennial net impact to GR-Related Funds

Fiscal implication example, cont'd

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2022	(\$282,724)
2023	\$0
2024	\$0
2025	\$0
2026	\$0

- Fund 1 – GR
- Fund 2 – Available School Fund
- Fund 3 – State Tech and Instructional Materials
- GR Account 193 – Foundation School Program
- GR Account 5040 – Tobacco Settlement

All Funds, Five-Year Impact:

Includes any changes in FTEs

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>General Revenue Fund 1</i>	Probable Savings/(Cost) from <i>Appropriated Receipts 666</i>	Probable Revenue Gain/(Loss) from <i>Appropriated Receipts 666</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$282,724)	\$0	\$1,021,352	1.0
2023	\$0	(\$1,361,802)	\$1,361,802	1.0
2024	\$0	(\$1,361,802)	\$1,361,802	1.3
2025	\$0	(\$1,361,802)	\$1,361,802	1.3
2026	\$0	(\$1,361,802)	\$1,361,802	1.3

Fiscal implication example, cont'd

Fiscal Analysis

The bill **Summarizes provisions that create the fiscal impact** the Texas Department of Housing and Community Affairs (DHCA) of a pilot program to solicit donations made by text message for the benefit of local programs that provide services to homeless individuals and families in certain municipalities. The bill would allow DHCA to adopt rules to govern the implementation and administration of the pilot program, including establishing a separate fund at the department to receive and disburse funds.

Methodology

Based on information provided by DHCA, this analysis assumes that the duties and responsibilities associated with implementing the provisions of the bill would require 1.0 FTE (Program Specialist) in fiscal years 2022-2026, and 0.3 FTE (Auditor) in fiscal years 2024-2026, including personnel costs, agency payroll contribution, and equipment. Further, implementation of Text to Donate services and Marketing and Outreach would cost \$0.2 million in fiscal year 2022, and \$0.1 million in fiscal year 2023 and subsequent fiscal years.

This analysis assumes that costs in fiscal year 2022 (\$0.2 million) will be funded through General Revenue in order to develop the program. **Explains assumptions used in calculating fiscal impact and how they were applied** in accrual of funds for disbursement. All receipts collected through donations to the program.

Based on information provided by DHCA, the agency anticipates collecting \$1.4 million in donations per fiscal year, and expending \$1.2 million in grants to municipalities, \$0.1 million in administration and professional services, and \$0.1 million in marketing and outreach, per fiscal year in Appropriated Receipts.

Fiscal implication example, cont'd

Technology

Identifies the portions of any administrative costs attributable to technology

The bill would result in anticipated technology impacts of \$2,500 in General Revenue in fiscal year 2022, and \$2,500 in Appropriated Receipts in fiscal year 2023, for hardware and software for new FTEs.

Local Government Impact

Identifies any fiscal impact on units of local government

...municipalities is anticipated. The fiscal impact to other units of local government is not anticipated to be significant.

Source Agencies: 304 Comptroller of Public

Agencies assigned to the fiscal note that provided a response

LBB Staff: JMc, AF, MB, MPU

LBB staff assigned to the fiscal note

Example – no significant fiscal implication

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

Draft

TO:

Heading

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB445** by Schofield (Relating to the specified use of bond proceeds by a county or municipality.), As Introduced

Top box summary statement

No significant fiscal implication to the State is anticipated.

It is assumed that any costs associated with the bill could be absorbed using existing resources.

General comments

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Local government impact

Source Agencies: 352 Bond Review Board

LBB Staff: JMc, CMA

Who is involved in producing fiscal notes

- All LBB budget, performance, and cross-functional staff are significantly involved in the fiscal note process, along with several support staff.
- **LBB fiscal note coordinators** assess which state agencies are affected by proposed legislation and assign to affected agencies and appropriate LBB analysts. During session, fiscal note coordinators work as the liaisons to legislative committees, agencies, and LBB staff on fiscal note production.
- **Affected agency staff** are asked to submit an estimate of the proposed legislation's fiscal impact on the agency, under deadlines if applicable, via an LBB web application called the Fiscal Notes System.
- **LBB analysts** consider that estimate and other resources and consult other LBB staff in writing the fiscal note, which is reviewed prior to delivery to legislative committee, legislative author and sponsor, and source agencies.
- The process is managed by Scott Dudley, Assistant Director, and Chris Mattsson, Fiscal and Performance Review Coordination Manager.

Key features of fiscal note production

- LBB staff prepare a new fiscal note for each version of a bill throughout the legislative process, unless there are no changes from one version to the next.
- Analyses and estimates are relative to current law and assume no other changes. Analyses are generally limited to bill provisions that would create a fiscal impact.
- LBB staff base fiscal notes on the assumption that the provisions of the bill would be implemented. Legislation that is permissive is treated as directive to ensure the FN provides a full examination of probable cost.
- LBB staff ask agencies to exclude costs due to inflation from estimates and only to include direct impacts, as opposed to “secondary” impacts.
- LBB estimates may agree with or differ from information provided by agencies.
- LBB staff are informed by agency responses and estimates, but not obligated to them.

Examining fiscal implications

These are examples of the kinds of elements considered in identifying and analyzing fiscal implications:

- All costs, savings, revenue gains, and revenue losses
- How many full-time equivalent positions might be required and what types of positions would be needed to implement proposed legislation
- Whether any costs or revenue implications would be affected evenly over time and what factors might change costs and revenue implications from year to year
- Whether there could be one-time costs for start-up
- Whether there could be a time lag before proposed legislation's full effects are felt
- Whether affected agencies could absorb any added workload requirements and expenditures
- Whether items such as sales transactions, prices, and utilization could increase or decrease as a result of proposed legislation

Impact statements

In addition to the preparation of fiscal notes, House and Senate rules direct the LBB to prepare several types of impact statements. Each statement provides specific information not contained in the corresponding fiscal note.

In accordance with Senate rules, the director of the LBB determines whether an impact statement is required. Under House rules, the committee chair makes that determination.

Types of impact statements:

- Actuarial
- Criminal justice policy
- Equalized education funding
- Higher education
- Open government
- Tax/fee equity note
- Water development policy

Example – criminal justice policy impact

LEGISLATIVE BUDGET BOARD

Austin, Texas

CRIMINAL JUSTICE IMPACT STATEMENT

87TH LEGISLATIVE REGULAR SESSION

March 25, 2021

TO: Honorable James White, Chair, House Committee on Homeland Security & Public Safety

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2900 by Hefner (Relating to provisions governing the carrying of a firearm by a person who is not otherwise prohibited by state or federal law from possessing the firearm and to other provisions related to the carrying, possessing, transporting, or storing of a firearm; making conforming changes.), **As Introduced**

The provisions of the bill addressing felony sanctions are the subject of this analysis. The bill would amend various codes as they relate to firearm related criminal offenses. Under the provisions of the bill, the circumstances for certain offenses would be modified. Under existing statute, certain unlawful carrying offenses are punishable as a third degree felony based on the specific circumstances of the offense.

A third degree felony is punishable by confinement in prison for a term from 2 to 10 years and, in addition to confinement, an optional fine not to exceed \$10,000.

Decreasing the circumstances under which a criminal penalty is applied is expected to result in fewer demands upon the correctional resources of counties or of the State due to a decrease in the number of individuals placed under supervision in the community or sentenced to a term of confinement within state correctional institutions. From fiscal years 2018 through 2020, an average of 33 people were arrested, fewer than ten were placed onto felony direct community supervision, and fewer than ten were admitted into a state correctional institution for unlawful carrying of a weapon or handgun by a license holder. This analysis assumes implementing the provisions of the bill addressing felony sanctions would not result in a significant impact on state correctional populations or on the demand for state correctional resources.



LEGISLATIVE BUDGET BOARD

Contact the LBB

lbb.texas.gov
512-463-1200

Fiscal Notes Web Resources

Fiscal Notes System Technical Support
512-936-4033