



# The Senate Committee on Finance

Budget Bulletin

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## FISCAL NOTES

Most simply, a fiscal note is an indication of how much a piece of legislation will cost. Fiscal notes are used by legislators as they deliberate on the merits of a bill. They are also factored into the state budget, which must account for new costs or revenues to budget for the upcoming fiscal year.

### **What are fiscal notes?**

Fiscal notes are predictions made about the fiscal impact of a piece of legislation. When a member of the legislature introduces a bill, legislative staff send out fiscal note requests to agencies with expertise in the subject matter. For example, if a bill is proposed to fund highway repair, a fiscal note request is sent to both the Division of Highways and the Tax and Revenue Department.

### **How are fiscal notes calculated?**

The legislature relies upon state agencies to calculate the costs of a bill. When the agency receives a fiscal note request, their staff fills out a form summarizing the effect the legislation will have on the budget. Often, the agency will determine that the bill has no effect on the budget. Whether or not it has an effect, the fiscal note will provide an explanation of the agency's reasoning.

## Why are fiscal notes needed?

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Bills passed during the legislative session may end up costing money or saving money for the state.

Legislators need to be aware of the fiscal impact as they decide whether to support a piece of legislation. For example, they may be in favor of a bill but decide that it will cost too much money based on the fiscal note. If an amendment to a bill is thought to have a fiscal impact, a request is sent to the agency to update the fiscal note for that bill.

## How does a budget become balanced?

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The budget is a document that determines the financial needs of the state long before that money is spent. Fiscal notes are crucial to creating a balanced budget. They allow the legislature to update the budget to reflect changes made as a result of legislation. Budget analysts in the House and Senate keep track of how much money the legislature has already appropriated and how much they have left to spend on other priorities.

## Where does one find a fiscal note?

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Fiscal Notes are Publicly available documents. To view a fiscal note:

1. Go to the legislature's main page
2. Click on the Bill Status Tab
3. Search bills by "Fiscal Notes" (left hand side of page)
4. Scroll down to desired bill
5. Click on the department name to pull up the fiscal note

## KEY TERMS

**Fiscal:** Relating to government revenue and taxes. Similar to the word "financial" but refers to government spending as opposed to private spending.

**Introduced Bill:** The form a bill is in when first presented to the House or the Senate.

**Balanced Budget:** As required by the West Virginia Constitution, the total amount of money the legislature appropriates in the budget cannot be greater than the amount of revenue that the governor projects the state will generate by the end of that year.

**Appropriation:** Money that has been allocated in the state budget to fund a specific purpose. For example, money might be "appropriated" to dam safety within the Department of Environmental Protection. The agency cannot use the money for any other purpose.