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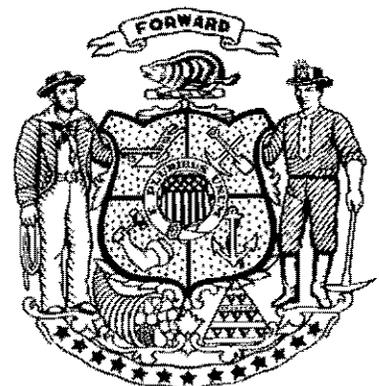
The State of Wisconsin

1969 Legislative Session  
FISCAL NOTE MANUAL

Legislative Reference Bureau  
State Capitol  
Madison, Wisconsin 53702

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This is a manual for the preparation of fiscal notes to legislative proposals drafted for the 1969 Session of the Wisconsin Legislature. It explains the "why" of fiscal notes and presents some general background information on fiscal note procedure; it outlines the detail of how to prepare a fiscal note and tries to highlight some of the pitfalls; it addresses itself to the question of "technical memos" by which the fiscal expert can help the legislative attorney draft a better proposal; it presents the text of the statute and joint rule provisions governing fiscal note procedure in Wisconsin and, last but not least, it contains some sample fiscal notes from prior sessions.

Each agency should designate the person or persons in the respective constitutional office, department or independent agency who will be responsible for the preparation of fiscal notes for legislative proposals to be submitted to the 1969 Legislature. These names should be transmitted to the Bureau of Budget and Management, Room B-114, Wilson Street State Office Building. Past experience indicates that it is better to delegate the task to a specific person or unit within the agency (rather than listing the name of the secretary) because, in some instances, fiscal notes have been delayed as they were directed to the agency head who had not authorized anyone to act in his absence. The result was that no action took place until the agency head returned, and by then the fiscal note request was buried deep in the pile of things to be done "someday".

Under Joint Rule 24 of the Wisconsin Legislature, FISCAL NOTES MUST BE COMPLETED WITHIN 5 WORKING DAYS. If this deadline cannot be met, call Mrs. Alma Carey at 266-1038 in the Bureau of Budget and Management, explain why the deadline cannot be met, and request an extension. The extension cannot exceed an additional 10 working days.

Many agencies are housed in Madison but outside the Wilson Street State Office Building. If such agencies have messenger service to the Wilson Street State Office Building, they are urged to have their messengers check daily during the legislative session with the Bureau of Budget and Management (Room B-114) to pick up fiscal note requests directed to their agencies, and to return completed fiscal notes to the same address.

Please note that the texts of the statute (s. 13.10 (2)) and of the legislative joint rule (JR 24) are set forth including amendments proposed for adoption by the 1969 Legislature. These amendments do not establish a new procedure; instead, they are designed merely to state the procedure which was developed through the 1965 and 1967 Sessions.

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## I - GENERAL BACKGROUND

Why Fiscal Notes? Each biennial session of the Wisconsin Legislature marks the introduction of about 1,800 bills and about 300 joint resolutions, dealing with just about every subject imaginable. Many of these proposals will have an effect on the finances of Wisconsin state government if they are enacted into law. They might increase or reduce expenditures; they might increase the yield of an existing tax or impose a tax on a new base.

In many instances, the fiscal implications of a proposal will not be readily apparent, but a modern state legislature needs precise supporting information on which to base its decision-making process. Even the specialist in the government agency which might ultimately be called upon to administer a new program will on occasion find it difficult to ascertain a single proposal's fiscal implication. This difficulty, however, is minimal compared to the difficulties experienced by the generalist legislator whose job it is to make an informed decision on every proposal introduced.

One of the most helpful devices to assist the legislator in this task -- it was originally developed in Wisconsin in 1957 -- is the "fiscal note". This is not to say that fiscal information, compiled by experts, had not been available to state legislatures before that date. But, prior to 1957, such fiscal information existed generally only in very few copies available to the committee chairman considering a specific proposal, or available to the individual legislator who requested the information.

The fiscal note procedure made it possible to assure that every proposal introduced in the Legislature would be examined for its fiscal implications and, further, that the fiscal information once compiled would then be distributed just as broadly as were the copies of the legislative proposal itself.

History of Fiscal Note Procedure. The 1955 Wisconsin Legislature developed a procedure requiring all proposals increasing or decreasing expenditures or revenues of the state to carry a fiscal note, to be printed at the end of the proposal if the fiscal note is available at the time of the proposal's introduction, or to be printed separately and filed with the proposal as are amendments if the fiscal note is obtained following the proposal's introduction. The procedural details were incorporated into a joint rule (Joint Rule 24) which was enacted at the beginning of the 1957 Session when the process was put into effect.

Wisconsin was the first state to provide fiscal notes. Today, the practice is followed in a majority of the states. According to the 1968 study by the Legislative Budget Committee, State of Washington Legislature, 28 additional states have now adopted formal or informal fiscal note systems (the number includes 20 adoptions of the system between 1963 and 1967 alone). Of the total 29 states, 14 operate their fiscal note procedures under state statutes, 11 under legislative rules or regulations, and 4 simply by customary procedure without the benefit of statutory or rule authority (Wash. Leg. Budget Com., Report 68-1).

Briefly, the fiscal note procedure provides that when a bill, joint resolution or resolution affects the finances of Wisconsin state government -- the initial determination is made by the legislative attorney drafting the proposal -- the proposal is, upon approval by its author or upon introduction in the Legislature, sent to the Department of Administration for assignment to the agency collecting the money or receiving the appropriation and that agency

is asked to determine what the revenues or costs will be. The agency's fiscal analysis is returned to the Department of Administration for review and then forwarded to the Legislative Reference Bureau to be printed at the end of the bill or resolution.

In the 1961 Session, all proposals requiring a fiscal note had to have a fiscal note attached when they were introduced in the Legislature. However, obtaining the fiscal note prior to introduction led to difficulties with premature disclosure of the proposal's content, and for this reason it has since 1963 been the choice of each proposal's author whether to obtain the fiscal note prior to introduction (often the information in a fiscal note can help the author adjust the proposal so that it will have the precise effect he intends) or to introduce his proposal without a fiscal note. In the latter case, the proposal is automatically sent out for a fiscal note when it is introduced.

Content of Fiscal Notes. The fiscal note should show the implications of the legislative proposal in dollar terms. How much will it cost to operate the program, or to make the procedural change, proposed by the bill? How much revenue would the proposed new tax yield? Obviously, the fiscal note should set forth the direct costs, savings or anticipated revenues during the forthcoming biennium; but, if there are indirect costs or benefits, or if the forthcoming biennium is for some reason unrepresentative of the proposal's fiscal implications, this should also be brought out in the fiscal note.

Some thought should be given to the detailed ramifications of the proposal. In the past, proposals have occasionally been returned with statements that they had no fiscal effect when the net effect of substituting one form of revenue for another was zero, or when the agency felt that administrative costs could be absorbed within existing appropriations, or when the proposal applied to state government only incidentally together with all other employers in the state. However, all these are examples of a fiscal effect which should be specifically stated.

Last but not least, the fiscal note law requires that each fiscal note address itself to the proposal's long-range fiscal consequences. Will the 1971-73, or even 1973-75, costs be about the same as those anticipated for 1969-71? Or, are there other factors, already apparent, which in a few years will lead to significant and predictable additional expenditures if the proposal is enacted into law? In looking for long-range implications, don't bother with incidental workload increases or probable inflationary trends of the economy. On the other hand, it might be well to comment on predictable enrollment increases as the result of fluctuating birth rates, or future operating costs as the result of the acquisition of a new state institution.

Other Sources of Legislative Fiscal Information. In compiling the fiscal note it should be remembered that the Wisconsin Legislature has regular procedures to compile a variety of information, and that the information provided from other sources need not be covered by the fiscal note. The fiscal note should put a "price tag" on legislation; it need not explain what the law is now or what it will be if the proposal is adopted. That kind of information is contained in the "analysis by the Legislative Reference Bureau" which, since January 1967, is printed on every bill (and on all other substantive measures) immediately following the proposal's title.

In the fiscal note, do not concern yourself with policy alternatives but set forth the fiscal implications of the proposal as it is presented to you. In the Senate and Assembly, each

party caucus has a staff whose specific duty it is to advise the members of that caucus on the policy implications of each bill, and what alternatives might be available.

Finally, nearly every proposal introduced in the Wisconsin Legislature receives a public hearing before a standing committee. At that time interested citizens can take a stand for or against the proposal. Representatives of agencies of state government frequently appear at such public hearings to offer suggestions as to how the proposal could be improved for more efficient administration, or to present information showing how the proposal conflicts with policies or programs previously established by Wisconsin state law.

Fiscal Note Procedure. The initial determination that a proposal needs a fiscal note is made by the legislative attorney in the Legislative Reference Bureau who puts the proposal into proper form for introduction. His decision can be challenged to the Chief of the Legislative Reference Bureau, but if the Chief concurs that the proposal needs a fiscal note, the decision is final and the proposal must be sent out for a fiscal note before it can be enacted into law. In addition, should the Legislative Reference Bureau fail to detect a proposal's possible fiscal implications, any member of the Legislature can raise the point of order that a fiscal note is required when the proposal is before his house. In that case, the presiding officer's decision that the proposal needs a fiscal note is again final. In both cases it is, of course, possible that mistakes will be made and proposals are marked "fiscal note required" when, in fact, they do not have a fiscal effect. However, it is better in the long run that a few proposals should come back from the experts in the operating departments with a fiscal note reading "This bill has no fiscal effect because it neither increases nor decreases any state expenditure or revenue" than to fail to send out for a fiscal note some proposals which may have a significant hidden fiscal effect.

The decision that a proposal needs a fiscal note has a serious consequence: under Section 13.10 (2) of the statutes all legislative action (other than referral to a standing committee) stops for a "fiscal note required" proposal until the fiscal note has been made available to the Legislature. If the measure is before the house, it cannot act on it. If the proposal is before a standing committee and slated for a public hearing, the public hearing cannot be held; if it is merely slated for executive action, the executive action must be postponed until the fiscal note is obtained.

This makes it imperative that fiscal notes be obtained as speedily as practicable. Joint Rule 24 of the Wisconsin Legislature provides that FISCAL NOTES ARE TO BE PRODUCED WITHIN 5 WORKING DAYS unless the Department of Administration grants an extension when the compilation of a note requires unusually extensive research. But, in no case may the total time allotted exceed 15 working days. If you need an extension, contact Mrs. Alma Carey in the Bureau of Budget and Management (phone 266-1038), explain what the problems are, and indicate the date the note will be completed. Then, if you are granted an extension, please remind her to notify the Legislative Reference Bureau that an extension has been granted. This will eliminate a lot of unnecessary inquiries.

## II - PREPARING A FISCAL NOTE

Some Very Important "Don'ts". There are a number of things that should not be done when a fiscal note is prepared, and perhaps it is best to discuss these right from the start.

First and foremost, do not, under any circumstances, broadcast the content of a draft

proposal. A draft proposal -- rather than a document that has already been introduced in the Legislature -- is a CONFIDENTIAL DOCUMENT. You can tell a draft proposal from one that has already been introduced because the draft proposal is not identified with a bill or resolution number to be "Assembly Bill 44" or "Senate Bill 321", "Senate Joint Resolution 24" or "Assembly Joint Resolution 96", "Senate Resolution 15" or "Assembly Resolution 38". In the case of draft bills, the whole field preceding the title (which begins with the words "AN ACT to ...") will be blank; in the case of draft resolutions the words "senate" or "assembly" "joint resolution" or "resolution" will already be shown but they will not be followed by a number.

Draft proposals are, thus, numerically identifiable solely by their "LRB" number which you find in the upper right-hand corner on every page of the proposal. It looks like this:

LRB-2836

MV:jm:2

In the example shown, "2836" is the "LRB" number. The number "2" on the line below indicates that this document is the 2nd draft of LRB-2836.

When you are dealing with a draft proposal, do not call the Legislative Reference Bureau to find out the name of the draft's requestor. The bureau is not permitted to tell you that name (unless instructed to do so by the requestor, and in that case it would have contacted you already). A draft is just a preliminary working document developed by the legislative attorney to express in writing the ideas brought to him by the requestor. Once the proposal has been written down in precise terms, the requestor may change his mind, or may find that the draftsman did not really capture the meaning of his proposal. Depending on what additional information becomes available to the requestor -- and accurate fiscal information is of great assistance in this process -- the draft bill may be extensively changed before it is introduced, or it may be shelved altogether. For a legislator, his political future is "on the line" every time he publicly endorses a proposal -- he should not be saddled with the additional burden of being held accountable for the contents of preliminary drafts which do not express his final decision.

Thus, never under any circumstances should you make additional copies of a draft proposal to circulate throughout your staff. Do not discuss the draft proposal's content with any person other than those who have to help you compile the fiscal information. The Legislative Reference Bureau, as the bill drafting agency, is not permitted to publicly discuss any feature of a bill draft -- or, even, its very existence -- until the draft has been officially introduced in the Legislature. As the agency assigned the task of preparing the fiscal information, you should observe the same confidentiality.

When you have completed your work on a fiscal note for a draft proposal, RETURN THE COPY OF THE DRAFT to the Bureau of Budget and Management together with the 4 copies of the "fiscal note" form (the forms will be furnished to you by the bureau at the time they send you the request). However: be sure to retain the notes which you compiled in preparing the fiscal note as other, similar, proposals may come to you during the session and your old notes may facilitate the preparation of the new fiscal note. This is particularly true in the case of draft proposals (although it also applies to proposals already introduced) because, as was pointed out above, the content of the fiscal note frequently convinces the requestor to make changes in the proposed formula and ask for new fiscal notes, until his proposal achieves the effect he wants at the approximate cost he had in mind.

Next to confidentiality, OBJECTIVITY is the second most important aspect of preparing a fiscal note. Be as objectively factual as is possible. As a citizen, you may be very much in favor of a proposal's contents, or you may be violently opposed to the proposal. As an administrator, you may feel that the proposal in its present form is hard to administer or that it adds yet another inch to the already existing miles of red tape, or you may feel that given a choice you would try to accomplish the same end by different means. But, none of this should have any influence on the objectivity of the fiscal information you are requested to provide.

A fiscal note should accurately, factually, dispassionately and objectively set forth all the fiscal information relevant to the proposal. It should neither endorse nor oppose the proposal, nor concern itself with the proposal's merits as a matter of public policy -- in fact, it is imperative that the fiscal note give no hint as to the attitude which you or your agency may have on the substance of the proposal. If the proposal has technical defects, provide a "technical memo" separately from the fiscal note (see Chapter III, below) or have your agency representative explain the technical defects or your suggested improvements at the public hearing. Don't try to use the fiscal note as an instrument to influence policy-making. Policy decisions should be made in the Legislature, by the duly elected representatives of the people.

Effect on Agency Budget. Make an independent evaluation of the proposal's possible effect on your agency's budget. Through the fiscal note procedure, you are given an opportunity to place before the Legislature your agency's estimate of the fiscal impact of each proposal. This places a grave responsibility upon you to exercise a high degree of objectivity in the name of your agency; at the same time, it also opens to your agency (which might ultimately be called on to administer the law resulting from the proposal) a clear-cut channel to inform the Legislature of the agency's fiscal needs with regard to the proposal.

If the proposal entails additional costs, the fiscal note should contain the best dollar estimate of the costs involved -- regardless of where the money comes from. Don't be misled into thinking that the monies from a fee, earmarked to administer the program, are outside the state's fiscal concern (they are state monies and their collection as well as their expenditure has a fiscal effect). Always indicate the source of the funds to be used for the program (GPR, program revenue, federal monies, etc.) in the body of the fiscal note.

Make your own evaluation of the size of the task encompassed by the proposal, and do not blindly follow the amount of an appropriation. For instance, 1967 Senate Bill 203 proposed state aids, limited to \$5,000 per child, for severely brain injured or emotionally disturbed children, and proposed an appropriation for this purpose of \$250,000 per year. This fiscal note should have given an indication of the size of the possible clientele for this new state aid or, if that information was not available, should have stated that the size of the clientele was unknown but presumed to be no more than 50 children. Instead, it read:

1967 SB 203: "This proposal would provide state aids for school expenses for severely brain-injured and emotionally disturbed children. It would limit the amount per student to \$5,000 per year. This would take care of 50 children at \$5,000 per year for a total annual cost of \$250,000.

This proposal would provide \$250,000 for 1967-68 and \$250,000 for 1968-69 for a total of \$500,000 for 1967-69."

Similarly, don't be misled by the size of an appropriation for administrative purposes which is shown in the proposal. Perhaps that amount was based on the fiscal note to a pro-

posal considered several sessions ago and bears no relation to current salary ranges; perhaps it was just a guess on the part of the requestor. Thus, outline what your assumptions are and, based on these assumptions, what you expect the costs to be (or the anticipated savings, or revenues, or whatever). For instance, in 1963 Assembly Bill 489 proposed to create a "state advisory board of education" with an executive director "and such additional staff as is required". The bill as introduced contained an appropriation of \$15,000 per year for all expenditures of the advisory board including staff. The fiscal note read:

1963 AB 489: "This bill would create a state advisory board of education. The cost to the executive budget would be \$30,000 for the biennium."

That fiscal note was probably misleading. True, the appropriation was limited to \$30,000 for the biennium, but it is doubtful that this amount could have actually paid for 24 months of operation including salaries of the executive director and staff, supplies, possible space rental costs, reimbursement of members for actual and necessary expenses, telephone, postage, printing, etc. Chances are, had the agency been created, it would have shortly appeared before the Board on Government Operations to seek a supplementary release of funds.

A much better approach is shown in the following fiscal note from the 1967 Session:

1967 SB 316: "The bill carries an appropriation to the Department of Resource Development from general purpose revenues of \$10,000 annually for 1967-68 and 1968-69. The appropriation would permit the employment of one person to serve as the focal point in the department for this new activity. The sum suggested would not cover all related costs but the department already has a concern with pesticide pollution and can be expected to meet some of the costs from funds presently budgeted."

Theoretically at least, any change in the procedures of state government has a fiscal effect. As a practical matter, of course, the fiscal effect will in many cases be so insignificant as to be incapable of measurement, or the department will be able to absorb the added workload within its existing appropriation and staffing pattern. If that is the case, say so:

1965 AB 536: "This proposal would have little fiscal effect. Any costs involved in the administration of the bill would be absorbed in existing appropriations of the department."

On the other hand, you might remember that there were already some other bills in the same session on which you reported that the department could absorb the cost. While this may have been true for each individual bill, the cumulative effect may add up to more than your agency can afford. Thus, it is always a good idea to try to identify the actual costs of the proposal, even if you feel that the present proposal could be absorbed:

1967 SJR 46: "Up to a certain point studies assigned to the legislative council can be absorbed in the council appropriation as contained in the budget bill. An interim study of juvenile traffic offenses would involve a substantial part of the time of a competent research attorney, together with supporting secretarial services. In addition, there would be travel expenses, office supplies, postage and telephone. The cost of these expenditures would probably be approximately \$20,000."

In any case, what your agency can or cannot absorb will depend very much on the overall size of your agency's budget. A task requiring the additional services of 2 full-time clerk-typists might possibly be absorbed by a large department, while absorbing that task

could place an impossible strain on the budget of a small agency. Thus, a very small agency would have had to be more specific and, in the following example, would have to insist on budget supplementation for travel:

1967 AB 9: "This bill would have a negligible fiscal effect if the number of new court requests does not exceed those of past years. Some travel expenses may be incurred to obtain information and hold hearings, but this cannot be estimated until specific requests are known."

If the proposal submitted to you contains a blank appropriation ("There is appropriated \$ \_\_\_\_\_ for ..."), you should make every effort to provide a figure which may be inserted in the blank, and you should MENTION IN THE FISCAL NOTE THAT THE BLANK NEEDS TO BE FILLED ("These amounts should be inserted into the appropriation blanks on page 2, lines 2 and 3."). This approach might save you some difficulties later. For instance, in the 1967 Session, Assembly Bill 783 passed both houses, was enrolled, and was ready for presentation to the Governor when it was discovered that, although it contained a very detailed fiscal note, the required amount of \$47,960 to cover administrative costs in conjunction with a student loan program had never been inserted into the blanks left in that proposal. A joint resolution (1967 SJR 87) had to be approved by both houses to recall the bill from the Assembly for further action by the Senate; the Senate then reconsidered its previous votes to get the proposal back to its amendatory stage, and adopted Senate Amendment 1 to insert the appropriation amounts into the blanks; the bill was returned to the Assembly and the Assembly concurred in the amendment; and the bill, as amended, was re-enrolled for presentation to the Governor. The procedure itself was complicated enough; what made matters worse was that all this action had to be taken on July 28, 1967, the day on which the Legislature was frantically dealing with all kinds of last minute obstacles in order to recess for the summer. All along, there was no question that the Legislature had approved Wisconsin's participation in the federally funded student loan program, nor that -- because the fiscal note had said so -- the administrative costs would be \$47,960. But, without the adoption of the amendment, no money would have been appropriated to cover administrative costs, and the entire program would have been in jeopardy.

Lack of Spending Authority. The example just cited simply failed to appropriate the money. Other difficulties have arisen in the past from supplementary appropriations designated to the wrong appropriation paragraph in Chapter 20 of the statutes, even though the bill made an appropriation to the right agency. Therefore, be sure that the bill as drafted provides you with the proper spending authority to accomplish the program if the proposal is enacted into law. If you detect an error, attach a "technical memo" (see Chapter III, below) to the fiscal note so that the information can come to the Legislative Reference Bureau and, through it, to the requestor.

On the other hand, in a number of instances proposals have been introduced and marked "fiscal note required" which did not contain any appropriation language at all or provide for the supplementation of existing appropriations even though the proposal might involve significant costs. In many instances, this has been due to the requestor's insistence that the agency to which the program would be assigned should absorb the costs out of its existing appropriations. This may, or may not, be a realistic assumption -- but even if it is unrealistic it is nevertheless a policy decision to be made by the Legislature. In such instances, it might be proper to end the fiscal note with a sentence somewhat like this: "The proposal makes no provision for the funding of the costs involved in ..." Again, you can through a technical memo call the "defect" to the attention of the Legislative Reference

Bureau and through it to the requestor, but keep in mind that what you consider a defect may well be the intent of the Legislature. When such memos are received, the Legislative Reference Bureau forwards a copy to the requestor together with the fiscal note and the following form letter:

"When the attached fiscal note was returned to us, it contained a suggestion by the agency or the Department of Administration that 'a Chapter 20 (of the Statutes) appropriation should be included in the language of the measure to provide for the additional costs'.

Please let the draftsman know if you care to do anything about this matter.

There are 3 possible courses of action (but, in any case let the draftsman know of your decision so that he can close his file):

1. Do nothing. This would mean that the department would have to assume the additional workload out of its existing appropriation.
2. Increase the department's general program operations appropriation by whatever additional amount you deem appropriate.
3. Establish a new appropriation paragraph providing such additional amount as you deem appropriate."

Explain Methods Used in Arriving at the Estimate. The fiscal note which you prepare should help the Legislature make an intelligent, informed decision based on the best facts available. Put the emphasis on helping. Write your note so that the members of the Legislature can see how you arrived at the total cost or savings shown; that way, if an amendment changes one of the ingredients in the proposal, the information given in your note might make it possible to ascertain the fiscal effects of the proposal as amended.

From the standpoint of usefulness, the fiscal note to 1963 Assembly Bill 379 was an example of how NOT to write a fiscal note, even though it contained very precise data on the assumed total fiscal effect of the proposal, because it did not explain its assumptions for the establishment of either the estimated revenue yield or the anticipated cost of administration:

1963 AB 379 (the proposal imposed a 20% tax on the face value of trading stamps):  
"This bill would produce approximately \$1,612,000 of revenue at a cost of \$9,081 in the 1963-65 biennium."

If the estimated dollar cost or anticipated revenue yield of the proposal was arrived at by estimating unit amounts, indicate the units and the unit costs used.

A very good example of how this can be done was the fiscal note to 1967 Assembly Bill 829:

1967 AB 829: "This proposal provides for the payment of state aids to local school districts employing elementary guidance counselors with reimbursement set at 70% of the counselor's salary.

It is estimated that 163 elementary counselors would be funded at 70% during 1967-68 and 200 during 1968-69.

The average salary of elementary counselors in the state is estimated at \$7,000.

1967-68: \$7,000 x 163 x 70% equals \$798,700

1968-69: \$7,000 x 200 x 70% equals \$980,000

The total impact of this proposal for the 1967-69 biennium is \$1,778,700."

If, after careful investigation, you conclude that no reliable dollar estimate can be provided, the fiscal note should set forth the reasons why you concluded that a dollar estimate cannot be given.

Never say "this proposal has no fiscal effect" when what you mean is "the costs of this proposal can be absorbed by our agency from its existing appropriation because the total workload involved can be carried by one typist working less than half time." Or, do not say "this proposal neither increases nor decreases state revenues" when, in reality, this proposal reduces income tax revenues by \$4,000,000 annually but creates new sales tax revenue in an equal amount by taxing cooking utensils.

Always Indicate the Source of Funds. Be specific as to where the money comes from. In most cases, it will be from general purpose revenues (GPR) but often it comes from other sources such as program revenues or federal monies, or from one of the segregated funds.

If a proposal creates a licensing requirement and imposes a license fee, and then appropriates all monies received from that license for the administration of the licensing activity, some agencies have on past occasions assumed that the state bears no burden and, therefore, the proposal has no fiscal effect. This is dead wrong -- the power of the state is being used to exact the license fee, so the revenue yield is state money even though the policy decision has been made to dedicate that money, as program revenue, to the administration of a specific task. The anticipated revenue should be stated. Conversely, although it is intended to pay for the cost of administration out of program revenue, the anticipated cost of administration should be stated.

Even such a simple matter as a claim against the state, for "x" number of dollars, can have hidden fiscal implications which are immediately apparent to the specialist but might be missed in the Legislature unless they are brought out in the text of the fiscal note. For instance in the 2 following examples, both of which dealt with a claim against the state to be discharged by a payment from the highway fund, the 1967 fiscal note was obviously much more informative than that of 1963:

1963 AB 370: "The total amount for this bill would be an expenditure of \$22,662.90."

1967 SB 552: "The appropriation of \$3,400 from the state highway fund to pay this claim would decrease the supplementary distribution to state trunk highways by \$1,360 and the supplemental distribution to local units by \$2,040."

The Fiscal Note Form. A copy of the form to be used in the preparation of fiscal notes for 1969 legislation is attached to this report in the final appendix. It consists of two parts. Part I is the fiscal data which is not printed as part of the fiscal note. Part II is the fiscal note, which will be printed in full and added to the bill.

Fill out the form as follows:

1. If the proposal submitted for a fiscal note is a draft (in other words, if it has not been formally introduced in the Legislature) fill in the LRB number and the draft number (see above, page 4). If it is a bill or joint resolution, fill in the house in which it originated and the number of the document (for instance, for Assembly Bill 824 you would write, in the field marked "Bill No.", "AB 824". You must put down the house of origin because, in the Wis-

consin Legislature, each house numbers its documents for each kind of document in a series beginning with the number "1".

2. Give a very brief statement of the "subject" based on the title of the proposal. For instance, 1967 Assembly Bill 824 had the following title:

AN ACT to renumber 94.69; to amend 29.60 (5) (c); to repeal and recreate 29.29 (4); and to create 94.69 (1) (h) and (2), 94.695 and 140.05 (15) of the statutes, relating to the use of pesticides, and creating a pesticide council.

The "subject", which is mainly an identification for your own purposes, might have been stated as "pesticide council".

3. Fill in the number of the Chapter 20 section, subsection and paragraph affected by the proposal and, if the appropriation comes from a segregated fund, the name of the segregated fund. Then, make the appropriate checkmark in the "source of appropriation" field depending on whether the appropriation comes from "general purpose" revenue, "program" revenue, "federal" revenue or "segregated" revenue.

4. In the table entitled "Effect of Proposal" every applicable space should be filled in. Complete "Estimated Total Cost" and "Estimated Total Revenue" lines. Show both the biennial amount and the amount by fiscal year. Indicate decreases by minus signs preceding negative amounts. Round all dollar amounts to the nearest hundred dollars, if at all possible.

5. Prepare the fiscal note as it will appear on the bill in printed form. Explain in a clear and concise manner what effect the measure will have on the costs and revenues of state government. Specify the source of funds for appropriations or the revenues affected. Include the effect on the current biennium and the long-range fiscal effect, if any.

A change in the procedure this session makes the explanation of how you arrived at your estimates a part of the fiscal note, which will appear on the bill in printed form. Make the explanations as brief as possible without eliminating essential information. For your own files, be prepared to substantiate your estimates with underlying data and with the worksheets you may have developed in arriving at the figures submitted. For the information of the Legislature, include in the explanation every unit of the formula which you used to develop your totals so that, if the proposal is changed, it would be possible to ascertain the fiscal effect of the proposal as amended. Also, include in your explanation the possible long-range effect of the proposal, the effect on the current (1967-69) biennium (if any) and, if the proposal by virtue of its effective date or proposed implementation has only a partial effect on the 1969-71 biennium, the cost of full financing or the yield of full term revenue collection.

6. At the bottom of the form, insert the date on which the note was completed and the name of your agency. The original copy of the form should then be signed by the official designated by the agency as responsible for preparing fiscal notes.

### III - TECHNICAL MEMOS

Regardless of the ability of the legislative attorney who translated the legislator's ideas into the form of a bill draft there will, occasionally, be proposals which to you -- as the

expert on the particular program area -- are unclear or have some technical defects. If the proposal is adequate to permit the preparation of a fiscal note but contains a weakness which does not affect the fiscal implications, you should prepare a fiscal note and, in a separate technical memo, set forth the points which you think need correction. Do not intermix your technical comments with the fiscal information or, as was the case in the fiscal note shown below, substitute your technical objections for fiscal information:

1965 AB 341: "This proposal would enable persons who install and operate a citizens band radio set in a motor vehicle to have a special license plate containing the call letters of the vehicle operator.

Wisconsin conforms to the standard 6" by 12" license plate size which is used by all states and in Canada. This size plate, as used in Wisconsin, is designed to have six characters. By statute, s. 341.13 (1) (c), the height of the characters must be at least 3 inches.

Call letters assigned to citizen band operators generally have 7 characters which would not fit on the present plate under the existing statutory limitations."

That bill dealt with an increase of the special fee for putting call letters on a license plate, for all radio operators, from \$1 to \$3, in addition to permitting the issuance of these special plates not only to ham radio operators (who were entitled to them under the existing statute) but also to the citizen band radio operators. What the fiscal note should have answered were the questions: 1) How many ham radio operators are now provided with a call letters license plate at \$1 and would, if the bill becomes law, pay \$2 additional for their license plates? and 2) How many citizen band radio receivers have been installed in motor vehicles licensed in Wisconsin and could qualify for the issuance of special plates if the proposal becomes law, paying \$3 for each set of plates? As to the technical objections, they should have been presented in a technical memo making it possible for the requestor to suggest two alternative solutions: 1) keep all letters 3" tall but, for 7-letter plates, make the letters somewhat narrower, or 2) for 7-letter plates, reduce the 3" letters proportionately so that 7 of them will fit on the standard 12" width of the license plate.

Fiscal Note Not Required. Occasionally you will be requested to prepare a fiscal note for a proposal which, after you have given it careful study, you conclude does not even have a minimal fiscal effect. In other words, it has no fiscal effect at all and, for that reason, should not have been sent out for a fiscal note in the first place. But, it has been sent out for a fiscal note and, if the proposal is already introduced in the Legislature as a bill, joint resolution or resolution, the proposal is now hung up in committee where no further action will be taken until your fiscal note is received. In such a situation, valuable time can be saved if you do not phone to tell the Bureau of Budget and Management, or the Legislative Reference Bureau, that the proposal does not need a fiscal note. Instead, make that statement itself the text of your fiscal note, and return the completed note as soon as possible to the Bureau of Budget and Management.

A typical example might be a bill in which the only reference to money consists of the imposition of a fine. Fines are theoretically not imposed to raise revenue; instead, ideally the existence of a fine should serve as a deterrent and the crime for which the fine has been imposed will no longer be committed. In such a case, let your fiscal note be a very brief statement as to why the proposal does not have a fiscal effect. There are, however, instances when even a bill dealing with fines has a fiscal effect, as was the case with 1965 Assembly Bill 509 which changed the state-local ratio of sharing the revenue from certain fines for violation of the motor vehicle code:

1965 AB 509: "Section 59.20 (8) provides under Chapter 348 (of the statutes) that 50% of the fines, bond forfeitures and penalties collected shall be paid to the state treasury. In dollars there is now approximately \$503,000 collected each year under this chapter and of this amount 50% (\$251,500) is now transmitted to the state treasury.

Under the proposed bill 10% of this amount (\$503,000) or \$50,300 would be retained by the counties and the balance of approximately \$452,700 would be paid into the state treasury. The increase would amount to \$452,700 minus \$251,500 which is \$201,200.

There would be no additional costs to state government."

Deficiencies in the Bill Draft. Sometimes when you analyze a proposal for its fiscal effects you might detect mechanical deficiencies in the proposal as drafted. You can make a real contribution to the perfection of the proposal -- after all, you are the specialist in that subject-matter area of state government to which the bill is addressed -- if you call these deficiencies to the attention of the requestor and the bill drafting agency. In such a case, attach a technical memo in triplicate to the fiscal note, setting forth the changes in the proposal which you think should be made to make the proposal workable. But, be sure of your motives: the fact that you personally judge a proposal to be a very bad idea does not make that proposal technically deficient. In the technical memo, just as in the fiscal note, refrain from taking a stand on the issue, and confine your comments to an objective statement of the technical facts. Also, be sure to keep your technical remarks separate from the remarks which, as a fiscal note, are to be printed as an appendix to the bill.

A few examples from the 1967 Session of technical memos returned with fiscal notes will illustrate the type of objections raised. Also, they show how helpful these memos were in the drafting process. For instance, the first draft of LRB-2506 (which was later re-drafted as the result of the technical memo and introduced as 1967 AB 758) came back with a 1-page technical memo attached to the fiscal note. The legislative attorney to whom the draft was assigned discussed the points of the technical memo with the requestor and all of the following suggestions were incorporated into the draft before it was introduced:

1967 LRB 2506: "In preparing the fiscal note to LRB-2506 certain questions arose regarding the construction and these comments are submitted for your consideration ...

On page 3, line 21, it is suggested that the availability of board records be changed from 'at all times' to 'times of normal business hours as provided in s. 16.275 (6) (a) and (c)'. This will avoid any future confusion regarding the necessity for maintaining 24-hour operations.

On page 4, line 23, the reference to s. 20.285 should be changed to s. 20.350 to conform with the creation of the appropriation made in section 1 of this bill ...

On page 12, line 17, section 4 states that this bill shall become effective January 1, 1968. Under this section no part of this bill would become active until that time, but it would seem desirable to allow the board to begin functioning before the licensing requirements become binding on members of the profession. It is therefore suggested that the board be allowed to begin operations sometime prior to the effective date of the licensing requirements."

Similar improvements as the result of a technical memo, submitted together with the fiscal note, were made in 1967 LRB-916. The first draft had been sent out for a fiscal note;

partly as the result of the technical memo received the proposal was extensively redrafted in several successive drafts until the 5th draft was introduced as 1967 AB 778:

1967 LRB-916: "On page 2 of LRB-916 three appropriations from the conservation fund are provided for stream improvement, water safety and public access. Since these three activities are already being administered by the conservation department and are not new activities, appropriations are already provided for them in the 1967-69 budget bill (1967 AB 99). Consequently, we would suggest the following corrections to insure conformity with the appropriation structure in the budget bill.

1. Present stream improvement activities are budgeted under general program operations in the fish and game program -- 20.280 (1) (u). To avoid duplication of appropriations, the appropriation '20.280 (1) (uk)' in LRB-916 from stream improvement should be shown instead as a supplement to 20.280 (1) (u).

2. The appropriation '20.280 (1) (un)' in LRB-916 for water safety should also be shown as a supplement to 20.280 (1) (u).

3. Public access aids are appropriated in the budget bill under the fish and game program as water access aids -- 20.280 (1) (vn). To maintain consistency with the present program format, the appropriation '20.280 (3) (z)' in LRB-916 should be shown instead as a supplement to appropriation 20.280 (1) (vn).

In addition, on page 5, section 7 of LRB-916, section 25.40 (1) (a) is amended with a statement relating to motor fuel taxes. Section 25.40 (1) (a) prior to this amendment bears no relationship to motor fuel taxes. However, 25.40 (1) (c) does concern motor fuel taxes. Consequently, it would seem that this statutory change would be more readable if subsection (1) (c) were amended instead of subsection (1) (a)."

#### IV - FISCAL NOTE LAW

In this chapter, the fiscal note law is set forth with the amendments assumed to be adopted by the 1969 Legislature so as to more clearly state the procedure actually followed during the 1965 and 1967 Legislative Sessions. The actual text of the current law is presented plain; the text proposed to be inserted by amendment is shown underscored. In addition to the amendments shown, a subcommittee of the Joint Committee on Legislative Organization -- the Subcommittee on Legislative Staffing and Committee Procedures chaired by Senator Robert Warren of Green Bay -- has recommended that the printed fiscal note also contain information showing how the final figures were arrived at. Actually, that procedure can be implemented without a change in the wording of the law simply by including all relevant information in the text of the fiscal note.

Wisconsin Statutes, Section 13.10 (2)

(a) Any bill making an appropriation and any bill increasing or decreasing existing appropriations, fiscal liability or revenues shall, before any vote is taken thereon by either house of the legislature if the bill is not referred to a standing committee, or before any public hearing is held before any standing committee or, if no public hearing is held, before any vote is taken by the committee, incorporate as a note a reliable estimate of the anticipated change in appropriation authority, fiscal liability or state revenues under the bill, including to the extent possible a projection of such changes in future

biennia. Except as otherwise provided by joint rules of the legislature, such estimates shall be made by the agency receiving the appropriation or collecting the revenue except that fiscal notes on bills which will be referred to the joint survey committee on tax exemptions or the joint survey committee on retirement systems shall be prepared by the appropriate committee. When a fiscal note is prepared after the bill has been introduced, it shall be printed and distributed as are amendments.

(b) The executive budget bills introduced under s. 16.47 (1) are exempt from the fiscal note requirement under par. (a) but shall, if they contain provisions affecting a public retirement fund or providing a tax exemption, be analyzed as to those provisions by the respective joint survey committee.

Wisconsin Legislature, Joint Rule 24, FISCAL NOTES.

(1) APPLICATION. All measures ~~carrying a sum sufficient making an appropriation, and all measures increasing or decreasing existing appropriations or~~ fiscal liability or revenues of the state or increasing or decreasing state revenue shall carry a fiscal note as provided by statute, ~~except pension bills. Such notes shall be known as fiscal notes.~~

(2) ORIGINAL MEASURES ONLY. (a) ~~Such~~ Fiscal notes are required on original measures only and not on substitute amendments or amendments.

(b) (formerly numbered sub. (11)) Whenever an amendment or substitute amendment adopted by one house so affects a proposal that the original fiscal note ceases to be valid, the joint committee on finance may, on the basis of additional information, ~~attach to the report on such proposal a statement of~~ order the printing of a new fiscal note showing the fiscal effect of the proposal as amended, and such statement shall be spread on the journal with the report.

(3) PREPARATION. Fiscal notes shall be prepared by the state agency receiving the appropriation or ~~responsible for~~ collecting the revenue except in the case of pension bills that fiscal notes on measures which will be referred to the joint survey committee on tax exemptions or the joint survey committee on retirement systems shall be prepared by the appropriate committee. Measures carrying provisions for both appropriations and revenues or appropriations for more than one state agency shall carry notes from each such agency except that when a measure would require notes prepared by several agencies, the department of administration may determine that a single agency shall prepare a general note, or prepare a single consolidated fiscal note into which the information submitted by the several agencies is incorporated.

(4) IDENTIFICATION. (a) The name of the state agency preparing the note shall appear at the end of the printed note, and the original copy of the note shall carry the signature of a responsible official of the agency.

(b) The department of administration shall review the fiscal notes prepared by the state agencies before such notes are submitted to the legislature. If the department of administration disagrees with a fiscal note prepared by a state agency but such agency adheres to its estimate, then the note shall be published as prepared by the agency but the department of administration may attach a supplementary fiscal note to such measure.

(5) ~~FORM OF NOTE.~~ The note shall be prepared in quintuplicate, ~~shall be~~ factual in nature, as concise as may be, and shall if possible provide a reliable estimate in dollars. If, after careful investigation, the state agency concludes that no dollar estimate can be provided, the note shall contain a statement ~~to that effect~~ setting forth precisely why such dollar estimates cannot be given.

(6) TIME LIMIT FOR NOTE. Each state agency shall be given 5 working days from the date on which the proposed measure is received to prepare the note, but the department of administration may extend such period to not more than 15 working days if the proposal necessitates extended research. Whenever such extension is granted, the department of administration shall immediately notify the legislative reference bureau.

(7) PROPOSALS USED FOR OFFICIAL PURPOSE ONLY. The state agencies are requested to utilize the proposals submitted to them for official purposes only. In particular, no department shall copy, or otherwise disseminate information regarding, any measure submitted to it by "LRB" number, indicating that such proposal has not been offered for introduction in the legislature.

(8) PROCEDURE. (a) (formerly numbered sub. (10)) The jackets of all measures carrying a fiscal note shall have the initials "FN" clearly stamped on them.

~~(a) (b)~~ The preliminary determination of whether the measure requires a fiscal note shall be made by the legislative reference bureau which shall indicate that a measure requires a fiscal note by stamping the letters "FN" prominently on the jacket. ~~The department of administration may review this determination.~~

~~(b) (c)~~ No jacket on which the "FN" symbol has been defaced shall be accepted for introduction. If the original decision unless the deletion of the FN symbol has been initialed by the chief of the legislative reference bureau that the measure requires a fiscal note is reversed, upon consultation with the requester, a new jacket shall be prepared omitting the FN symbol. If a measure which requires a fiscal note, is not processed by the reference bureau, the chief clerk of the house of origin shall affix the FN stamp or by the director of legislative attorneys .

~~(c) (d)~~ After a measure has been drafted, ~~reviewed and approved by the requester, and before it is jacketed,~~ the legislative reference bureau shall inform the requestor ~~if that~~ a fiscal note is required when it submits the draft to him for his review . If the requestor so directs, the bureau shall promptly submit such measure to the department of administration for a fiscal note. If the requestor desires to introduce the measure without the fiscal note, he may do so, but when the proposal is introduced, if it requires a fiscal note the chief clerk of the house of origin legislative reference bureau shall promptly extract ~~2 copies~~ a copy of the proposal and submit ~~them~~ it to the department of administration for a fiscal note ~~keeping~~ . The legislative reference bureau shall keep a record of the date on which each measure is thus submitted and its number.

~~(d)~~ (e) The department of administration shall promptly review each measure, determine the agency to which it shall be submitted for a fiscal note, and forward the proposal to such agency, keeping a record of the date of submission and the number of the measure.

~~(e)~~ (f) The state agency shall prepare the note in ~~quintuplicate~~ quadruplicate, and return ~~it~~ the copies of the fiscal note and the proposal within 5 working days, to the department of administration unless the department of administration extends the period for the preparation of the note. The department of administration shall notify each state agency of measures not returned within the deadline.

~~(f)~~ (g) The department of administration shall return all measures and their accompanying notes to the legislative reference bureau ~~or the chief clerk~~ promptly, retaining one copy of the note for their files.

~~(g)~~ (h) If the fiscal note is procured before the measure is introduced the legislative reference bureau shall then submit a copy of the note to the requestor. If the requestor desires to introduce the measure, the reference bureau shall attach ~~a copy of the note to the printer's copy~~ camera-ready original of the measure, and prepare the measure for introduction. ~~In this case~~ The fiscal note, ~~or if the fiscal note is procured by the chief clerk, the words "see fiscal note next page"~~ shall be printed at the end of the measure. If the fiscal note is procured by the chief clerk after the measure has been introduced the original, signed copy of the note ~~and all copies~~ shall be forwarded to the chief clerk of the house of origin to be inserted in the jacket by the chief clerk who and the legislative reference bureau shall forthwith cause the fiscal note to be printed as are amendments.

~~(h)~~ (i) Measures requiring fiscal notes shall not be engrossed by either house prior to the receipt of the fiscal note ~~and~~. If the fiscal note has not been printed when the vote on passage is taken, then the chief clerk shall be read by the chief clerk ~~it as are titles at least once before final passage by either house~~.

(9) MEASURES NOT CONFORMING. Any member may at any time that a measure is before the house raise the issue that such measure requires a fiscal note, and if the presiding officer determines that such measure (not having such note) requires a note, he shall forthwith request the ~~department of administration~~ legislative reference bureau to secure the requisite note.

APPENDIX - SAMPLE FISCAL NOTES

There are 4 general types of fiscal notes illustrated on this page. Note that in each case the attempt was made not to repeat the information already contained in a bill analysis (thus eliminating the typical "This proposal would..." opening sentence used in the fiscal notes of prior sessions).

1. Fiscal note to a proposal increasing the costs of state government. The proposal would supply a free copy of the Wisconsin statutes to every public library in Wisconsin which has a circulating collection of 5,000 volumes or more:

Wisconsin has 311 libraries with circulating collections of 5,000 volumes or more. A set of the statutes costs \$30; in addition, the state incurs \$.85 shipping costs. The next edition of the statutes will become available in August 1970. If the number of libraries, the cost of the books, and the shipping charges remain unchanged, the cost of the program will be 311 times \$30.85, or about \$9,600, from general purpose revenues in the 1970-71 fiscal year. The proposal has no fiscal effect in fiscal year 1969-70.

2. Fiscal note to a proposal increasing the revenues of state government. The proposal would increase the price of a resident fishing license from \$3 to \$4:

The department issues about 700,000 resident fishing licenses each year. If the cost of the license is increased by \$1, revenues would increase \$700,000 annually, less any decline in the number of licenses sold caused by the increased price. The additional revenue would be credited to the Conservation Fund. The cost of administration would not be affected.

3. Fiscal note to a proposal increasing both the costs and the revenues of state government. The proposal would create a radio and television announcers examining board issuing annual licenses to the practitioners at \$10 each:

Wisconsin's 18 television and 165 radio stations, estimating an average of 8 announcers per television station and 3 announcers per radio station, have an estimated total of 640 television and radio announcers. At an annual license fee of \$10, revenues would be about \$6,400.

Administrative costs would include actual and necessary expenses plus about 10 per diems each (\$25) for the 3 members of the examining board, and the 1/4-time services of a typist to be furnished by the department of regulation and licensing, or a total cash expenditure of approximately \$2,000 annually to be financed from program revenue.

4. Fiscal note in which a dollar amount cannot be given. The proposal would require the department of revenue to set and maintain a valuation on all tax-exempt realty in the state:

Currently not a single taxing jurisdiction maintains a complete roll of tax exempt realty, nor are there established standards for setting the value of such property as, for instance, church buildings. No dollar estimate of the cost can be given, but it would be a costly ongoing project. A pilot project, staffed by an experienced assessor, an assistant and a clerk-typist, would cost \$21,700 annually from general purpose revenues.

**FISCAL NOTE FORM**  
Submit 4 Copies

LRB	Draft
Bill No.	Jt. Resolution No.
NAME OF FUND	

**Part I. Fiscal Data:**

SUBJECT \_\_\_\_\_ Chap. 20 Reference Nos. \_\_\_\_\_

SOURCE OF APPROPRIATION:     General Purpose     Program     Federal     Segregated

If more than one appropriation is involved, show overall effect below, but show breakdown by appropriation and fiscal year on separate page.  
Round to nearest hundred dollars.

EFFECT OF PROPOSAL	BIENNIAL INCREASE OR (–) DECREASE	FISCAL YEAR	
		1969-70	1970-71
Salaries	\$		
Supporting Expenses			
Permanent Property			
Aids to Localities			
Other			
<b>ESTIMATED TOTAL COST</b>	<b>\$</b>		
Gen. Purpose Revenue Earned	\$		
Program Revenue			
Segregated Revenue			
<b>ESTIMATED TOTAL REVENUE</b>	<b>\$</b>		

**Part II. Fiscal Note:** Explain in a clear and concise manner what effect this measure will have on the costs and revenues of state government. Specify the source of funds for appropriations or the revenues affected. Include effect on the current biennium and also the long-range fiscal effect, if any. Show how you arrived at the estimate.

(Continue on back or use additional page, if necessary)

Date	Agency	Authorized Representative
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