We achieved record-breaking performance in the 2009 legislative session while receiving 802 fiscal note requests — far and away the largest number of any state agency. We attribute this improved performance to the creation of a fee-based, contracted research wing. Engaging in contracted research does not directly fund production of fiscal notes. However, for the last three years we have generated enough contracts to retain seasoned researchers year-round — and increase their “bandwidth” in policy areas and research methods.

For the 2010 session we retained our entire staff of eight from last year. This team has a combined 21 sessions of fiscal note experience. In the past we relied upon a revolving door of entry-level session temps with one week of training.

Areas for improvement we are focusing on this session include accuracy, statistical information, and revisions due to technical glitches.
Still far and away the largest producer of fiscal notes

Figure 1 illustrates how we have consistently produced the largest number of fiscal notes of any state agency in Washington – hundreds more per year than the Department of Revenue (DOR), the Department of Social and Health Services (DSHS) or the Administrative Office of the Courts (AOC).

Over the last decade, we have received 14.5 percent of all fiscal note requests to state agencies.

As another point of comparison, in 2009 we received more than three times as many fiscal note requests as our parent agency, the Department of Commerce (formerly the Department of Community, Trade and Economic Development).

**NOTE:** The zig-zag in fiscal note requests reflects long (105-day) and short (60-day) sessions.
Local government fiscal notes are similar in format to those produced by all state agencies and are distributed to legislators in the same information packet. However, our notes are different in two ways:

- State agency notes focus primarily on their own operations. In contrast, our focus is external: We collect and objectively analyze data from local governments, other states and research literature. This is why state statute provides us with five working days to respond to local government fiscal note requests, while the statutory deadline for agency notes is three days.

- A state agency typically writes fiscal notes on a relatively narrow range of topics. In contrast, we are charged with addressing almost any issue that could impact local governments, such as taxes, criminal justice, land use, social services, government operations and public works. The timeliness and quality of our fiscal notes are heavily dependent on retaining staff with expertise in each of these subject areas.

The foremost subject areas vary with each legislative session, but generally we receive the most note requests on bills related to taxes/economic development and criminal justice. In the 2009 session these subject areas represented 45 percent of all note requests (see Figure 3).
Local government fiscal notes describe the potential fiscal impacts of proposed legislation on local governments. We are one of 42 similar programs in the United States.

Fiscal notes are part of the legislative record for proposed bills, and are typically available to legislators and the public prior to public hearings — and updated as bills are modified. They are available here: https://fortress.wa.gov/ofm/fnspublic/.

Washington’s local government fiscal note process was established in 1977 through Chapter 43.132 RCW. We provide objective analysis of potential expenditure and revenue impacts to counties, cities and almost all special purpose districts.

Two types of jurisdictions are outside our purview:

- Courts, which are covered in fiscal notes by the Administrative Office of the Courts (AOC); and

- School districts, which are covered in fiscal notes by the Office of the Superintendent of Public Instruction (OSPI).

Local government fiscal notes provide the Legislature with the information to uphold RCW 43.135.060. This statute requires the state to mitigate the impact of legislation that requires local governments to create or expand services if these costs are not reimbursed through specific state appropriations or increases in state distributions.
Local government fiscal note requests grew 249 percent since 1987

Figure 2 shows how the number of local government fiscal note requests has steadily grown over the last two decades.

- The 2009 long (105-day) session saw a 40-percent increase in note requests above 1997 and 249 percent above 1987.
- The 2008 short (60-day) session saw requests jump 50 percent above 1998 and 179 percent higher than 1988.

During this time period the number of session staff has not grown. The program has usually had the equivalent of six full-time analysts, a work/study student who provides administrative support, and a program manager.

For the 2010 session we will have the equivalent of roughly 4.75 analysts, a work/study assistant and a program manager.

NOTE: Green bars = long sessions; blue bars = short sessions.
Managing workload peaks is the key to producing timely fiscal notes

Figure 4 shows that the most challenging time of 105-day sessions has been weeks 4 through 9, where the number of fiscal note requests typically tops 80 per week.

By Week 6 an analyst could have more than 30 fiscal note requests at any one time. That large of a workload requires triaging note requests. For example, those with scheduled hearings receive the highest priority.

Time pressures are intensified when fiscal notes are requested only a day or so prior to a hearing, which has been an increasingly common occurrence. These are the most problematic assignments, because it realistically takes more time than that to properly survey local governments.

We have been able to respond to an increase in requests outside of session by keeping staff on board throughout the year with contracted research projects.
If we don’t have enough staff capacity in a given topic area that can result in slower production of fiscal notes.

For example, in the 2009 session we saw an unusually dramatic spike in tax and economic development fiscal notes from weeks 5 to 9 (see Figure 5). This was our biggest source of late notes.

A key reason we weren’t able to shift more staff to tax notes was because three analysts were new to the program and still learning their core topic areas.

**For 2010 all of our analysts are returning**, and thus should be more adaptable in taking on notes outside their core topic areas. That said, an unusual spike in requests will likely slow production somewhat.
Figure 6 compares the number of note requests with the percentage of notes completed on time. In 2009 our timeliness rate was slightly above the previous all-time high of 86 percent in 2004. However, in 2009 we received double the number of fiscal note requests than in 2004.

Meanwhile, the average turnaround time per note request dropped to a record 3.5 days in 2009. This is a meaningful drop from 6.0 days in 2007 and more than 10 days in 2001.

Increasing staff experience has been the biggest factor in improving both the timeliness rate and turnaround time. Lower timeliness rates have also generally correlated with program manager turnover, which was particularly high in the 1996-2002 period.

### FIGURE 6: Volume versus timeliness

**NOTE:** For the 2000 session the statute was changed to extend the due date for local government fiscal notes from three to five working days after the request. For consistency, timeliness figures prior to 2000 reflect the proportion of notes completed in five days.
Revision rate falls to 8.3 percent — less than half state average

In 2009 the percentage of notes for which the Office of Financial Management (OFM) requested a revision dropped to 8.3 percent.

Our 2009 revision rate was less than half the state agency average of 17.9 percent. This is a significant improvement since 2004, when our revision rate was 15.3 percent, slightly higher than the state average of 15.0 percent. Each year since then our revision rate has been lower than the state average by increasingly large margins.

Figure 7 illustrates how the improvement in our revision rate has been achieved despite increases in fiscal note volume for both short and long sessions. For example, the 2009 revision rate was almost half the program’s 16.1 percent rate in 2003 despite a 22 percent increase in note requests.

NOTE: The revision rate is not an ideal measure of quality because it reflects any change, from a typo to a crucial fact error. Revisions may also occur because the “lead agency” made a change to data assumptions we depend upon. However, this is the only current quantitative measure of quality that allows comparisons across agencies and years.
Most revisions were for technical glitches, changes by other agencies

Fifty-four percent of the 59 revisions we made in 2009 were for technical glitches (37 percent) or in response to data changes by other state agencies (17 percent). Technical glitches include typos or failing to properly fill out the fiscal note form.

Thirty-three percent of revisions were for substantive changes. These included:

- More description or fiscal analysis needed (14 percent);
- New information obtained after the note was submitted to OFM (7 percent);
- Disagreements with the lead agency or OFM (7 percent); and
- Substantive errors (5 percent).

Substantive errors include using the wrong numbers, referring to tolls as taxes rather than fees, or assuming an unrealistically low usage of a facility.

Although our revision rate dropped for 2009, the reasons for them were similar to those in 2008.

The revision rate of analysts ranged from 5.1 percent to 17.1 percent. The biggest variable was the complexity of an analyst’s assignments.

Nineteen OFM reviewers requested revisions, but three reviewers logged 59 percent of all requests.
Since 1997 we have conducted an annual customer satisfaction survey. For the last four years this has been done through electronic means to increase participation.

For 2009 we received 81 responses, a 62 percent increase from last year. This reflects a concerted effort to expand our e-mail list.

Some customer groups responded in much higher numbers: local governments, state agencies and OFM reviewers (see Table 1).

However, response rates dropped or remained low for local associations, legislative staff and legislators. We suspect that the main reason for the disappointing response rate from these customers was that the survey took place right after the legislative session, when many of these respondents were out of town.

Table 2 shows that most respondents were experienced fiscal note users: 79 percent have used them for three or more sessions; 53 percent for six or more sessions. These proportions are similar to 2008 despite the large increase in responses.

Full survey results are available at http://www.commerce.wa.gov/lgfn
General satisfaction up regarding three key criteria

TABLE 3: Respondent general satisfaction with local government fiscal notes, 2007 to 2009

<table>
<thead>
<tr>
<th>Rating average scale 1-5</th>
<th>2007 session</th>
<th>2008 session</th>
<th>2009 session</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very satisfied</td>
<td>Somewhat satisfied</td>
<td>Rating average</td>
</tr>
<tr>
<td>The program’s fiscal notes add value as part of the legislative process</td>
<td>34.8% (16)</td>
<td>50.0% (23)</td>
<td>4.04</td>
</tr>
<tr>
<td>The program’s fiscal notes and other communication materials are professional in appearance and user-friendly.</td>
<td>47.8% (22)</td>
<td>30.4% (14)</td>
<td>4.07</td>
</tr>
<tr>
<td>The program understands your individual and organizational needs.</td>
<td>34.8% (16)</td>
<td>34.8% (16)</td>
<td>4.07</td>
</tr>
</tbody>
</table>

All satisfaction rankings in the survey used a five-point scale: very satisfied (5), somewhat satisfied (4), neutral (3), somewhat dissatisfied (2), very dissatisfied (1) and not applicable.

- The biggest jump in satisfaction involved the professional appearance and user-friendliness of fiscal notes. The average rating increased by a half point. This may reflect our office’s pioneering of a new, more readable format design for larger fiscal notes.

- Half of all respondents stated that they were very satisfied with the value we added to the legislative process. This was up from 38 percent in 2008 and 34.8 percent in 2007.

- For 2009 the program’s understanding of the customer’s individual or organizational needs rose above 2007’s rating average after dropping in 2008. In addition, almost 70 percent of respondents were either very or somewhat satisfied, a hair higher than in 2007.
Quality ratings up substantially in four areas

Unlike the satisfaction rankings, quality rankings use a four-point scale: excellent (4), good (3), average (2), poor (1) and not applicable.

- Quality of writing continued to be our highest rating: 3.25 for 2009, up from 2.93 in 2008 and 3.05 in 2007.
- Credibility increased to 3.23 in 2009, well above the 2.89 in 2008 and 2.77 in 2007.
- Accuracy had the lowest rating average at 3.11, but it substantially increased over 2008 (2.76) and 2007 (2.68).

We attribute these increases to retaining a number of key analysts and an expanded training regime for the 2009 session.

Table: Respondents rate the quality of fiscal notes in four areas, 2007 to 2009

<table>
<thead>
<tr>
<th>Rating average scale 1-4</th>
<th>2007 session</th>
<th>2008 session</th>
<th>2009 session</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excellent</td>
<td>Good</td>
<td>Rating average</td>
</tr>
<tr>
<td>Credibility</td>
<td>23.9% (11)</td>
<td>45.7% (21)</td>
<td>2.77</td>
</tr>
<tr>
<td>Accuracy</td>
<td>26.1% (12)</td>
<td>37.0% (17)</td>
<td>2.68</td>
</tr>
<tr>
<td>Quality of writing</td>
<td>30.4% (14)</td>
<td>47.8% (22)</td>
<td>3.05</td>
</tr>
<tr>
<td>Statistical information</td>
<td>19.6% (9)</td>
<td>58.7% (27)</td>
<td>2.93</td>
</tr>
</tbody>
</table>
Quality ratings for all customer types were largely higher

TABLE 5: Rating averages by types of customers, 2007 to 2009

<table>
<thead>
<tr>
<th>Rating average scale 1-4</th>
<th>Credibility</th>
<th>Accuracy</th>
<th>Quality of writing</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFM reviewers</td>
<td>3.50</td>
<td>3.57</td>
<td>3.58</td>
<td>3.50</td>
</tr>
<tr>
<td>State agencies</td>
<td>2.88</td>
<td>3.10</td>
<td>3.17</td>
<td>2.75</td>
</tr>
<tr>
<td>Local associations</td>
<td>3.25</td>
<td>2.75</td>
<td>3.22</td>
<td>3.00</td>
</tr>
<tr>
<td>Local governments</td>
<td>2.25</td>
<td>2.75</td>
<td>3.23</td>
<td>2.25</td>
</tr>
<tr>
<td>Legislative staff</td>
<td>2.33</td>
<td>2.67</td>
<td>3.00</td>
<td>2.33</td>
</tr>
<tr>
<td>Legislators</td>
<td>2.67</td>
<td>2.33</td>
<td>2.33</td>
<td>2.83</td>
</tr>
<tr>
<td>All respondents</td>
<td>2.77</td>
<td>2.89</td>
<td>3.23</td>
<td>2.68</td>
</tr>
</tbody>
</table>

OFM reviewers offered the highest ratings, and legislators and their staff the lowest. In the middle were state agencies, local associations and governments, whose ratings varied by criterion.

One caveat to the numbers is that response rates varied (see Table 1 on Page 12), e.g., only three legislators and seven legislative staff responded.

Local governments reported the biggest rating average increases, but this may at least partially reflect a much more systematic effort to send the survey to those we collected data from.

For 2009 the average rating of all four criteria was well above 3.0 for all customer types except for legislators and legislative staff. This is in contrast to 2008, when the average was below 3.0 for all customer types except for OFM reviewers.

Legislative staff offered the lowest ratings for statistics (2.75) and accuracy (2.80). Legislators rated credibility and accuracy 2.33. Note that 2.0 represents “average” on the four-point scale.
Ratings by OFM reviewers similar to previous two years

### Table 6: OFM reviewers rate program, 2007 to 2009

<table>
<thead>
<tr>
<th>Rating average scale 1-5</th>
<th>2007 session</th>
<th>2008 session</th>
<th>2009 session</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very satisfied</td>
<td>Somewhat satisfied</td>
<td>Rating average</td>
</tr>
<tr>
<td>Fiscal notes are consistent in format and style.</td>
<td>50.0% (2) 50.0% (2) 4.50</td>
<td>42.9% (3) 57.1% (4) 4.43</td>
<td>66.7% (8) 25.0% (3) 4.58</td>
</tr>
<tr>
<td>The program responds promptly to information requests and revisions.</td>
<td>50.0% (2) 25.0% (1) 4.25</td>
<td>71.4% (5) 14.3% (1) 4.43</td>
<td>58.3% (7) 33.3% (4) 4.50</td>
</tr>
<tr>
<td>Staff is courteous and productive in responding to feedback.</td>
<td>50.0% (2) 25.0% (1) 4.25</td>
<td>100.0% (7) 0.0% (0) 5.00</td>
<td>83.3% (10) 16.7% (2) 4.83</td>
</tr>
<tr>
<td>Fiscal notes provide solid estimates, rather than &quot;indeterminate,&quot; whenever possible.</td>
<td>50.0% (2) 25.0% (1) 4.25</td>
<td>42.9% (3) 28.6% (2) 4.14</td>
<td>41.7% (5) 25.0% (3) 4.08</td>
</tr>
<tr>
<td>Extrapolations of data are reliable.</td>
<td>25.0% (1) 0.0% (0) 3.67</td>
<td>42.9% (3) 57.1% (4) 4.43</td>
<td>50.0% (6) 33.3% (4) 4.45</td>
</tr>
<tr>
<td>The program works effectively with other agencies on multi-agency fiscal notes.</td>
<td>50.0% (2) 50.0% (2) 4.50</td>
<td>57.1% (4) 42.9% (3) 4.57</td>
<td>66.7% (8) 16.7% (2) 4.64</td>
</tr>
</tbody>
</table>

- Twelve OFM reviewers took the survey in 2009, up from seven in 2008 and four in 2007. Even so, rating averages varied only slightly.
- The lowest rating average in 2009 was 4.08 for “fiscal notes provide solid estimates....” This was lower than 2008 (4.14) and 2007 (4.25).
- The top-rated criteria continued to be staff courteousness in response to feedback (4.83) and working with other agencies (4.64).
- The promptness of responses to revisions had a slightly higher rating average, but 12 percent fewer were “very satisfied” than in 2008.
Ratings up from respondents to fiscal note information queries

- The lowest rating average was 4.28, for “staff is adequately prepared.” This was slightly higher than the two previous years.
- The highest score was for staff courteousness, which has hovered in the 4.80 realm despite a doubling of 2009 respondents.
- The most significant rating increase was for “staff understands how state and local government work.” The 4.43 rating average for 2009 was a half a point higher than in 2008, and the proportion of “very satisfied” jumped from 35.7 percent to 51.5 percent.

These increases may partly reflect higher response rates, but also may be a product of greater staff retention and expanded training efforts.

TABLE 7: Respondents to fiscal note information queries, 2007 to 2009

<table>
<thead>
<tr>
<th>Rating average scale 1-5</th>
<th>2007 session</th>
<th>2008 session</th>
<th>2009 session</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very satisfied</td>
<td>Somewhat satisfied</td>
<td>Rating average</td>
</tr>
<tr>
<td>Staff understands how state and local government work.</td>
<td>38.5% (10)</td>
<td>34.6% (9)</td>
<td>4.08</td>
</tr>
<tr>
<td>Staff understands their role in the legislative process.</td>
<td>57.7% (15)</td>
<td>19.2% (5)</td>
<td>4.40</td>
</tr>
<tr>
<td>Staff efficiently uses your time when requesting information.</td>
<td>57.7% (15)</td>
<td>11.5% (3)</td>
<td>4.25</td>
</tr>
<tr>
<td>Staff is adequately prepared.</td>
<td>50.0% (13)</td>
<td>19.2% (5)</td>
<td>4.13</td>
</tr>
<tr>
<td>Staff is courteous.</td>
<td>80.8% (21)</td>
<td>11.5% (3)</td>
<td>4.80</td>
</tr>
</tbody>
</table>
Customer comments present a wide range of perspectives

We are big believers in the value of quantitative performance measurement. Nevertheless, over the years some of the most important insights into how we could improve have come from qualitative comments in our annual surveys. What follows is a sampling of 2009 comments. You can read the rest of them by going to http://www.commerce.gov/lgfn. Scroll down to "How are we doing?" and click on 2009.

- “Local government is complex — especially counties with multiple independent elected officials. It is tough to understand unless you are a part of it. Staff works hard to ensure they have a grasp of the situation.”

- “King County is complex and challenging, which makes it difficult for (LGFN) staff to completely understand fiscal impacts. There is also an occasional bias toward accepting state agency interpretations of impacts, which those agencies may also not understand.”

- “…I am impressed by how well the note writers stay out of policy issues.”

- “I am willing to be convinced that fiscal notes are done without bias, but the case has not yet been made.”

- “As a supplier of information, I find that the staff make a valiant attempt to learn the subject matter so they can write a credible note, even if they only have a few hours to complete the note.”

- “Due to short turnaround periods, I don’t feel that I am always contacted for input on how the legislative changes might affect our portion of the justice system and that the assumptions used are not always reflective of what we believe the effects will be.”

- “I voiced great concern about some fiscal notes in the 2008 session…. Those concerns were addressed in 2009 by staff who did a great job....”

- “Local government note on 1718 must set the record for the longest local government fiscal note. Bill was 159 pages long. Fiscal note was very well organized and accessible to the reader, despite the...”

“I thought the staff did a very good job this year. It is nice to have the same people return year after year. This builds (rapport) and they clearly have more background knowledge than when they are new....”
More customer comments

- “Can’t remember specifics, but fiscal notes are a source of great irritation to most legislators. They are often not based on reality.”

- “It’s a real challenge to (LGFN) staff to understand program areas that they are not familiar with, particularly new staff who have been hired just to perform these analyses.”

- “(For HB 2339) the fiscal note writer literally had only hours to put this note together. I had learned of the bill earlier in the day. If I had not been crunching numbers (FTEs, hours and costs) at the moment (the analyst) called, there would have been no fiscal impact noted for the county auditors. In the end the fiscal note was adequate. However, that does not alleviate the issue that, all too often, the note writers do not have sufficient time to ensure completeness of the note.”

- “Quality of work, as well as service quality, were excellent this year, building on the success of prior sessions.”

- “Sometimes it is not always clear how the figures were derived. Sometimes more data or narrative might be helpful in increasing understanding. The program does not always understand our needs. Our system is complex and so that can be expected. But communication to clarify has been good.”

- “LGFN staff are one of our very best and most reliable resources in our bill analysis.”

- “Again, short time frames and lack of good statistics often make the notes more of an art than a science. That is not necessarily a reflection on the staff, who can only create notes to the best of their ability.”

- “Staff is overworked and cannot respond to everyone quickly.”

- “Good communication and well-written fiscal notes from what I’ve seen.”

- “Responses to phone messages to discuss draft fiscal notes was often one to two days plus — too slow during session.”

- “...I’m impressed with the quality of LGFN staff, both new and veteran, and the quality of questions about bills and issues that I receive.”

- “Volume of material contained in the bill.”

- “Sometimes it is not always clear how the figures were derived. Sometimes more data or narrative might be helpful in increasing understanding. The program does not always understand our needs. Our system is complex and so that can be expected. But communication to clarify has been good.”

- “LGFN staff are one of our very best and most reliable resources in our bill analysis.”

- “Again, short time frames and lack of good statistics often make the notes more of an art than a science. That is not necessarily a reflection on the staff, who can only create notes to the best of their ability.”

- “Staff is overworked and cannot respond to everyone quickly.”

- “Good communication and well-written fiscal notes from what I’ve seen.”

- “Responses to phone messages to discuss draft fiscal notes was often one to two days plus — too slow during session.”

- “...I’m impressed with the quality of LGFN staff, both new and veteran, and the quality of questions about bills and issues that I receive.”
Maintaining momentum in a time of uncertainty

The performance data for the 2009 legislative session suggest that our entrepreneurial business model has improved the timeliness and quality of local government fiscal notes.

Of course, there is still plenty of room for improvement. Based on customer feedback, for the 2010 session we are focusing on the following areas:

- Improving accuracy and statistical information.
- Reducing the proportion of late notes due to unexpected spikes in assignments in key subject areas such as taxes and criminal justice.
- Reducing our revision rate, particularly for technical glitches.
- Reducing note revision response times to OFM.

Our main tool for addressing these issues has been to retain all eight staff members from last session via a fee-based, contracted research wing.

Engaging in contracted research outside of legislative sessions cannot substitute for state General Fund support for producing fiscal notes. However, this service allows us to no longer rely upon a revolving door of entry-level session temps with one week of training.

Our biggest concern regarding the 2009 survey was the low response rates from legislators and, to a lesser degree, legislative staff. To increase the response rate for 2010 we plan to open the survey before the end of session. We also plan to put more emphasis on stakeholder outreach efforts in the 2010 interim.

If we can stay the course with our business model, we are confident that our contracted research wing will generate sufficient funds to retain core staff for the 2011 session. This is central to maintaining the quality and timeliness of our notes.
Acknowledgements

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