

Presentation

MEMORANDUM

September 22, 2010

TO: Management and Fiscal Policy Committee

FROM: ^{AT} Aron Trombka, Senior Legislative Analyst
Sarah Downie, Research Associate ^{SD}
Office of Legislative Oversight

SUBJECT: **Office of Legislative Oversight Report 2010-10: *Fiscal Impact Statements for Legislation***

On September 27, 2010, the Management and Fiscal Policy Committee will hold a worksession on OLO Report 2010-10, released by the County Council on July 13, 2010. Councilmember Knapp sponsored this project and requested that OLO review past fiscal impact statements for legislation to summarize their characteristics.

OLO examined fiscal impact statements prepared by the Executive Branch from January 2005 through May 2010. In this report, OLO describes the content and presentation of information included in these fiscal impact statements. This report also summarizes the origins of fiscal impact statements for legislation, outlines the process for developing the statements, and summarizes the requirements for similar documents in other jurisdictions. As directed by the Council, OLO offers recommendations on how to make fiscal impact statements more informative and relevant to Council decision-making. The report's Executive Summary is attached starting on © 1.

In response to OLO's recommendations, on July 27, 2010, the Council introduced Expedited Bill 43-10, *Administration – Legislative Branch – County Council – Fiscal Impact Statements*, which would require the Director of the Office of Management and Budget to submit a fiscal impact statement to the Council for each bill under consideration and describes the content that each fiscal impact statement must include. The first worksession on Bill 43-10 follows this item on the Committee's agenda for September 27, 2010.

Joseph Beach, Director of the Office of Management and Budget, will represent the County Executive at the worksession.

Report Recommendations

This section summarizes OLO's recommendations on fiscal impact statements. As introduced, Bill 43-10 includes most of these recommendations except it applies only to legislation, while OLO's recommendations apply to both legislation and Executive Regulations. The full recommendations chapter from the report is attached to this memo (see © 4). The County Executive's comments on these recommendations are also attached (see © 9).

OLO recommends that the County Council:

1. **Amend the County Code to require that the Executive Branch prepare a fiscal impact statement for all pending legislation and Executive Regulations** to increase attention given to the fiscal consequences of Council decision-making.
2. **Specify the required content of fiscal impact statements** to ensure that these documents provide sufficient information to weigh revenue and cost considerations during legislative and regulatory decision-making. At a minimum, a fiscal impact statement should:
 - Present fiscal estimates for a single bill or regulation;
 - Specify the sources of information, assumptions, and methodologies used;
 - Estimate costs regardless of whether the revenues or expenditures are assumed in a recommended or approved budget or whether an additional appropriation is needed;
 - Estimate revenues and costs for the next six fiscal years;
 - Include an actuarial analysis for legislation that affects retiree benefits;
 - Identify subsequent actions that will determine future revenues and costs;
 - Estimate the staff time needed to implement the legislation or regulation;
 - Indicate how the addition of new staff responsibilities will affect other duties;
 - Describe variables that could affect revenue and cost estimates;
 - Use ranges to estimate revenues or costs that are uncertain or difficult to project; and
 - Explain why a bill or regulation has no or indeterminate fiscal impact.
3. **Establish target dates for receipt of fiscal impact statements** to allow timely review by Councilmembers, Council staff, and the public.

<i>For this Type of Action:</i>	<i>The Executive Branch Should Transmit the Fiscal Impact Statement:</i>
Legislation introduced at the request of the Executive	No later than one week before the date of the public hearing.
Legislation sponsored by Councilmember(s)	Within three weeks of introduction or one week before the date of the public hearing, whichever is later.
Executive Regulations	Attached to the proposed regulation.

4. **Direct Council staff to identify the fiscal impact as a discussion item in packets for pending bills and regulations** to increase the prominence of fiscal information.

FISCAL IMPACT STATEMENTS FOR LEGISLATION

OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2010-10 JULY 13, 2010

Fiscal impact statements refer to the Executive Branch's estimates of the fiscal consequences to County Government of implementing pending legislation and Executive Regulations. This Office of Legislative Oversight report responds to the County Council's request to examine the information presented in fiscal impact statements and offer recommendations on how to make future statements more relevant for Council decision-making.

ORIGIN/REQUIREMENTS

The current requirement to prepare fiscal impact statements for legislation resides in a little-known document called the "Montgomery County Plain Language Drafting Manual," adopted by the Council in 1985 "to help employees and officials draft bills, ordinances, regulations, resolutions, and forms that laypersons can understand." The Council's Rules of Procedure require that legislation comply with the drafting guidelines and formatting requirements of the Drafting Manual.

The Drafting Manual requires that a sponsor requesting introduction of a bill must submit a "legislative request report" that includes a fiscal impact statement. The Drafting Manual defines fiscal impact as "a detailed estimate of fiscal impact on capital the [sic] program and operating budget in the first and succeeding years." The Drafting Manual contains no additional guidance on the purpose, scope, or content of fiscal impact statements.

The current requirement to prepare fiscal impact statements for Executive Regulations is contained in Administrative Procedure (AP) 1-12. AP 1-12 defines the fiscal summary as the "presentation of the incremental increase or decrease in expenditures and revenues for the current and next fiscal years."

THE PREPARATION PROCESS

When the Council introduces a bill, the Office of the Chief Administrative Officer requests that the Office of Management and Budget (OMB) prepare a fiscal impact statement. OMB then asks staff in the department(s) that would be responsible for implementing the legislation (if it is enacted) to estimate its fiscal impact. OMB reviews the assumptions and calculations used to determine the fiscal impact and, in some cases, revises the fiscal impact estimates prepared by a department. The Executive Branch has no formal standards governing the format or content of fiscal impact statements prepared for legislation.

According to OMB staff, the Executive Branch aims to send the fiscal impact statement to the Council before the public hearing on the legislation, although this is more challenging for expedited bills. Of the 78 fiscal impact statements written by the Executive Branch in 2008 and 2009, 71% were transmitted to the Council by the time of the public hearing for the legislation.

Once the fiscal impact statement is transmitted to the Council, the Legislative Attorneys attach it to all subsequent packets (for a public hearing, worksession, or action) for the bill. OLO found that 78% of packet memos for legislation included (at minimum) a brief discussion of the fiscal impact of the legislation.

Executive Branch departments also prepare fiscal impact statements for Executive Regulations. These fiscal impact statements are reviewed by OMB and transmitted to the Council as a memo from an OMB staff member to the OMB Director.

STATEMENT CONTENT

OLO reviewed more than 200 fiscal impact statements prepared for bills considered by the Council between January 2005 and May 2010. A great degree of variability existed in the amount, type, and presentation of information included in the fiscal impact statements reviewed. Some contained only a single sentence estimating revenues or costs, while others were lengthy and included extensive explanations and supporting tables. The variability in content is likely a product of two factors:

1. Complexity of Bill: The level of complexity and the fiscal consequences differ significantly from bill to bill. Some legislation clearly does not impact County revenues or costs, and so requires only a simple statement to present this conclusion. Other bills change tax structures, implement new programs, modify employee benefits, or produce other outcomes with significant fiscal consequences.
2. Lack of Standard: No document exists that defines the required content, format, or presentation of fiscal impact statements. Without this standard, it is difficult for decision-makers to measure the adequacy or thoroughness of the information included in a fiscal impact statement.

OLO observed the following variations in fiscal impact statements that result from the lack of standard for the content of these documents.

- Presentation of Methodology and Assumptions: Some fiscal impact statements include detailed explanations of data sources, formulas, and calculations. Others include little or no explanation of the methodology or formulas used.
- Time Period: Fiscal impact statements address a wide range of time periods for revenue and cost estimates. In some instances, the Executive Branch estimates the effect of the proposed legislation for several years into the future; in many other cases, fiscal impact statements estimate costs and/or revenues for only a single year.
- Staff Cost and Increased Workload: Fiscal impact statements do not consistently provide a measure of the staff effort that will be required for implementation. Often fiscal impact statements do not quantify the amount of additional staff time needed to implement new programs nor do they describe how added workload would affect the performance of other staff responsibilities.
- Fiscal Impact and Budget Assumptions: Some fiscal impact statements measure the fiscal impact of a bill against revenue and costs projections assumed in the operating budget. If the fiscal consequences of a bill had been assumed in an approved or recommended budget, then the Executive Branch asserts that the bill would have no fiscal impact. Embedding Executive budget assumptions into fiscal impact statements distorts the full anticipated cost of pending bills and regulations.
- Authorization to Expend: Some legislation does not directly result in the expenditure of public funds but rather authorizes a County agency to spend money through subsequent action. For authorization bills of this sort, some fiscal impact statements have acknowledged that the fiscal impact would be determined later. In other cases, however, the statement asserted that the bill had no fiscal impact.
- Accounting for Uncertainties and Unknowns: In estimating the fiscal impact of legislation or regulation, uncertainty may exist about contributing factors such as the level of program participation or future economic conditions. In some instances, the fiscal impact statement did not attempt to quantify future revenues or costs because of uncertainty in program implementation. In other fiscal impact statements, the Executive Branch cites the unavailability of data as the reason for not quantifying the cost of legislation. In a few cases, fiscal impact statements have presented estimated costs within a range.

OFFICE OF LEGISLATIVE OVERSIGHT'S RECOMMENDATIONS

Fiscal impact statements that include a thorough assessment of future revenues and costs provide the Council with the information necessary to weigh the policy goals against the budgetary effects of proposed legislative and regulatory action. OLO presents the following recommendations to make fiscal impact statements more informative and relevant for Council decision-making.

1. **Amend the County Code to require that the Executive Branch prepare a fiscal impact statement for all legislation and Executive Regulations.** To increase attention given to the fiscal consequences of Council decision-making, OLO recommends that the Council amend local law to require that the Executive Branch prepare a fiscal impact statement for all pending legislation and Executive Regulations.
2. **Specify the required content of fiscal impact statements.** OLO recommends that the Council specify the types of information that must be included in a fiscal impact statement. The reason for this is to ensure that these documents provide sufficient information to weigh revenue and cost considerations during legislative and regulatory decision-making. At a minimum, fiscal impact statement should:
 - Specify the sources of information, assumptions, and methodologies used;
 - Estimate revenues and costs for the next six fiscal years;
 - Include an actuarial analysis for legislation that affects retiree benefits;
 - Present fiscal estimates for a single bill or regulation;
 - Identify subsequent actions that will determine future revenues and costs;
 - Estimate the staff time needed to implement the legislation or regulation;
 - Indicate how the addition of new staff responsibilities will affect other duties;
 - Estimate costs regardless of whether an additional appropriation is needed;
 - Describe variables that could affect revenue and cost estimates;
 - Use ranges to estimate revenues or costs that are uncertain or difficult to project; and
 - Explain why a bill or regulation has no or indeterminate fiscal impact.
3. **Establish target dates for receipt of fiscal impact statement.** To allow timely review by Councilmembers, Council staff, and the public, the Council should set target dates for receipt of fiscal impact statements. OLO's recommended time frames are summarized in the table below.

<i>For this Type of Action:</i>	<i>The Executive Branch Should Transmit the Fiscal Impact Statement:</i>
Legislation introduced at the request of the Executive	No later than one week before the date of the public hearing.
Legislation sponsored by Councilmember(s)	Within three weeks of introduction or one week before the date of the public hearing, whichever is later.
Executive Regulations	Attached to the proposed regulation.

4. **Direct Council staff to identify the fiscal impact as a discussion item in packets for pending bills and regulations.** Council Staff routinely append the Executive Branch's fiscal impact statements to their Committee and Council packets for pending bills and regulations. As an attachment, fiscal impact information can be lost among the collection of other documents relevant to the legislation or regulation. To increase the prominence of fiscal information, the Council should direct staff to include a summary (and when warranted, an analysis) of the Executive Branch's fiscal impact statement as a worksession discussion item.

CHAPTER VI: OLO RECOMMENDATIONS

Fiscal impact statements that include a thorough assessment of future revenues and costs provide the Council with the information necessary to weigh the policy goals against the budgetary effects of proposed legislative action. This chapter presents OLO's recommendations on how to make fiscal impact statements more informative and relevant for Council decision-making.

Recommendation #1: Amend the County Code to require that the Executive Branch prepare a fiscal impact statement for all legislation and regulations.

As detailed in Chapter II, the current requirement to prepare fiscal impact statements for legislation resides in the "Montgomery County Plain Language Drafting Manual," a little-known, 25-year-old document with limited legal authority. To increase attention given to the fiscal consequences of Council decision-making, OLO recommends that the Council amend the County Code to include a requirement that the Executive Branch prepare a fiscal impact statement for all pending legislation.³⁹ The Code governs the activities of both the Executive and the Council, and so is the most appropriate location for this requirement.

In addition, OLO suggests that the Council also amend the Code to require that the Executive Branch prepare fiscal impact statements for regulations.⁴⁰ In some cases, approval of regulations may result in changes to agency revenues or costs. Council decision-making would benefit from information on the fiscal effects of regulatory actions.

The amended Code should provide a definition of the term, "fiscal impact statement." OLO suggests the following definition: "an estimation of future County agency revenues and costs that will result from enactment of legislation or approval of a regulation." The next recommendation addresses the content of fiscal impact statements.

Recommendation #2: Specify the required content of a fiscal impact statement.

As discussed in Chapter IV, no document exists that defines the required content, format, or presentation of fiscal impact statements. As a result, past fiscal impact statements have come in a variety of forms with differing levels of detail. OLO recommends that the Council specify (in the County Code) the types of information that must be included in a fiscal impact statement.

OLO suggests that the Council adopt a set of requirements for future fiscal impact statements as appears on the next page. The intent of these requirements is to ensure that fiscal impact statements consistently provide the Council with sufficient information to weigh revenue and cost considerations during legislative and regulatory decision-making.

³⁹ Legislation includes bills enacted under the County's home rule legislative authority, zoning text amendments, subdivision regulation amendments, and Board of Health regulations.

⁴⁰ Regulations include any action that is subject to regulatory authority under 2A-15 (Administrative Procedures Act) of the County Code.

Summary of OLO Recommendation on the Content of Fiscal Impact Statements

A fiscal impact statement must:

- **Specify sources of information, assumptions, and methodologies used (see Recommendation 2.1);**
- **Estimate revenues and costs for the next six fiscal years (2.2);**
- **Include an actuarial analysis for legislation that affects retiree benefits (2.2);**
- **Present fiscal estimates for a single bill or regulation (2.3);**
- **Identify subsequent actions that will determine future revenues and costs (2.4);**
- **Estimate the staff time needed to implement the legislation or regulation (2.5);**
- **Indicate how the addition of new staff responsibilities will affect other duties (2.5);**
- **Estimate costs regardless of whether an additional appropriation is needed (2.6);**
- **Describe variables that could affect revenue and cost estimates (2.7);**
- **Use ranges to estimate revenues or costs that are uncertain or difficult to project (2.7);**
- **Explain why a bill or regulation has no or indeterminate fiscal impact (2.8).**

Further detail and justification for these recommendations follows.

Recommendation 2.1: A fiscal impact statement must specify the sources of information, assumptions, and methodologies used to estimate future revenues and costs.

Justification: In reviewing fiscal impact statements prepared by the Executive Branch over the past five years, OLO found a great variety in the amount of information provided to support revenue and cost estimates. Some fiscal impact statements included detailed explanations of data sources, formulas, and calculations. In other cases, the fiscal impact statement provides little or no supporting information. Inclusion of these details would allow Councilmembers, Council staff, and the public to evaluate the thoroughness and reasonability of fiscal estimates and would provide the basis for calculating alternative revenue or cost scenarios.

Recommendation 2.2: A fiscal impact statement must estimate revenues and costs for the next six fiscal years. The fiscal impact statement for legislation that affects future pension or retiree group insurance costs must include an actuarial analysis of costs through the entire amortization period.

Justification: No standard exists regarding the time period for revenue and cost estimates. Some statements estimated fiscal impact for several years into the future; others estimated revenues and/or costs for only a single year. Often, the full fiscal impact of legislation or regulation is realized many months or years after Council action. To align with the County's six-year fiscal plan, future fiscal impact statements should consistently cover a six-year time frame. Fiscal impact statements should take into account that adjustments to retiree benefits may have fiscal consequences that extend for up to 40 years.

Recommendation 2.3: The Executive Branch must prepare a separate fiscal impact statement for each bill or regulation.

Justification: In some instances, the Executive Branch has prepared a single fiscal impact statement for multiple bills. Combining bills into a single statement obscures the fiscal impact of individual actions. OLO recommends separate statements for each bill or regulation.

Recommendation 2.4: Fiscal impact statements must identify subsequent governmental actions that will ultimately determine future revenues and costs.

Justification: Some legislation does not directly result in the expenditure of public funds but rather authorizes a County agency to spend money or expands the authorized uses of certain types of revenue. The Council should require that fiscal impact statements estimate the fiscal consequences for legislation or regulation that authorize future spending. In addition, a fiscal impact statement should indicate whether projected costs are subject to future appropriation.

Recommendation 2.5: A fiscal impact statement must estimate the staff time needed to implement the legislation or regulation and must indicate how the addition of new staff responsibilities will affect other agency/department duties.

Justification: The cost of legislation or a regulation is not measured in dollars expended alone. Sometimes, implementation of a new program requires existing staff to perform additional work. If the effort required to perform a new program is significant, then implementation of that program could divert staff from their previously assigned duties. Fiscal impact statements should account for the opportunity cost of adding new responsibilities to existing staff.

Recommendation 2.6: A fiscal impact statement must include an estimate of projected costs of the proposed legislation or regulation, regardless of whether it requires an additional appropriation or can be absorbed within the existing budget.

Justification: For some fiscal impact statements, if the fiscal consequences of a bill had been assumed in an approved or recommended budget, then the Executive Branch asserted that the bill would have no fiscal impact. OLO prefers that fiscal impact statements assess projected fiscal conditions resulting from implementation of a bill or regulation independent of assumptions used in the budgeting process.

Recommendation 2.7: A fiscal impact statement must describe variables that could affect revenue and cost estimates. When factors that affect future revenues or costs are uncertain or difficult to project, a fiscal impact statement should estimate revenues or costs in ranges.

Justification: In many cases, factors that ultimately will affect the revenues and costs associated with a bill are not fully known before enactment of the legislation. When the Executive Branch drafts a fiscal impact statement, uncertainty may exist about factors such as the level of program participation or future economic conditions. Fiscal impact statements should describe the variables that could affect revenue and cost projections. Presentation of estimated revenues or costs in a range would appropriately inform the Council about the fiscal uncertainty that exists prior to implementation of a program.

Recommendation 2.8: If the Executive Branch estimates that a bill or regulation will have no fiscal impact or if the fiscal impact cannot reasonably be estimated, then the fiscal impact statement must explain why this is the case.

Justification: OLO acknowledges that, in some cases, the level of uncertainty may be sufficiently great that reasonable projection of future revenues and costs may not be possible. In such cases, OLO recommends that the fiscal impact statement explain why a revenue or cost estimate cannot be made.

Recommendation #3: Establish target dates for receipt of fiscal impact statement.

To allow timely review by Councilmembers, Council staff, and the public, the Council should set target dates for the Executive Branch to transmit fiscal impact statements. OLO recommends that the Council adopt the following standards for transmittal of fiscal impact statements.

<i>For this Type of Action:</i>	<i>The Executive Branch Should Transmit the Fiscal Impact Statement:</i>
Legislation introduced at the request of the Executive	No later than one week before the date of the public hearing.
Legislation sponsored by Councilmember(s)	Within three weeks of introduction or one week before the date of the public hearing, whichever is later.
Regulations	Attached to the regulation.

Legislation introduced at the request of the Executive: The Executive Branch should submit a fiscal impact statement no later than one week before the date of the public hearing. It is a reasonable expectation that the Executive Branch evaluate the fiscal consequence of legislation before recommending it to Council. Therefore, OLO suggests that the Council request receipt of a fiscal impact statement soon after the Executive transmits a request for legislation. A deadline of one week before the public hearing will allow revenue and cost projections to be part of the public dialogue on the bill.

Legislation sponsored by Councilmembers: The Executive Branch should submit a fiscal impact statement within three weeks of introduction or one week before the date of the public hearing, whichever is later. Because the Executive Branch cannot always anticipate legislation proposed by Councilmembers, OLO recommends setting a different target submission date for Councilmember-sponsored bills. In these cases, OLO proposes allowing the Executive Branch a minimum of three weeks to prepare a fiscal impact statement. In extraordinary circumstances when the Council holds a public hearing fewer than three weeks after introduction, the Executive Branch should make an effort to submit the fiscal impact statement before the public hearing.

Amendments to Legislation: After receiving public comment and staff analysis, Councilmembers often propose amendments to pending legislation. When requested by the Council, the Executive Branch should calculate the fiscal impact of proposed amendments to a bill so that the Council could consider this information before voting on the legislation.

Regulations: The Executive should append the fiscal impact statement to the regulation when it is transmitted to the Council. The Executive publishes proposed regulations in the Montgomery County Register at least one month before transmitting the regulation to the Council. This schedule provides sufficient time for the Executive Branch to prepare a fiscal impact statement before Council receipt of the regulation. Therefore, OLO suggests that the Executive Branch transmit the fiscal impact statement attached to each proposed regulation.

Recommendation #4: Direct Council staff to identify the fiscal impact as a discussion item in packets for pending bills and regulations.

At present, Council Staff routinely append the Executive Branch's fiscal impact statements to their Committee and Council packets for pending bills and regulations. As an attachment, fiscal impact information can be lost among the collection of other documents relevant to the legislation or regulation. To increase the prominence of fiscal information, the Council should direct staff to include a summary (and when warranted, an analysis) of the Executive Branch's fiscal impact statement as a worksession discussion item.

Furthermore, when Councilmembers propose amendments to legislation that could affect estimated revenues and costs, Council staff should ask OMB to update its fiscal analysis.

CHAPTER VII: AGENCY COMMENTS

The Office of Legislative Oversight circulated a final draft of this report to the Chief Administrative Officer for Montgomery County. OLO appreciates the time taken by Executive Branch staff to review the draft report and provide feedback. OLO's final report incorporates technical comments and corrections provided by the Executive Branch.

Written comments from the Chief Administrative Officer on the final draft report begin on the next page.



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

July 2, 2010

TO: Karen Orlansky, Director, Office of Legislative Oversight
FROM: Joseph F. Beach, Director
SUBJECT: OLO Report 2010-10, Fiscal Impact Statements for Legislation

This memorandum is to provide comments to the subject report. I want to thank the Office of Legislative Oversight (OLO) for another excellent report and, in particular, recognize the thorough and collaborative work done by OLO Staff Aron Trombka and Sarah Downie. Generally, I concur with the recommendations of the report. However, I offer the following comments for certain recommendations noted below.

Recommendation 1: Amend the County Code to require that the Executive prepare a fiscal impact statement for all legislation and regulations.

I agree with this recommendation, but recommend that the definition remain consistent with the description in Administrative Procedure 1-12 noted in the report "...incremental increase or decrease in expenditures and revenues for the current and next fiscal years." The incremental increase should be measured in relation to the current approved budget.

Recommendation 2.1: A fiscal impact statement must specify the sources of information, assumptions, and methodologies used to estimate future revenues and costs.

I generally agree with this recommendation, but some legislative or regulatory changes are purely technical and do not have a fiscal impact. In such cases, the Office of Management and Budget (OMB) will note the basis for this conclusion. For example, Expedited Bill 38-10, Buildings-Adequate Public Facilities – Definitions merely changed the definition of "existing buildings" and did not require additional County resources or processes.

Recommendation 2.3: The Executive must prepare a separate fiscal impact statement for each bill or regulation.

Generally, I agree with this recommendation and believe that OMB complies with this recommendation in almost all fiscal impact statements provided to the Council. The one example provided as the basis for this recommendation related to changes brought about by a collective bargaining agreement. OMB actually complied with the fiscal impact statement requirement early (before introduction of the legislation) by including the estimates in the recommended budget. I do not believe that the fiscal impact

Office of the Director

in this instance was "obscured." In that fiscal impact statement, the cost of each change was identified and explained. No additional information would have been conveyed or was necessary if it had been provided in separate memos; OMB would have simply prepared more memos in a less efficient manner. It was administratively more efficient with no loss of substantive information to combine the estimates into one memo.

Recommendation 2.4: Fiscal impact statements must identify subsequent governmental actions that will ultimately determine future revenues and costs.

I agree that the fiscal impact statement should identify the subsequent government action that will determine the future revenues and expenditures, but do not concur that a specific dollar value should be provided because it would be purely speculative and not of much value to the legislative decision. For example, Expedited Bill 8-10, Finance-Public Facilities Agricultural Easements amended the definition of public facilities in Section 201-14 of the County Code and thereby authorized the use of a different type of funding (General Obligation Bonds) for the purchase of agricultural easements. However, this legislation did not require any minimum or maximum limit on the use of these funds. Given the Council's unrestricted discretion in this matter, it would have been purely speculative and not of any analytical value to assign a specific dollar value to approval of this legislation. However, if essential information on potential impacts exists that would be relevant to the legislation that information will be provided in the fiscal impact statement.

Recommendation 2.5: A fiscal impact statement must estimate the staff time needed to implement the legislation or regulation and must indicate how the addition of new staff responsibilities will affect other agency/department duties.

I generally concur with the recommendation; however, I suggest some parameters, such as disclosing and estimating only if it would result in a cost greater than one (1) workyear.

Recommendation 2.7: A fiscal impact statement must describe variables that could affect revenue and cost estimates. When factors that affect future revenues or costs are uncertain or difficult to project, a fiscal impact statement should estimate revenues or costs in ranges.

OMB usually does not know enough about risk and uncertainty to place error ranges in our estimates. There are variables present in almost every legislative and regulatory change. I believe that specifying our assumptions and identifying variables should normally suffice to indicate the variability of the estimates provided. However, when sufficient information is available and it would be relevant to the decision, OMB can provide estimates of revenues or costs in ranges.

Recommendation 3: Establish target dates for receipt of fiscal impact statement.

OMB will make our best efforts to comply with these target dates, but note that given the reductions in staff across all departments, including OMB and the existing hiring freeze, it will be a challenge to both make the recommended changes in the format and content of the fiscal impact statements and comply with more aggressive submission deadlines.

JFB:df

c: Kathleen Boucher, Assistant Chief Administrative Officer
OMB Staff