

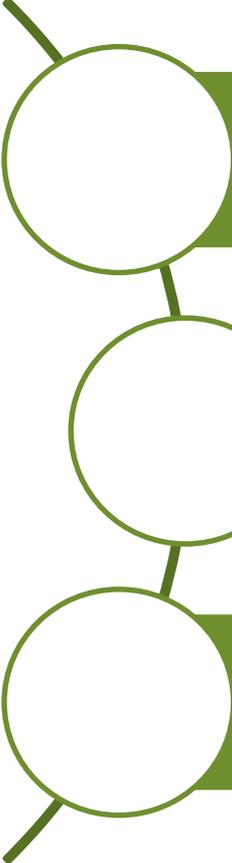


# COMPLETING A 10-YEAR COST ANALYSIS

Agency Training

January 4-5, 2018

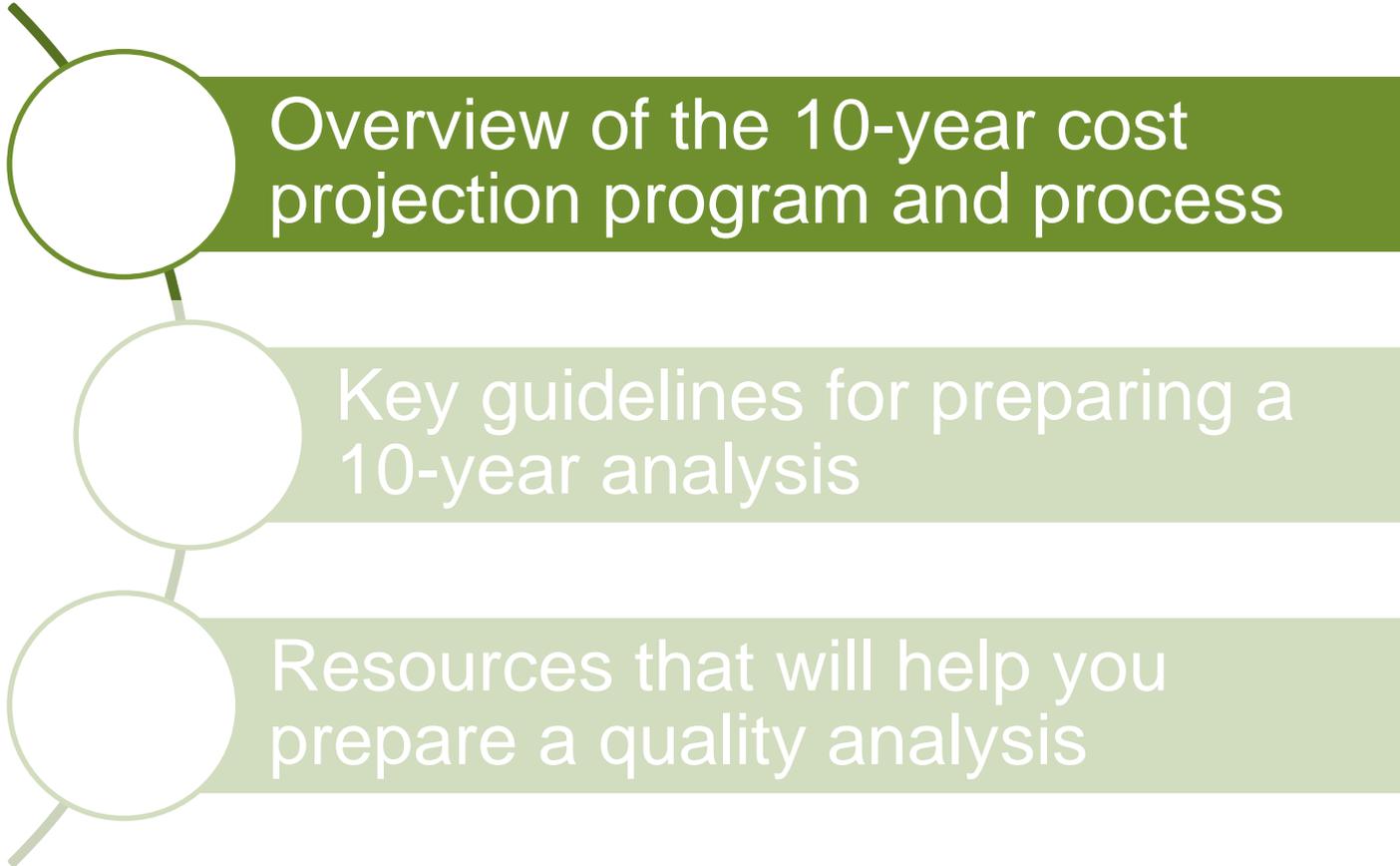
# Training Agenda



Overview of the 10-year cost projection program and process

Key guidelines for preparing a 10-year analysis

Resources available to help you prepare a quality analysis





## A 10-year cost projection is...

An estimate of the 10-year cost to tax or fee payers of any proposed legislation that would impose new taxes or fees, or raise current taxes or fees.



# 10-year cost projections

In 2007, voters approved I-960. Requires OFM to:

- Prepare a 10-year cost projection for all bills raising taxes or fees. OFM relies on agencies – subject matter experts.
- Distribute the most current 10-year cost projection to all legislators, and to members of the media and public who request the projections.
- Notices must be distributed each time the bill moves through the legislative process.
- RCW 43.135.031



# Process Summary

10-year team reads every bill and bill amendment.



10-year team requests a 10-year analysis and fiscal note.



Agency staff prepare and submit the 10-year analysis and fiscal note.



OFM analyst reviews the analysis and fiscal note, and then approves both.

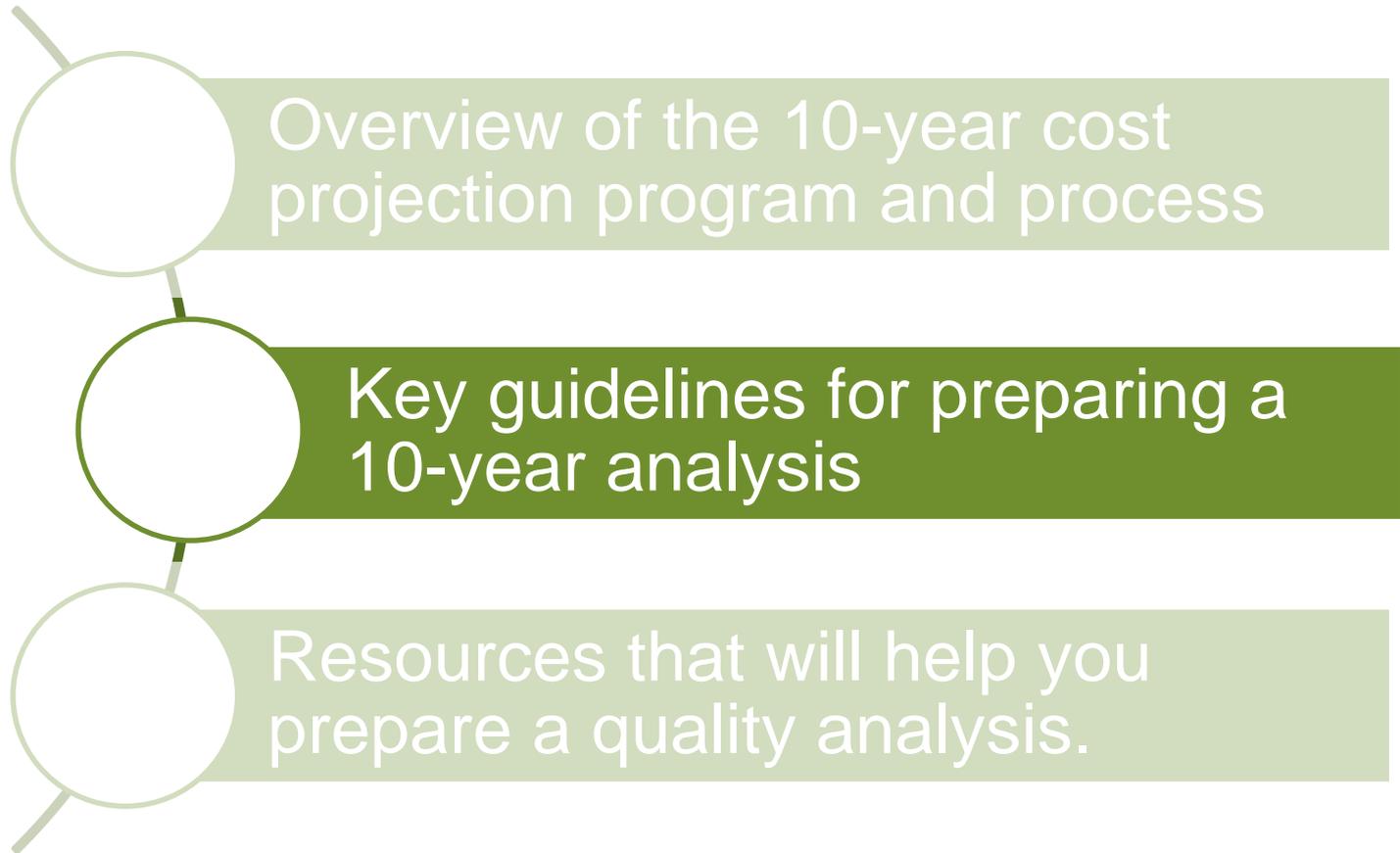


Derek does a technical review, and then creates and distributes the appropriate notice.



# 10-Year Analysis vs. Fiscal Note

1. Not a component of the fiscal note and it must “stand” on its own.
2. Revenue calculations may be different.
3. By law, a 10-year analyses take precedence over fiscal notes.



Overview of the 10-year cost projection program and process

Key guidelines for preparing a 10-year analysis

Resources that will help you prepare a quality analysis.



# Guidelines: Tax and Fee Titles

Show each source of revenue separately, using a title that is meaningful to the public.

- Each source is considered a separate fee or tax.
- Use a descriptive title for the source, not the account name.
- Think in terms of who is paying the fee and for what purpose the fee is paid.

Show each account within the source, using the exact same tax or fee title.



## Guidelines: Narrative when there is revenue

Briefly describe what the bill does that triggers a 10-year cost analysis. The best narratives reference the relevant section numbers.

Briefly describe and quantify the cash receipts impact of the legislation on your agency, including rates, calculations and assumptions.



# Narrative Examples

## **Example of Inadequate Narrative:**

Section 1 imposes a \$720 fee on the licensee but it is unknown how many of these centers will apply for a license.

## **Example of Adequate Narrative:**

This bill establishes a Senior Center license to be issued to nonprofit organizations whose primary service is to provide recreational and social activities for seniors on the premises. The license would permit the licensee to sell spirits by the individual glass for consumption on the premises. A \$720 fee is imposed on the licensee. It is unknown how many of these centers will apply for a license and therefore the total cost to fee payers cannot be estimated.



# Guidelines: Netting Rules

Same bill, same account: Net tax increases and decreases against each other. It does *not* need to be the same tax.

For the same tax, show the increases and decreases on the same line.

For different taxes, show the increases and decreases on separate lines using the appropriate tax titles.

Do not net fee increases and decreases against each other. Do not net changes in fees and taxes against each other.

Use narrative section to provide additional details or context.



# Guidelines: No Cash Receipts

All agencies affected by a bill must submit a 10-year analysis.

If your agency does not administer or collect the tax or fee, check the “No Cash Receipts” box.

If your agency is responsible for administering or collecting a tax or fee but there are no cash receipts, you must provide an explanation in the narrative section.



# Guidelines: Indeterminate Impact

Check the “indeterminate” box. In the narrative section:

- Describe why the bill triggers a 10-year, who is affected and how.
- If available, include the cost to the individual tax or fee payer, usually in the form of the rate authorized in the bill.
- Explain why the cost to the individual tax or fee payer is indeterminate.



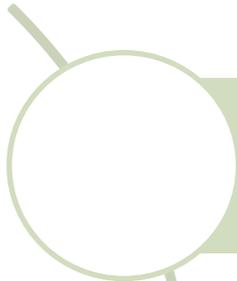
# Guidelines: Partially Indeterminate

Check the “partially indeterminate” box. This is important, otherwise the system will not pull the narrative into the notice.

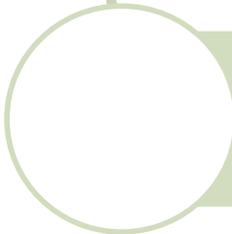
Use the narrative to:

- Describe what the measure does that triggers a 10-year
- Identify which cash receipts can be estimated and which cannot be estimated
- Explain why total cash receipts cannot be estimated
- Include assumptions

Include numbers in the grid for the parts that can be determined.



Overview of the 10-year cost projection program and process



Key guidelines for preparing a 10-year analysis



Resources that will help you prepare a quality analysis.

# Resources: [www.ofm.wa.gov/budget](http://www.ofm.wa.gov/budget)

**Office of Financial Management**  
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## Budget

OFM performs an ongoing role in the planning, analysis, and implementation of the Governor's budget. We provide recommendations to the Governor and presenting the Governor's budget to the Legislature. Additionally, we monitor state agency activities for conformance with the Governor's budget.

**State budgets**

- ▶ 2018 supplemental budgets
- ▶ 2017-19 enacted budgets
- ▶ 2017-19 Governor Inslee's proposed budget
- ▶ 2017 enacted supplemental budgets

**Budget instructions**

- ▶ Allotment instructions
- ▶ Operating budget and strategic plan instructions
- ▶ Capital budget instructions
- ▶ Transportation budget instructions
- ▶ **Other instructions**
- ▶ Budget forms
- ▶ Budget-related information

Agencies

Fiscal impact of proposed legislation

- ▶ General election ballot measures
- ▶ Tax & fee proposals
- ▶ Fiscal impact statements (fiscal notes)

State budget & agency budget

Find your OFM budget

## Ten-Year Analysis (Initiative 960)

- For general 10-year analysis (I-960) instructions, see fiscal note and 10-year cost analysis instructions for agencies above.
- [Tools and resources](#)
- [OFM Implementation Criteria for Initiative 960](#)
- Ten-Year Analysis Tips
  - [Analysis required on all bill versions](#)
  - [Indeterminate estimates](#)
  - [Narrative](#)
  - [Netting rules - how to treat decreases](#)
  - [Tax and fee titles](#)
  - [Tax or fee flags](#)
- [Ten-year analysis training powerpoint](#) (Highlights of material covered in OFM training sessions)



For questions about a 10-year analysis, please contact:

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For technical assistance with FNS, please contact the  
WaTech Solutions Center at (360) 407-9100 or  
[solutionscenter@watech.wa.gov](mailto:solutionscenter@watech.wa.gov)