

**From:** Valerie Rose  
**Sent:** Thursday, April 13, 2023 12:44 PM  
**To:** House Finance Legislation  
**Cc:** Brodie Anderson; Helen Phillips; Alexei Painter  
**Subject:** Legislative Finance: Response to House Finance Question on Out-Year Fiscal Note Costs

Good morning,

In the House Finance Committee hearing held at 1:30 PM on Wednesday, April 12<sup>th</sup>, a question was asked by members of the committee about how costs represented in the out-years of a fiscal note are reflected in the budget.

If a fiscal note contains an appropriation request or a proposed decrement, in either the “FY20XX Appropriation Requested” or “Included in the Governor’s FY20XX Request” columns for the upcoming fiscal year’s budget, that amount is reflected in the base going forward. However, out-year costs represented in a fiscal note that differ from the initial appropriation are *not* automatically appropriated in the out-years; a relatively rare exception would be if the fund source of the fiscal note was a fund that did not require further legislative appropriation to be spent from. Out-year costs that are included in a fiscal note adopted by the legislature, for legislation which is then enacted, must be requested by the Governor as part of the executive branch’s budget submission in the budget proposal for the affected fiscal year. This is true of either increments or decrements. When submitted by the Governor, these transactions should include information that indicates the increment – or decrement – is related to a fiscal note. An example of this is included below for clarity:

		Trans Type	Total Expenditure	Personal Services	Travel
<b>Inpatient Mental Health</b>					
<b>Designated Evaluation and Treatment</b>					
Second Year of Mental Health Facilities & Meds (Ch41 SLA22 (HB172))		Inc	904.0	0.0	0.0
1007 I/A Rcpts (Other)			150.0		
1037 GF/MH (UGF)			754.0		
<b>* Allocation Total *</b>			904.0	0.0	0.0

The Legislative Finance Division reviews these transactions and verifies the amounts that the executive branch includes in their budget submission against the relevant fiscal note that was adopted with the enacted legislation. If there is a divergence from the note and an explanation is not included in the transaction description, Legislative Finance will contact the agency for more information.

It is important to note that out-year *decreases* for fiscal notes are reflected as Fiscal Note One-Time Item removal transactions (abbreviated FNOTI), which Legislative Finance includes in the Adjusted Base. If the Governor wants to retain funding that a fiscal note indicated would be removed, that funding would still be removed in the Adjusted Base and then the Governor would include an increment to add it back. Out-year *increases*, on the other hand, are not part of the adjusted base.

Thank you,  
Valerie

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