

OSBM

Fiscal Notes Discussion



OSBM Approval of Fiscal Notes for Permanent Rules: Changes and Criteria

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Fiscal Note Changes

- Changes effective **July 1, 2007** as part of OSBM State Budget Manual Section 7.0
- Changes include:
 - Electronic submission required and Internet posting of final analysis
 - Clarity of requirements for approval
 - Small business impact information
 - More analysis required for larger rules
 - Fast-track approval for rules that are not significant



Why Do We Do Analysis?

1. Only way to be specific about the effect of the rule
 - Informs decision makers
 - Informs the public
2. Helps to “build” the rule
3. A rule is not valid unless it is adopted in substantial compliance with the APA
4. OSBM is “Good Faith?”



Which Rule Changes Require OSBM Approval or Review?

- State Impact Budget Manual Sections 7.2, 7.3, 7.4
 - New activities by staff and new costs
 - Requires expenditure or distribution of State Funds (this includes federal funds)
 - Having a source of funds (or staff time) is not relevant to whether OSBM must review
- Any Impact on Local Gov. Expenditures or Revenue
- \$3 Million Substantial Economic Impact
 - Any given 12-month period
 - Includes costs OR BENEFITS to any entity

**Looking at Costs and Benefits –
Economic Impact, not Budget Impact**

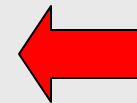


If Rule Change Requires Approval or Review What Would You Submit?

Section 7.5

- Not Significant (minor impact)
 - Rule change and description
- Significant
 - Add impact analysis with costs and benefits
 - Discuss state, local, federal, private sector impact
- Significant + Substantial Economic Impact
 - Add time value of money, risk analysis, alternatives, and discuss small business impact

*Fast
Track
Approval!*





When is a Rule Change Significant?

Sections 7.2, 7.5.1

- When it would have a significant effect on the economy, state, or local funds;
- When it would create an inconsistency with an action taken or planned by another agency; or
- When it would raise novel policy issues.

When in Doubt Give Fast Track a Shot



If Rule Change Requires Approval or Review How Long Will it Take?

- Not Significant (minor impact)
 - A couple of days (our commitment), but may reject and require full analysis
- Significant
 - No statutory requirement for State funds. 30 day review for local funds
- Significant + Substantial Economic Impact
 - OSBM must review within 14 days. May reject, then clock starts again.



State Budget Manual Elements of Impact Analysis

- Big Picture

Section 7.6.1

- Baseline

- World today without the rule (but with statute)
- Temporary rule is not baseline
- Tells you where to start

- Clear and Accurate Methodology

Get this right or nothing else will be



State Budget Manual Elements of Impact Analysis (cont.)

- Costs

Section 7.6.1

- Explain how rule changes may impose costs
- Provide schedule of cost estimates and show type and timing
- Describe costs that cannot be monetized
- Includes opportunity costs

- Benefits

Remember, these are estimates

- Provides agency an opportunity to justify rule
- Explain how rule changes may provide benefits
- Provide schedule of monetized or quantified benefits (if possible) and show type and timing
- Use other sources to help quantify impacts
- Describe benefits that cannot be monetized or quantified



State Budget Manual Elements of Impact Analysis

Section 7.6.2

- Other pieces (for substantial economic impact):
 - Alternatives
 - What did else did you consider to get to the policy objective?
 - Why did you rule it out?
 - Sometimes different, sometimes variants on a theme
 - Time value of money
 - Money today is not worth the same as money tomorrow
 - Need interest rate
 - Formula in MS Excel
 - Risk analysis
 - Tells where the uncertainty is in your estimates and how sensitive your estimates are to fluctuation



State Budget Manual Elements of Impact Analysis (cont.)

Section 7.7

- Identify All Affected Parties (Persons)
 - Does the rule impact other state entities?
 - Does the rule impact local governments?
 - Federal?, Private Sector?, Small Business?
 - Helps agency comply with APA
 - Improves accuracy of analysis/demonstrates effort made to assess rule's impact



Fiscal Notes Discussion

How Do You Organize? – Two Possible Choices

- By types of impact (rule change action)

- Impact 1

- Person 1
- Person 2

- Impact 2

- Person 2

- Or by types of persons

- Person 1

- Impact 2

- Person 2

- Impact 1, Impact 2

Always do “Basic Information” and “Summary” at the beginning.

Use whatever seems to work best for the material.



Process

- Send to osbmruleanalysis@ncmail.net – only electronic information will be accepted
- Approved analysis will be posted to OSBM website
- Agency must still send to OAH for publication in register



Suggestions

- When in doubt, send to OSBM
- Fiscal note should be part of how a rule change is developed
- OSBM Rules Page
 - <http://www.osbm.state.nc.us/osbm/RegulatoryAnalysis.html>