



# Fiscal Notes and the Legislative Process

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# What is a Fiscal Note?



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A fiscal note estimates the costs, savings, revenue gain, or revenue loss resulting from the implementation of proposed legislation. The baseline for the fiscal note is the most recent budget forecast, so the fiscal note numbers show changes from the forecast.

It is a tool to help legislators better understand how a bill might impact the state budget as a whole, individual agencies, and in some instances, local governments.

# Statutory References



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- **Fiscal Notes: Minnesota Statutes 3.98**
  - Fiscal note examines spending and fee changes
  - Fiscal note requested by committee chairs
  - MMB coordinates and signs off (changed to LBO, effective January 8, 2019)
- **Unofficial Fiscal Notes: Minnesota Statutes 13.64, subd. 3**
  - Same form and format as a regular fiscal note
  - Bill language is available, but not yet introduced
  - Are public, except when the requester directs note to be classified as nonpublic data
- **Local Impact Notes: Minnesota Statutes 3.987-3.989**
  - Local impact note examines fiscal impact of proposed law change on counties, cities, school districts, and any other local governments
  - Local impact note requested by tax, finance, or ways & means committee chairs or ranking minority members
  - MMB coordinates (changed to LBO, effective January 8, 2019)
- **Revenue Estimate: Minnesota Statutes 270C.11, subd. 5**
  - Revenue estimate examines tax changes
  - Revenue estimate requested by tax committee chairs or ranking minority members
  - DOR is responsible
- **Legislative Budget Office: Laws 2017 First Special Session, ch. 4, art. 2, sec. 59**
  - Transition task force

# Fiscal Note Statistics



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## Requests in a Budget Year

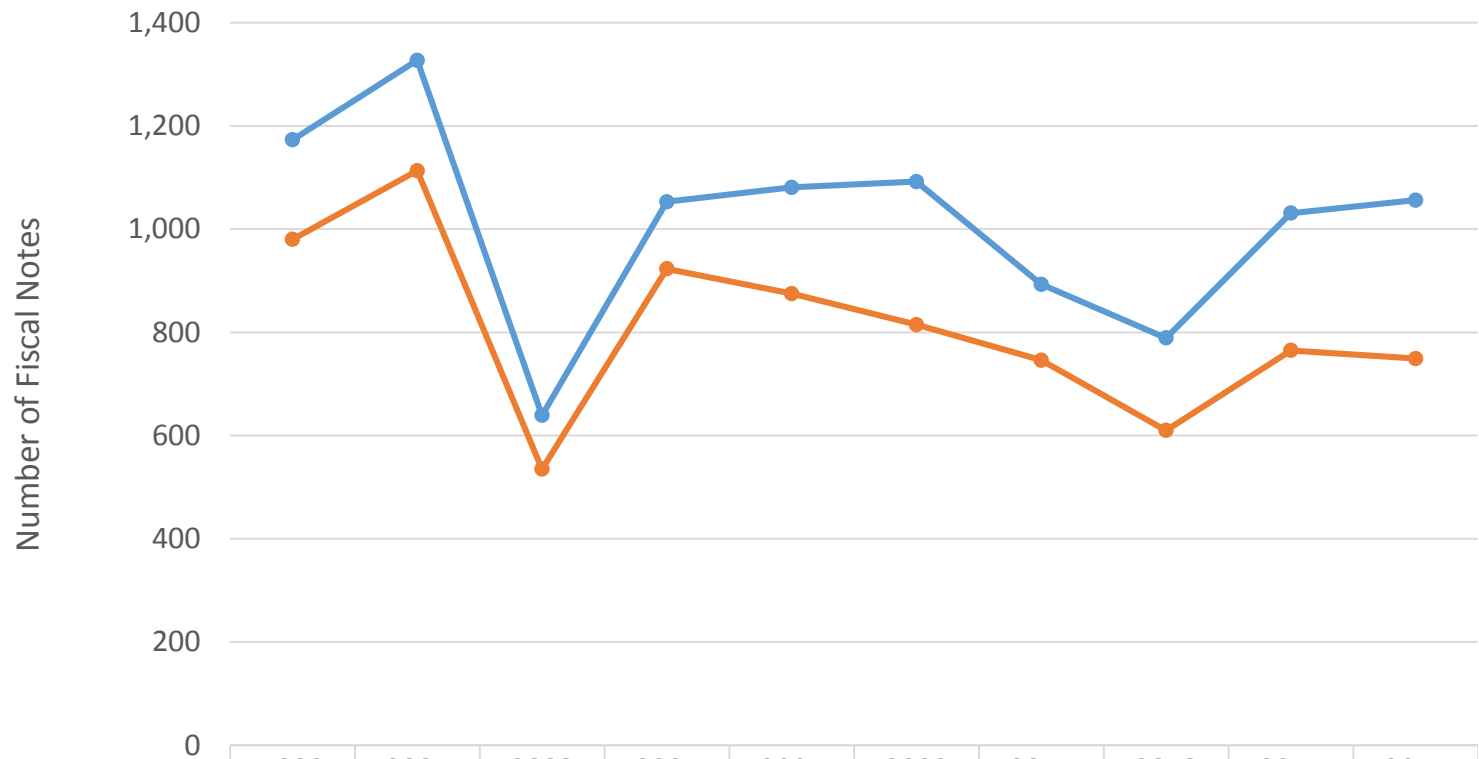
	2013	2015	2017	2015 to 2017 Comparison More (Less)
House Files	412	526	567	41
Senate Files	<u>377</u>	<u>505</u>	<u>489</u>	<u>(16)</u>
Total Requests	789	1,031	1,056	25

# Fiscal Note Statistics



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## Requests in a Budget Year



	1999	2001	2003	2005	2007	2009	2011	2013	2015	2017
Fiscal Note Requests	1,173	1,327	639	1,053	1,081	1,092	893	789	1,031	1,056
Completed Fiscal Notes	980	1,113	535	923	875	815	746	610	765	749

# Fiscal Note Statistics



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## Requests in a Non-Budget Year

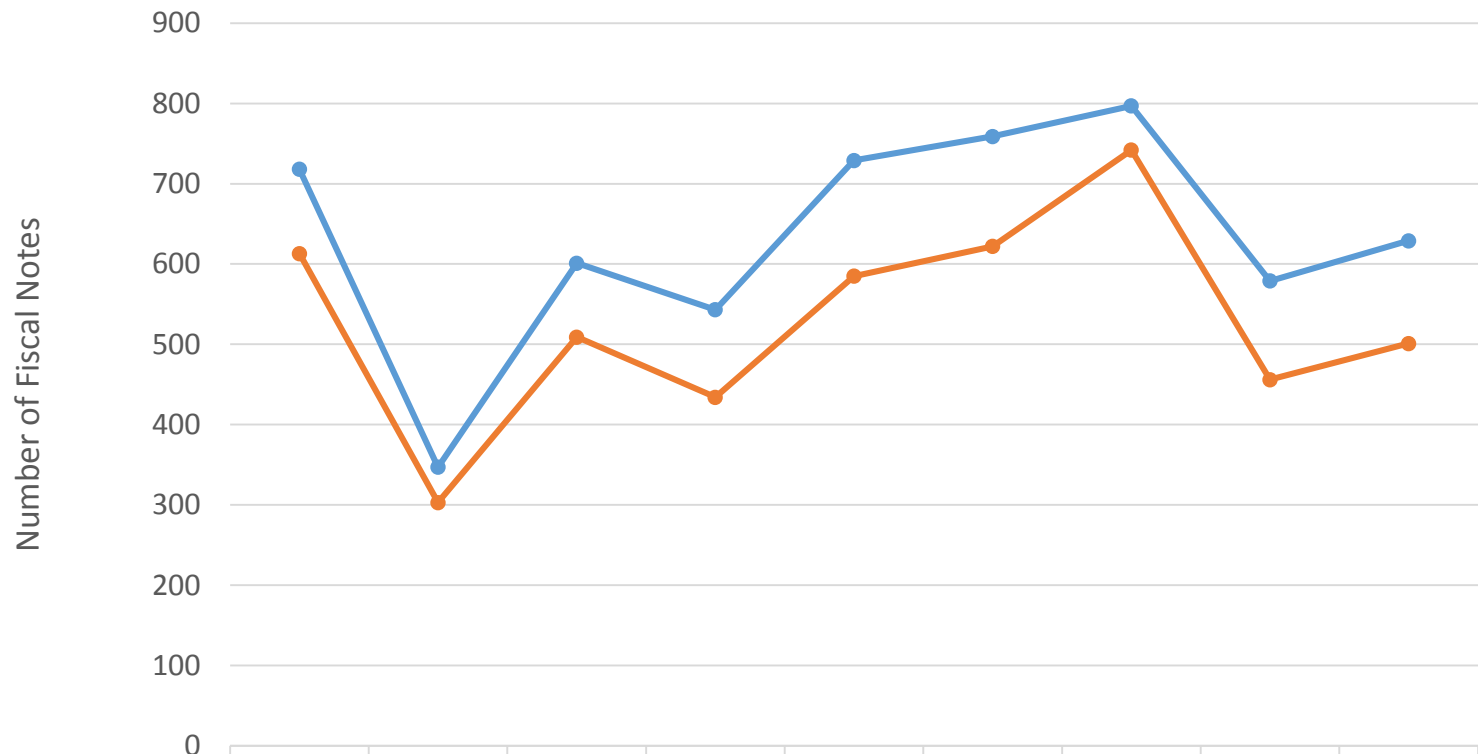
	2012	2014	2016	2014 to 2016 Comparison More (Less)
House Files	386	345	316	(29)
Senate Files	<u>411</u>	<u>234</u>	<u>313</u>	<u>79</u>
Total Requests	797	579	629	50

# Fiscal Note Statistics



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## Requests in a Non-Budget Year



	2000	2002	2004	2006	2008	2010	2012	2014	2016
● Fiscal Note Requests	718	347	601	543	729	759	797	579	629
● Completed Fiscal Notes	613	303	509	434	585	622	742	456	501

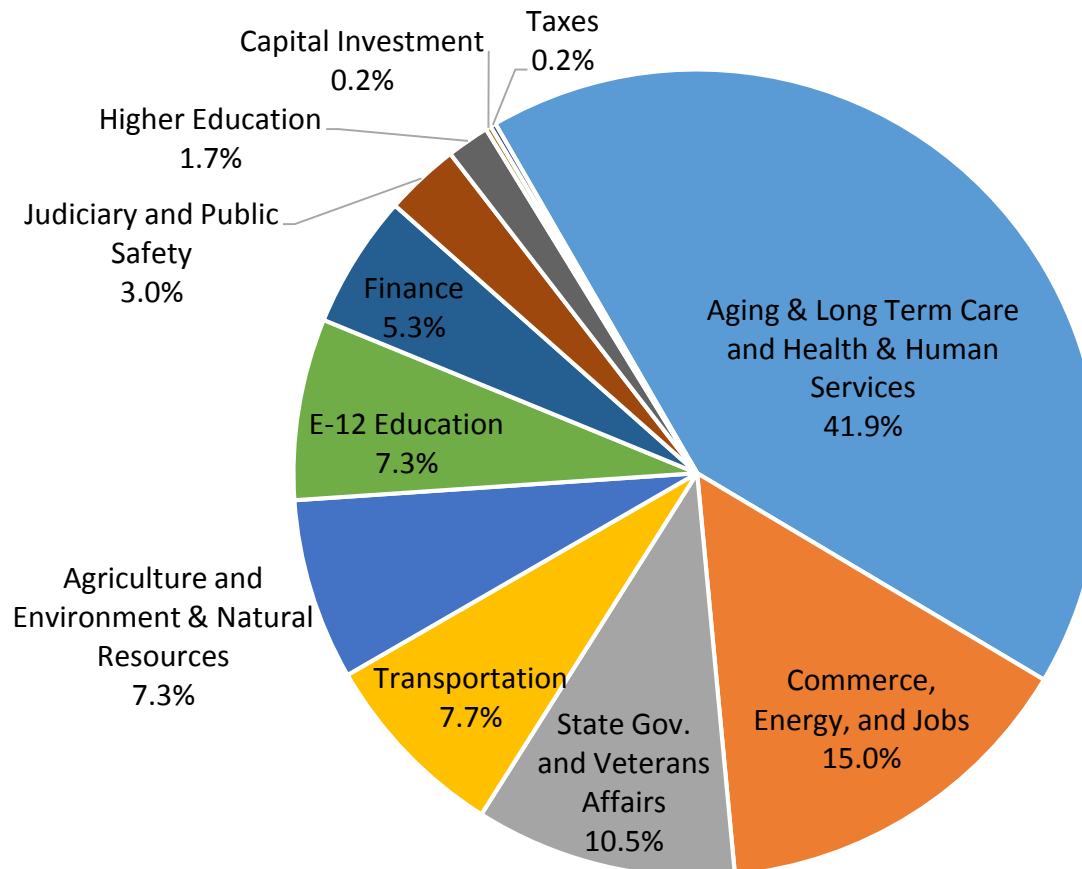


# Fiscal Note Statistics



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## 2017 Senate Fiscal Note Requests, by Committee



# Fiscal Note Requirements



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1. Cite the effect in dollar amounts
2. Cite the statutory provisions affected
3. Estimate the increase or decrease in revenue or expenditures
4. Include the costs that may be absorbed without additional funds
5. Include the assumptions used in determining the cost estimates
6. Specify any long-range cost implications

***The fiscal note may comment on technical or mechanical defects in the bill but may not express opinions concerning the merits of the proposal.***

Until 2019, MMB prescribes uniform form, format, and procedures that govern all agencies.

# Requesting a Fiscal Note



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- In the House, a fiscal note request may be entered into the system by any nonpartisan fiscal analyst or the committee administrator of the Ways and Means Committee.
- In the Senate, a fiscal note request may be entered into the system by any nonpartisan fiscal analyst or the committee administrator of the Senate Finance Committee.
- Legislators are advised to discuss the need for a fiscal note on a bill with legislative fiscal staff
  - Does the bill have a fiscal impact?
  - Is a fiscal note or revenue estimate needed?
  - Is the fiscal impact obvious and a fiscal note not needed?
  - Will significant amendments be proposed?

# Other Considerations



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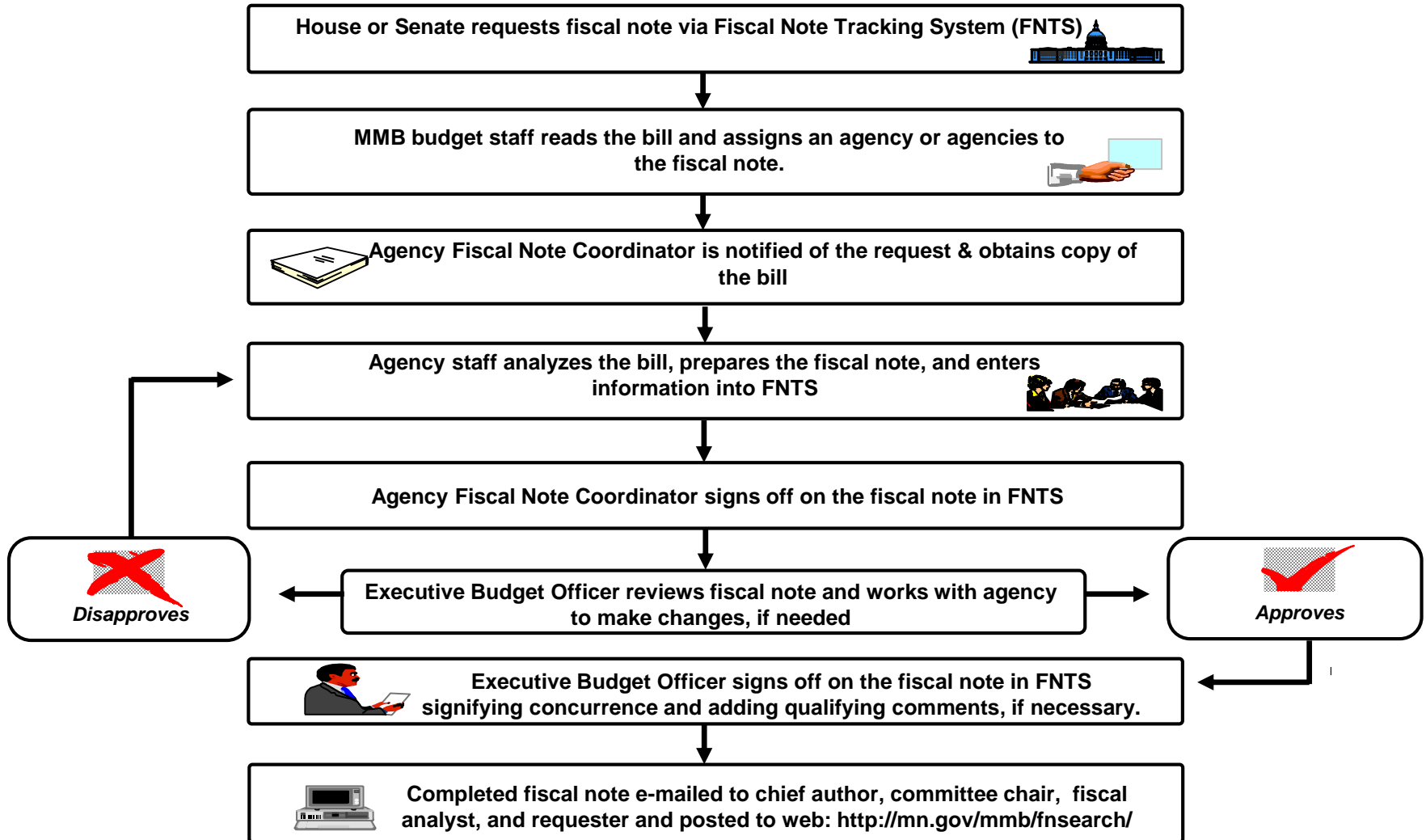
- What factors impact the time it takes to complete a fiscal note?
  - Complexity of legislative changes
  - Number of agencies assigned to fiscal note
  - Availability of data
  - Review by agency Fiscal Note Coordinator and Executive Budget Officer
- When is the fiscal note submitted in relation to other events?
  - Economic forecast releases
  - Committee hearing schedule
  - Budget deadlines
- Unique cases
  - Bonding bills
  - Education bills
  - Omnibus finance bills
  - Interactions

# Fiscal Note Process

(Current Law, Prior to LBO Changes)



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# Basic Components of a Fiscal Note



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## Cover Page

File Number

Chief Author

Requesting Committee

Consolidated FN/ Single Agency

- Lead Agency
- Other Agencies

Fiscal Impact Table

State Fiscal Impact Tables

- Cost (Savings) Summary by Fund
- Full-time Equivalent Positions by Fund

EBO/Lead EBO's Comments &  
Signature

## "Back" Pages

Detailed Fiscal Impact Table State Cost  
(Savings) Calculation

- Expenditures
- Costs the Agency Can Absorb
- Revenues
- Transfers Between Funds

Narrative Explanation

- Bill Description
- **Assumptions**
- Expenditure/Revenue Formulas
- Long-Term Fiscal Considerations
- Local Fiscal Impact
- References/ Sources

Agency Contact

Agency Fiscal Coordinator's Signature

# Different “Types” of Information in Fiscal Notes



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- Fiscal Notes Provide Different Kinds of Information
  - Consolidated vs single agency
  - Simple General Fund expenditure
  - Fiscal notes affecting different funds
  - Fiscal notes that include revenues and expenditures
  - Formula expenditures (may include property tax changes)
  - Revised fiscal notes
  - Amended bill fiscal notes
- Advisory vs Binding:
  - Fiscal notes estimating the cost of a directive to an executive agency (i.e. a study or report)
  - Fiscal notes estimating the cost a change to a statutory formula (i.e. changing the basic education formula allowance or changing the threshold amount for eligibility for a food assistance benefit)
  - Budget Rules

# Examining the Fiscal Note



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- Did the author and agency(s) preparing the fiscal note make the same assumptions? Are those assumptions clearly stated in the fiscal note?
- Does the bill language reflect the author's intent? Did the agency(s) completing the fiscal note understand the author's intent?
- Do the assumptions in the fiscal note reflect the most likely scenario?
- Are all relevant agencies included in the fiscal note?
- Are there technical problems with the bill language?



# Legislative Budget Office



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- Beginning in the 2019 legislative session, a Legislative Budget Office (LBO) will assume the responsibility for coordinating and “preparing” fiscal notes.
- The LBO will replace MMB’s role in the fiscal note process.
  - State agencies will likely continue to prepare fiscal notes and submit the information to the LBO. (The law does permit the LBO to prepare a fiscal note on its own.)
  - ***The new law makes no changes to the process of requesting a fiscal note.***
  - The LBO will also assume the responsibility for coordinating local impact notes.
- The LBO is required provide the legislature with “nonpartisan, accurate, and timely information on the fiscal impact of proposed legislation without regard to political factors.”
  - The LBO will be staffed by a director who serves for a term of six years and may only be removed for cause.
  - The director of the LBO will hire staff to perform the work of the LBO.
  - The fiscal note assumed a total of 6.5 staff for the LBO.

# Legislative Budget Office



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- Executive agencies and the judicial branch are required to supply to the LBO all necessary information for it to prepare accurate and timely fiscal notes.
  - The LBO is provided the authority to adopt standards and guidelines governing the timing of responses for information.
  - Agencies are required to comply with standards and guidelines adopted by the LBO.
- The LCC is required to contract with MMB to maintain and upgrade the state's Fiscal Note Tracking System (FNTS). The LBO will have complete access to FNTS.
  - FNTS may need to be re-programmed depending on any changes made by the LBO to the fiscal note process.
- The State Government Finance Act appropriated \$864,000 for the operations of the LBO in FY 2019. The base for the office's operations is \$818,000 in subsequent years.
- A task force was established to manage the transition to the LBO.

# LBO Transition Task Force



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- The LBO task force is required to develop a plan for the orderly transition of fiscal note and local impact note responsibilities from MMB to LBO.
  - The plan must reconcile the new LBO responsibilities, the duties of state agencies, and other issues deemed relevant to the transition by the task force.
  - The task force may recommend proposed legislative changes to clarify or structure the LBO's responsibilities.
  - The task force was required to submit an interim report on Jan. 15, 2018 and a final report on Dec. 1, 2018.
  - The task force's first meeting was held Feb. 1, 2018 and a second meeting was held on Feb. 15, 2018.
- Voting members of the task force include:
  - Two members of the House of Representatives (Reps. Vogel and Carlson)
  - Two members of the Senate (Sens. Kiffmeyer and Cohen)
  - The Legislative Auditor (Jim Nobles)
  - The commissioner of Management and Budget (Cmr. Myron Frans)
  - The State Budget Director (Asst. Cmr. Margaret Kelly)
- Ex-officio (non-voting) members of the task force include:
  - Two members from executive branch agencies (Cmr. Lawrence Pogemiller, OHE; Cmr. Emily Piper, DHS)
  - The chief nonpartisan fiscal analyst from the House of Representatives (Bill Marx)
  - The lead nonpartisan fiscal analyst from the state Senate (Eric Nauman)
- The LCC provides staff support for the task force.

# SCRFA Fiscal Staff



SENATE COUNSEL, RESEARCH, AND FISCAL ANALYSIS

Overall Budget and Finance

Eric Nauman, 296-5539

E-12 Education Finance

Jenna Larson, 296-5259

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Casey Muhm, 296-2500

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Chris Turner, 296-4350

State Government, Veterans, and Military Affairs

Kevin Lundeen, 296-2727

Transportation

Krista Boyd, 296-7681

Capital Investment

Casey Muhm, 296-2500

Taxes and Aids and Credits

Jay Willms, 296-2090

# Fiscal Note Resources



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- Search for completed fiscal notes (1997 session through current):  
<http://mn.gov/mmb/fnsearch/>
- MMB fiscal note webpage, including user and policy manuals:  
<https://mn.gov/mmb/budget/statewide-budget-systems/fns/>
- House Fiscal Analysis staff publication, *Fiscal Notes Overview* (2016):  
<http://www.house.leg.state.mn.us/Fiscal/Home/MoneyMatters>
- This fiscal note briefing  
<http://www.senate.mn/departments/scr/presentations/index.php#headers>



Questions?