

Fiscal Note Uniform Standards and Procedures 2023 Proposed Changes

Proposed Change 1 – Page 4, Descriptions

Changes to: Fiscal Note (Item IA)

Description:

Adds detail about where to find tax revenue and expenditure changes.

Current Language:

- I. Descriptions
- A. Fiscal Note

A fiscal note provides an objective estimate of the fiscal impact resulting from the implementation of proposed legislation. The fiscal impact includes the potential expenditure change (costs or savings), non-tax revenue gain, and non-tax revenue loss. A fiscal note assists legislators and the public to better understand how a bill might impact the state budget as a whole, the budgets of individual agencies, and in some instances, local units of governments.

Proposed New Language:

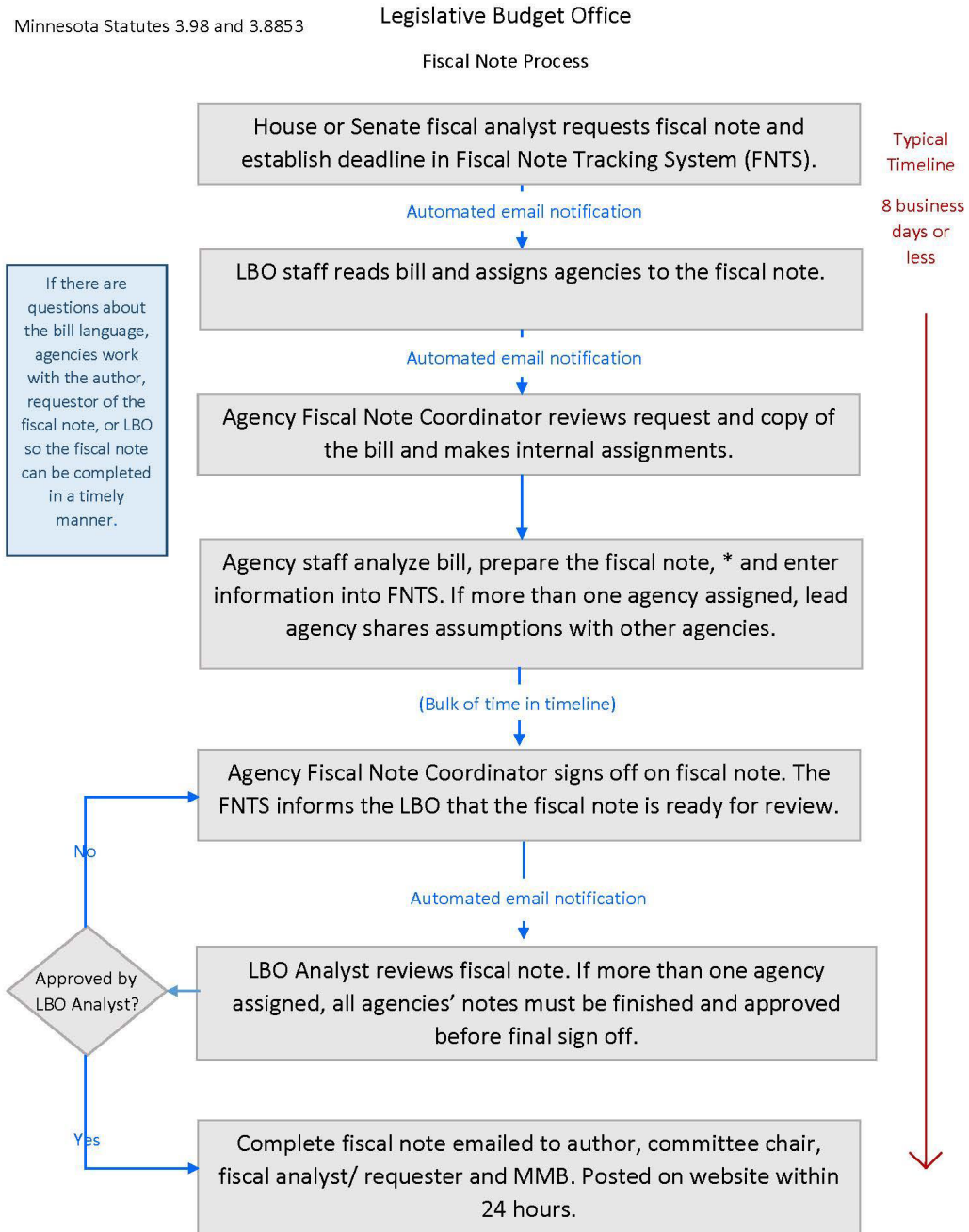
- I. Descriptions
- A. Fiscal Note

A fiscal note provides an objective estimate of the fiscal impact resulting from the implementation of proposed legislation. Fiscal notes show expenditure changes (increases/costs or decreases/savings), non-tax revenue gain, and non-tax revenue loss. A fiscal note assists legislators and the public to better understand how a bill might impact the state budget as a whole, the budgets of individual agencies, and in some instances, local units of government.

Tax revenue and expenditure changes associated with proposed legislation are shown on Department of Revenue's Revenue Analyses, available at <https://www.revenue.state.mn.us/revenue-analyses>.

Proposed Change 2 – Page 17, Updates to the fiscal note process graphic

Current Graphic:



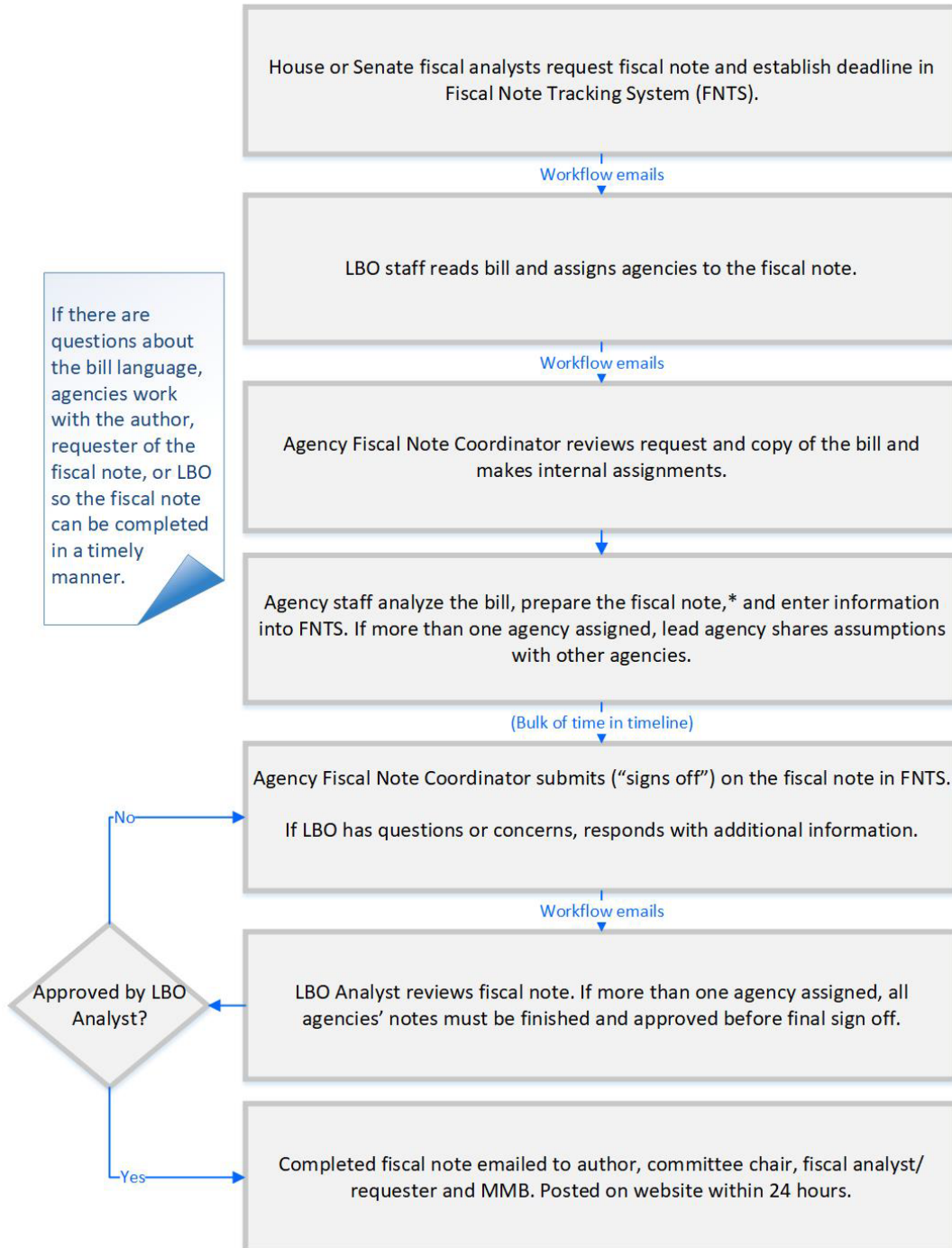
*Information includes assumptions used, impact on agency, estimated costs or savings, including technology costs involved in change, additional staff required, long term considerations, and any local impact noted.

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New Graphic:

Minnesota Statutes 3.98 and 3.8853

Legislative Budget Office Fiscal Note Process



*Information includes assumptions used, impact on agency, estimated costs or savings, including technology costs involved in change, additional staff required, long term considerations and any local impact noted.

Proposed Change 3 – Page 18, Fiscal Notes (Regular)

Changes to: Standard

Description:

Updated standard to include detail about where to find tax revenue and expenditure changes.

Current Language:

A regular fiscal note is an estimate of the fiscal effect on the state budget for a specific version of an introduced bill or amendment to an introduced bill. Fiscal notes are prepared by the agency that is impacted by a bill or by the agency that is uniquely knowledgeable on the subject of a bill. The fiscal note must include the dollar amount estimate of the fiscal impact, a narrative that provides a description of a bill, and the assumptions and calculations used in developing the estimates. The fiscal note must contain all applicable fiscal impacts, including:

- Increases or decreases to expenditures
- Increases or decreases to non-tax revenues
- Absorbed costs
- Fund transfers
- Long- term fiscal considerations
- Local fiscal impacts

Proposed New Language:

A regular fiscal note is an estimate of the fiscal effect on the state budget for a specific version of an introduced bill or amendment to an introduced bill. Fiscal notes are prepared by the agency that is impacted by a bill or by the agency that is uniquely knowledgeable on the subject of a bill. The fiscal note must include the dollar amount estimate of the fiscal impact, a narrative that provides a description of a bill, and the assumptions and calculations used in developing the estimates. The fiscal note must contain all applicable fiscal impacts, including:

- Increases or decreases to expenditures
- Increases or decreases to non-tax revenues
- Absorbed costs
- Fund transfers
- Long-term fiscal considerations
- Local fiscal impacts

Tax revenue and expenditure changes associated with proposed legislation are shown on the Department of Revenue's Revenue Analyses, available at <https://www.revenue.state.mn.us/revenue-analyses>.

Proposed Change 4 – Page 20, Consolidated Fiscal Notes

Changes to: Procedure 6

Description:

Strengthened language for procedure 6 by changing “avoid” to “do not have” regarding contradictory assumptions, double counting, or omissions.

Curent Language:

6. Agencies will, with LBO assistance when needed, coordinate and cooperate with one another to ensure that consolidated fiscal notes avoid contradictory assumptions, double counting, and omissions.

Proposed New Language:

6. Agencies will, with LBO assistance when needed, coordinate and cooperate with one another to ensure that consolidated fiscal notes do not have contradictory assumptions, double counting, or omissions.

Proposed Change 5 – Page 24, Classified Unofficial Fiscal Notes

Changes to: Procedure 13

Description:

Procedure 13 was added to detail that an incomplete or in-process classified unofficial fiscal note request should be inactivated if identical bill language becomes publicly available.

Current Language:

[Procedure 13 does not currently exist.]

Proposed New Language:

13. If the bill language for a classified unofficial fiscal note becomes publicly available and the classified request has not received LBO signoff, the requester will inactivate the request for the classified unofficial fiscal note and submit a new fiscal note request if the estimate is still desired.

Proposed Change 6 – Page 31, Assignment

Changes to: Standard

Description:

Standard clarified for situations where a new entity is created. Details that the LBO may either assign an existing agency to prepare a note for a new entity, or the LBO may prepare the note depending on the circumstances. Details that the LBO must follow the Uniform Standards and Procedures and ensure a separation of duties between creating the fiscal note and signing off.

Current Language:

The LBO will receive fiscal note requests and assign the appropriate agency or group of agencies to prepare a fiscal note. An agency will be assigned to prepare a fiscal note if the bill language changes the agency statutes or indicates that the agency would:

- receive an appropriation in the bill
- receives and or collects money in the bill
- administer a program or grant in the bill

An agency may also be assigned to prepare a fiscal note if the agency is uniquely knowledgeable on the subject of the bill.

If an agency believes it should be added or removed from a fiscal note, it should contact the LBO. The LBO is responsible for all assignment decisions and will take bill language and stakeholder feedback into account when determining which agencies are assigned to a fiscal note.

Proposed New Language:

The LBO will receive fiscal note requests and assign the appropriate agency or group of agencies to prepare a fiscal note. An agency will be assigned to prepare a fiscal note if the bill language changes the agency statutes or indicates that the agency would:

- receive an appropriation in the bill
- receive and or collect money in the bill
- administer a program or grant in the bill

An agency may also be assigned to prepare a fiscal note if the agency is uniquely knowledgeable on the subject of the bill. For instances where a new entity is being created the LBO will assign the most knowledgeable or similarly positioned agency to complete the fiscal note for the new entity. After discussing with stakeholders, if there is not an existing agency well positioned to prepare the note for the new entity, the LBO may prepare the note. When preparing a note for a new entity, the LBO must follow the Uniform Standards and Procedures and must ensure that the duty of preparing the note is separated from the duty of reviewing and signing off on the note.

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If an agency believes it should be added or removed from a fiscal note, it should contact the LBO. The LBO is responsible for all assignment decisions and will take bill language and stakeholder feedback into account when determining which agencies are assigned to a fiscal note.

Proposed Change 7: Pages 33-34, Assumptions and Estimates

Changes to: Standard, Procedures 10-11

Description:

The standard details that revenue analyses are generally excluded from fiscal notes but may be incorporated into a fiscal note when it is deemed essential to understanding the fiscal implications of the bill. Fiscal notes should not be delayed because a revenue analysis is not available.

Procedure 10 is added to detail that a link to the revenue analysis will be provided and the LBO analyst comment will clearly indicate the inclusion of the revenue analysis.

Procedure 11 is added to detail that agencies should reflect cost on a fiscal note in the years they estimate those costs will be incurred.

Current Language:

Standard

A fiscal note should provide the best possible estimate of the change in expenditures and non-tax revenue from the current law base budget or most recently published forecast as a direct result of the proposed legislation.

Fiscal note estimates must be accurate, reasonable, and objective; and may not be influenced by an agency's position on the bill. The estimate should also not be in consideration of other proposed legislation.

Assumptions explain the factors and methodology used to develop the estimate of the fiscal impact of the proposed legislation. Agencies must take a neutral approach in developing their assumptions. They may not include secondary impacts, such as an anticipated return on investment, in the calculation of the fiscal effect.

Proposed New Language:

Standard

A fiscal note should provide the best possible estimate of the change in expenditures and non-tax revenue from the current law base budget or most recently published forecast as a direct result of the proposed legislation.

Fiscal note estimates must be accurate, reasonable, and objective; and may not be influenced by an agency's position on the bill. The estimate should also not be in consideration of other proposed legislation.

Assumptions explain the factors and methodology used to develop the estimate of the fiscal impact of the proposed legislation. Agencies must take a neutral approach in developing their assumptions. They may not include secondary impacts, such as an anticipated return on investment, in the calculation of the fiscal effect.

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Tax revenue impacts displayed in Department of Revenue (DOR) revenue analyses are generally excluded from a fiscal note but may be incorporated into fiscal notes when displaying tax revenue impacts is essential to understanding the fiscal implications of a proposed bill. A fiscal note should not be delayed if a revenue analysis is not available. When a revenue estimate becomes available, the fiscal note may be revised to incorporate the revenue information.

Procedure

10. Fiscal impacts included in a DOR revenue analysis are referenced in an LBO comment on the fiscal note cover page. In cases where revenue analyses impacts are incorporated into the fiscal note tables, the LBO comment will clearly indicate this inclusion and provide a link to the document.

11. Agencies must detail the total costs associated with the bill in the fiscal year they expect to incur those costs regardless of the appropriation amounts or timing stated in the bill.