

MEMO

TO: Legislative Budget Office Oversight Commission

FROM: Christian Larson, Legislative Budget Office Director

DATE: December 17, 2025

SUBJECT: Local Impact Note Process

The following memo is intended to facilitate discussion of the current Local Impact Note (LIN) process and possible alternatives to improve the responsiveness of these reports. Section one outlines the current LIN process, discussing strengths and weaknesses. Section two outlines four alternatives, discussing the potential strengths and weaknesses of each. Alternatives were developed from an analysis of local impact assessments in other states. The closing section discusses possible next steps. Note that Minnesota Statutes 2025, sections [3.986](#) through [3.989](#) outlines LIN requirements but does not mandate a specific report structure or components. The Legislative Budget Office (LBO) has not had any discussions to date with local government associations or other local stakeholders regarding possible updates to the LIN process. Rather, the LBO is seeking input and discussions with legislative members and the Legislative Budget Office Oversight Commission (LBOOC) before further pursuing one or more potential alternatives.

During the last three legislative sessions (2023 through 2025), 11 local impact notes have been requested. LIN requests are often made for complex legislation such as HF100 (Legalize Adult Use Cannabis) in 2023 or SF3964 (City Minimum Residential Densities and Associated Requirements) in 2024. [Completed LINs](#) and answers to [frequently asked questions](#) can be found on the [LBO website](#).

Table 1: Local impact notes requested by year since 2023

Year	Bill	Title
2023	HF2	Paid Family and Medical Benefits Employee Leave – Senate District 58 Schools Local Impact
2023	HF100	Legalize Adult-Use Cannabis
2023	SF2	Paid Family and Medical Benefit Employee Leave

2023	SF2	Paid Family and Medical Benefit Employee Leave – Senate District 11 Schools Local Impact
2023	SF34	Earned Safe and Sick Time – Senate District 11 Schools Local Impact
2023	SF1298	Tenants’ Rights
2024	SF716/HF912	Minnesota African American Family Preservation Act
2024	SF3557/HF3783	Sale of Tax-Forfeited Land within the Boundary of an Indian Reservation
2024	SF3588/HF3466	Unemployment Benefits During a Labor Dispute
2024	SF3964/HF4009	City Minimum Residential Densities and Associated Requirements Established
2025	SF2 (2023)	Update to Paid Family and Medical Benefits Employee Leave

Current Local Impact Note Process

The LIN process begins when the chair or the ranking minority member of either the House Tax Committee, House Ways and Means Committee, Senate Tax Committee, or the Senate Finance Committee requests a LIN from the LBO on proposed legislation. Assuming the request does not fall under an exception specified in [Minnesota Statutes 2025, section 3.988](#), the LBO sends a formal LIN request notification to bill authors and chairs of committees to which the bill has been referred. The LBO also formally requests responses from the bill author to guidelines specified in [Minnesota Statutes 2025, section 3.987](#).

After initial notifications are sent, the LBO identifies potential data sources that could inform a fiscal estimate such as state databases, programs in other states, and locally collected data. Local government surveys are often used to solicit impact estimates or inform a discussion of potential impacts. Throughout the data collection phase, the LBO consults with local governments and organizations such as the League of Minnesota Cities (LMC) and Association of Minnesota Counties (AMC). For the purposes of a LIN, local units of government include counties, cities, and school districts.

LBO analysts use collected data and survey results to develop a fiscal impact estimate or range of estimates. When there is insufficient data to develop a quantifiable cost estimate, conversations with local government organizations and survey responses are used to inform a discussion of potential impacts. The final LIN report typically includes an executive summary, bill description, discussion of methodology and data limitations, comparison of other state programs, literature review, survey response summary, and an analysis of fiscal impacts. The report is distributed to the requestor, bill authors, committee chairs and minority leads to which the bill has been referred, and non-partisan fiscal staff, as well as posted on the LBO website.

Strengths of the Current Process

Local impact notes generally have greater depth and thoroughness than fiscal notes and comparable reports prepared in other states. The current process allows for a comprehensive and nuanced discussion of potential impacts even when data is not available or does not exist. For example, an exact estimate for the 2024 bill SF3964, City Minimum Residential Densities and Associated Requirements Established, was not feasible due to data limitations and future unknown real estate market conditions. However, the LIN was able to provide a detailed discussion of potential impacts based on local government survey results.

Weaknesses of the Current Process

Local impact notes have historically been requested during the legislative session but can take several weeks to several months to complete depending on available data and bill complexity. The survey component of a LIN usually takes several months from the design phase to collection and analysis, but the thoroughness and depth of notes also tends to affect timeliness. Most LINs are completed during the interim and thus not available for committee discussions.

Alternative Local Impact Note Designs

1. Cross-Section Analysis

This approach would use volunteer local governments to analyze bill impacts, conceptually similar to the Virginia [Commission on Local Government](#) (CLG). After a LIN request is made according to the current process, the LBO would communicate the request to a cross-section of volunteer local governments that are recruited by the LBO before the start of each session. Local governments would analyze bill language and submit a fiscal impact statement to the LBO by a specified due date. The LBO would analyze and summarize local government responses, then submit a completed note including summary, analysis, and individual local government responses to the requestor and relevant committees. A request using this process could take 10-15 business days to complete, depending on bill complexity. The LBO would develop response templates and general guidelines to help expedite and standardize responses.

Strengths of a Cross-Section Analysis

A cross-section analysis would provide legislators with timely information direct from local governments. This process would be faster than designing a one-off survey and sending it to all applicable local governments, as is currently done for complex or data-limited LIN requests.

Weaknesses of a Cross-Section Analysis

Based on the LBO's experience with LIN surveys, it may be difficult to consistently recruit or receive timely responses from a representative number of local governments. Local governments would likely find it difficult to dedicate the time and resources to fulfill LIN requests on a two-to-three-week turnaround time, particularly smaller units of government analyzing complex legislation. If there is an uneven geographical or

demographic response, for example more metro city volunteers than non-metro volunteers, it may be perceived that LINs are not telling a complete story.

Some elements of the current LIN such as the literature review and comparison with other states would likely need to be omitted or scaled down to ensure timeliness. LBO analysis would be relatively brief compared to the current process.

2. Local Impact Briefs

A brief-type analysis would shorten the local impact note to three-to-six-pages but decrease the turnaround time to approximately eight business days (depending on workload and complexity). When a request is made, the LBO would analyze bill language, identify data sources, and consult with local governments and associations. When possible, an exact estimate would be provided, but in time-constrained, highly complex or data limited situations, the local impact brief would describe significant potential impacts. A local impact brief would be similar in format to the executive summary provided in current LINs.

Strengths of Local Impact Briefs

A local impact brief would provide the Legislature with timely information on significant local fiscal impacts and concerns in a concise format.

Weaknesses of Local Impact Briefs

This option would not have the depth of the current LIN process. A relatively short turnaround time may not accommodate formal surveys, and a comparison of other state programs and literature review would be shortened or removed depending on data sources and time constraints.

3. Annual Report on Previously Enacted Bills

An annual report on previously enacted bills could look like a modified version of Ohio's [Local Impact Statement Report](#). The document would consist of an executive summary, bill-by-bill analysis, comments from local governments or associations, and copies of the fiscal notes for enacted bills that indicated a local impact. The annual report could include previous session legislation that meets certain impact thresholds, bills selected by the LBOOC, bills selected by each caucus, or some other selection method. Note that statute changes may be required to implement this option.

Strengths of an Annual Report on Previously Enacted Bills

An annual report structure would provide legislators local impact analysis on a fixed, predictable timeline. Situations where bill language changes between the time a LIN is requested and the legislation is enacted would be avoided with an annual report.

Weaknesses of an Annual Report on Previously Enacted Bills

Legislators would not be provided LINs during session. The depth of analysis could vary from year-to-year depending on the complexity and number of bills selected for local impact analysis.

4. Annual Report on Contemplated Legislation

Instead of making LIN requests during session, legislators would request analysis on bills contemplated for the upcoming session by an annual cutoff date. Similar to the current process, the LBO would analyze draft bill or policy language, identify data sources, and consult with local governments and associations to develop a fiscal impact estimate. Completed analyses would be published in an annual report format prior to the beginning of session. Based on the complexity of LIN requests made during the last three legislative sessions and LBO resource constraints, each caucus could request 3-4 impact estimates. Note that statute changes may be required to implement this option.

Strengths of an Annual Report on Contemplated Legislation

Legislators would begin the session with local fiscal impact information readily available.

Weaknesses of an Annual Report on Contemplated Legislation

This option would be less responsive to bills drafted shortly before or during session. Legislators could request local impact estimates on bills they plan to offer but may not be aware of bills with local impacts contemplated by others.

Next Steps

This memo is meant to inform LBOOC members and legislators about possible alternatives to the current LIN process. If there is interest in one of the alternatives presented above or an option not discussed here, the LBO can follow up with further analysis.