

Chapter 1 Fiscal Note Process

A. Description

A **fiscal note** estimates the costs, savings, revenue gain, or revenue loss resulting from the implementation of proposed legislation. 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.

B. Minnesota Statute 3.98 Statutory Requirements

Subdivision 1 requires each department of state government to prepare a fiscal note at the request of the chair of the standing committee to which a bill has been referred, or the chair of the house ways and means committee, or the chair of the senate committee on finance.

Subdivision 2 requires a fiscal note to: (1) cite the effect in dollar amounts; (2) cite the statutory provisions affected; (3) estimate the increase or decrease in revenues or expenditures; (4) include the costs that may be absorbed without additional funds; (5) include the assumptions used in determining the cost estimates; and (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.

Subdivision 3 requires the fiscal note be delivered to the chair of the ways and means committee of the house, the chair of the finance committee of the senate, the chair of the standing committee to which the bill has been referred, and to the chief author of the bill.

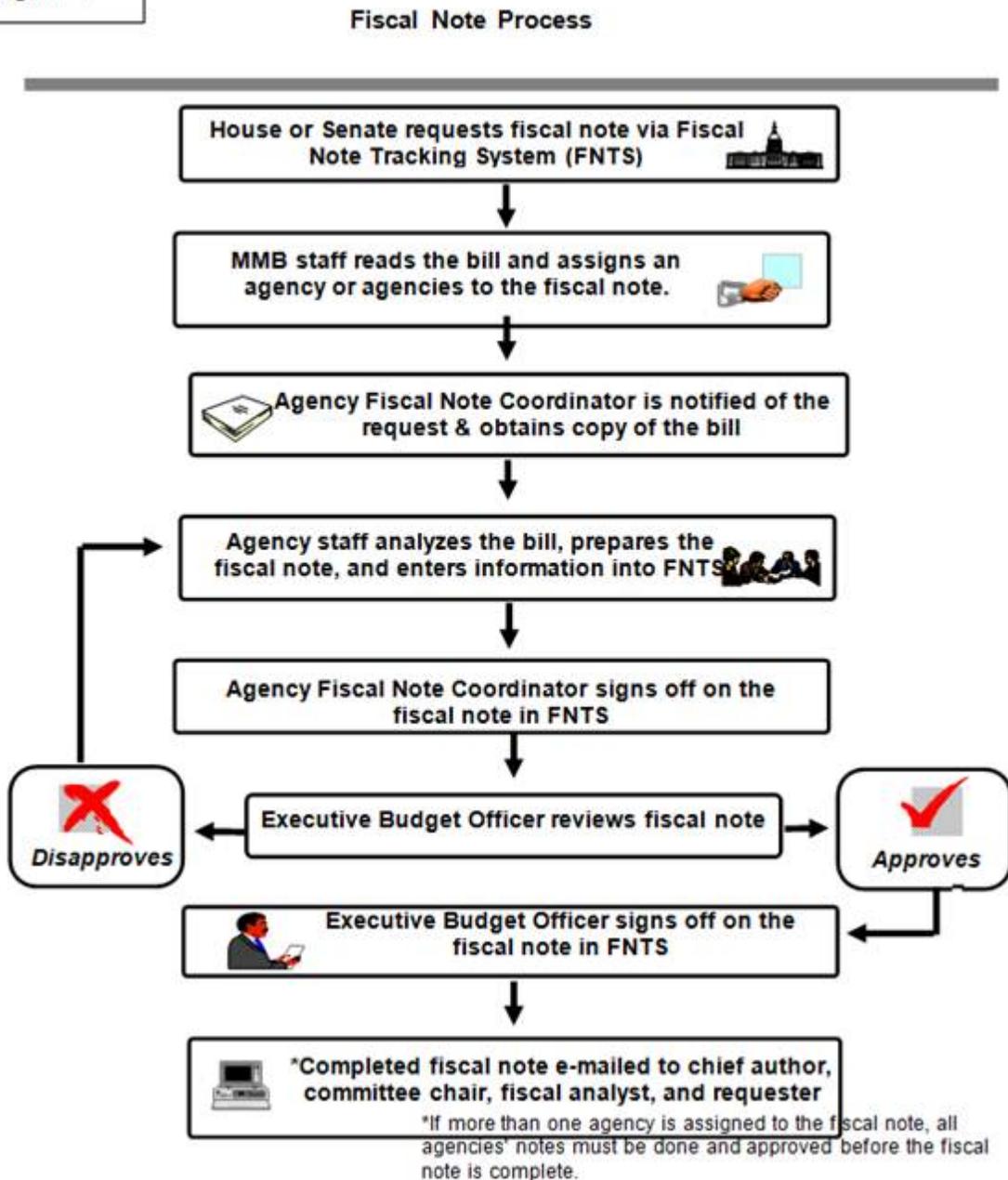
Subdivision 4 requires the commissioner of finance to prescribe a uniform procedure to govern the departments of the state in complying with the requirements of this section.

C. Steps in the Fiscal Note Process

1. Generally, a fiscal note is requested when a bill moves from a policy committee to a budget (finance) division or is referred to the House Ways and Means committee or Senate Finance committee. Legislative staff, acting on behalf of a committee chair, electronically requests a fiscal note via the Fiscal Note Tracking System (FNTS). The responsibility to request a fiscal note on a bill resides with the committee. A fiscal note is requested on a particular version of a bill. In most cases, a fiscal note is requested in order to know the impact of the bill before a scheduled hearing.
2. FNTS notifies Minnesota Management & Budget staff of the request. A budget staff person reviews the bill and assigns the affected state agency or agencies to prepare a fiscal note.
3. The assigned agency's Fiscal Note Coordinator is notified of the request and obtains a copy of the bill for which the fiscal note was requested.
4. Appropriate agency staff analyzes the bill, prepares a fiscal note following the guidelines in this manual, and enters the information into FNTS.
5. After the agency reviews the fiscal note accuracy, objectivity, completeness and format, the Agency Fiscal Note Coordinator signs off on the fiscal note in FNTS.
6. Minnesota Management & Budget executive budget officer (EBO), responsible for oversight of the assigned agency, reviews the fiscal note for reasonableness, completeness, and conformity with statewide policies and procedures.

- 7. If the fiscal note is acceptable, the EBO signs off in FNTS with the option of including clarifying comments. If the EBO does not agree with the fiscal note, the EBO will discuss the fiscal note with appropriate agency staff.
- 8. After the EBO signs off in FNTS, the completed fiscal note is distributed to the chief author, requesting committee chair, committee fiscal analyst and fiscal note requester. If a consolidated fiscal note (more than one agency is assigned), all agencies' notes must be done and approved before the fiscal note is complete.
- 9. Steps 1 - 8 may be repeated every time the bill is changed by a committee or on the floor.

Figure 1



D. Components of a Fiscal Note

The components of a fiscal note are illustrated in Figure 2 and described below.

Fiscal Note Heading - Includes the Bill number and Version, Title, Chief Author, Complete Date, and Agency.

Fiscal Impact Indicators - Indicates whether the bill would have State Fiscal Impact, Local Fiscal Impact, Fees/Departmental Earnings Impact, and Tax Revenue Impact.

Fiscal Implications -

1. Provides an estimate of expenditures and revenues for each affected state fund by Agency. The first year of a legislative session will forecast five years and the second year of a legislative session will forecast four years.

For example, a fiscal note requested in the 2013 session will project the impact to fiscal years 2013 through 2016.

2. Provides an estimate of changes in Full Time Equivalent (FTE) positions to each affected state fund by Agency.

Supporting Narrative Consisting of Six Sections

The narrative information included in a fiscal note should clearly and concisely address each of the items below. The fiscal note should be transparent and provide enough information so that an end consumer of the fiscal note is provided adequate information to understand what the bill is doing, the factors associated with the cost estimates and how the cost estimates were derived. A transparent fiscal note is one that provides enough information to be understood by someone who may not be familiar with the specific program impacted.

1. **Bill Description** section briefly describes what the bill does with an emphasis on the portions of the bill that create the fiscal impact. This section should provide a summary of the bill that sufficiently explains what the bill is doing to an end reader who may not be familiar with the bill. If the agency is only responding to specific sections of the bill that should be clearly articulated in this section. Examples are:
 - a. *The Department of xxx has been asked to provide a fiscal note on section 1 of the bill. Section 1 proposes to.....*
 - b. *Section 4 of the bill impacts the Department of xxxx. This section...*
2. **Assumptions** section explains assumptions and methodology used to develop the estimate. Explanations of assumptions should be clear, transparent, reasonable, justifiable, documented and easily understood by interested readers.
3. **Expenditure and Revenue Formula** section shows a basic equation or formula that rolls up all of the assumptions into the bottom-line fiscal impact. This section should include all of the factors contributing to the costs or savings of the bill. Savings should be displayed as negative numbers.
4. **Long Term Fiscal Considerations** section indicates whether the estimated fiscal impact will continue beyond the initial forecast period. This could include either a quantification of the fiscal impact or an explanation of long-term fiscal considerations.
5. **Local Government Costs** section identifies the local government unit(s) affected, a brief description of the fiscal impact to the local government, any new or expanded local mandates and if they are program or non-program mandates. Mandates are defined in Chapter 3. If the agency has checked the fiscal impact indicator for local fiscal impact, local government costs should be

addressed in this section. In many cases, agencies may not be able to quantify local government costs. In such cases, this section should explain the factors contributing to local government costs.

6. *References and Sources* section identifies agency staff and other entities supplying information used to complete the fiscal note.

Agency Signoff

1. Identifies the agency contact, i.e., the person who can answer questions regarding the fiscal note and their telephone number.
2. Identifies the agency fiscal note coordinator, telephone number, and date the agency completed the fiscal note.

Executive Budget Officer Signoff

1. Identifies the Minnesota Management & Budget executive budget officer, who reviewed the fiscal note and their telephone number,
2. Date EBO approved or did not approve, and
3. Optional clarifying comments. EBOs may provide comments to inform legislators of factors related to the fiscal note.

Figure 2 Sample Fiscal Note

Fiscal Note – 2013-14 Session

Bill #: H3093 **Complete Date:** 2/23/2013

Chief Author: SMITH, JOE

Title: REGULATING COLLECTION AGENCIES

Agency Name: Commerce Dept

Fiscal Impact	Yes	No
State	X	
Local		X
Fee/Departmental Earnings	X	
Tax Revenue		X

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY13	FY14	FY15	FY16	FY17
Expenditures					
- No Impact -					
Less Agency Can Absorb					
- No Impact -					
Net Expenditures					
- No Impact -					
Revenues					
General Fund		<200>	<200>	<200>	<200>
Net Cost <Savings>					
General Fund		200	200	200	200
Total Cost <Savings> to the State		200	200	200	200

	FY13	FY14	FY15	FY16	FY17
Full Time Equivalents					
- No Impact -					
Total FTE					

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Bill Description

This bill:

Section 1 amends the current definition of collection agency to specify an agency is anyone doing collections for a Minnesota creditor.

Section 2 amends current law definition of collector as anyone doing collections for a Minnesota creditor.

Section 3 creates new language for out of state collection agencies. Out of state collection agencies will be able to do collections for out of state companies without being licensed by the State of Minnesota.

Section 4 effective date.

Assumptions

1. Exempts a collection agency collecting on behalf of non-Minnesota clients from requirements for licensure in Minnesota. These companies could collect from Minnesotans, but not on behalf of Minnesota businesses.
2. Affects the number of collection agencies required to be licensed in this state. Current law requires both a collection agency and the collectors they employ to obtain a Minnesota license if they collect from Minnesota residents regardless of who their client is. This bill would not require the agency or collector to have a Minnesota license if all of their "clients" are out of state. Most of the major retail creditors and credit card companies are not Minnesota corporations, the companies collecting for these entities would no longer have to obtain or renew their Minnesota license.
3. Requires a collection agency to disclose what State they are licensed in, but not comply with Minnesota licensure requirements.
4. Continues to hold the department responsible for ensuring that non-Minnesota collection agencies comply with all other portions of the Minnesota collection statute and for imposing penalties.
5. Removes the authority to take action against a licensee since they would not be required to have a license. In effect, rendering the "penalties" and enforcement powers to voluntary compliance.
6. Decreases the amount of revenue the agency collects from the licensing program but will not affect the expenditures or workload of the agency effective beginning in FY 2009 and thereafter.

Revenue Formula

<u>Item</u>	<u>#</u>	<u>Cost per Unit</u>	<u>Total Loss</u>
Collection Agents Renewal Fees	4,415	\$10	\$44,150
Collection Agencies Renewal Fees	215	\$400	86,000
New License Agents	2,000	\$10	20,000
New License Agency	50	\$500	25,000
New License Agency Investigation	50	\$00	<u>25,000</u>
Total Annual Revenue Loss			\$200,150

Long Term Fiscal Considerations

The loss of revenue to the General Fund would be permanent.

References and Sources

Deputy Commissioner, Commerce Enforcement & Licensing Division

Agency Signoff

Agency Contact Name: John Doe, Deputy Commissioner (651) 296-3500

FN Coord Signature: Jane Anderson

Date: 02/22/2013 Phone: (651) 296-4900

EBO Comments

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: Commerce EBO

Date: 02/23/2013 Phone: (651) 296-8500

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