



Agency Policies and Procedures

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Fiscal Note Process

Policy Objectives:

The primary objective of a fiscal note is to provide the best possible estimate of expenditures, revenues, and staffing impacts of proposed legislation.

Background Information:

A fiscal note estimates the costs, savings, revenue gain, or revenue loss resulting from the implementation of proposed legislation. It should be factual, informative, and concise. Fiscal notes are to be objective and not used to influence the outcome of a bill. It serves as 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.

Minnesota Statutes, section 3.98 charges the Department of Minnesota Management and Budget (MMB) with the responsibility for managing the fiscal note process. They have developed a computer system, the Fiscal Note Tracking System (FNTS), for requesting, preparing, tracking, and transmitting fiscal note data. Although MMB is charged with managing the fiscal note process, its role in the process is secondary to the role assigned to the agencies. Primary responsibility for preparing fiscal notes lies with agencies, acting through designated fiscal note coordinators. MMB, through its executive budget officers, reviews fiscal notes for reasonableness, completeness, and conformity with statewide policies and procedures.

Authority:

- **Minnesota Statutes**

M.S. § 3.98, subd. 1 *Fiscal Notes* – This statute requires each agency of state government to prepare a fiscal note at the request of the chair of the standing committee to which the bill has been referred, the chair of the house appropriations committee, or the chair of the senate committee on finance.

M.S. § 3.98, subd. 2 *Fiscal Notes* – This statute 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 which may be absorbed by the agency without additional funds; and (5) specify any long-range implication. The fiscal note may comment on technical or mechanical defects in the bill, but *may not* express opinions concerning the merits of the proposal.

M.S. § 3.98, subd. 3 *Fiscal Notes* – This statute requires the fiscal note to be delivered to the chair of the appropriations 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.

M.S. § 3.98, subd. 4 *Fiscal Notes* – This statute requires the commissioner of finance to prescribe a uniform procedure to govern the agencies of the state in complying with the requirements of this section.

Business Risks:

- Incomplete or inaccurately calculated fiscal notes may be perceived by legislators as a lack of cooperation by an agency, thereby adversely affecting the primary objective of the fiscal note process, and possibly fostering mistrust in the process. Inaccurate financial estimates, as required by Minnesota Statutes, section 3.98, may have significant budget implications for the agency if the proposed legislation is passed into law. This could cause unfunded or under-funded mandates.

Policies and Procedures:

1. A fiscal note is typically requested when a bill moves from a policy committee to a budget division or is referred to the House Ways and Means Committee or Senate Finance Committee. A legislative staff person, acting on behalf of a committee chair, electronically requests a fiscal note through the FNTS, indicating:
 - A. Bill number and version,
 - B. Author,
 - C. Requesting Committee,
 - D. Due date, and
 - E. Any relevant messages to MMB and agencies to be assigned to the request.
2. The FNTS notifies MMB of fiscal note request, whereby the Budget Operations unit:
 - A. Reviews bill for which fiscal note is requested.
 - B. Determines agency or agencies affected by provisions of the bill.
 - C. Assigns agencies to the fiscal note. If more than one agency is assigned (consolidated note), selects and designates a lead agency.
3. The assigned agency's fiscal note coordinator is notified, via e-mail of fiscal note requests, and:
 - A. Routinely monitors FNTS for incoming requests.
 - B. Obtains a copy of the bill for which a fiscal note has been requested.
 - C. Reads bill to determine affected divisions within the agency.
 - D. Distributes electronic or paper copy of bill and [Fiscal Note Request Worksheet](#) (FI-00085-14 (11/98)), to appropriate agency staff.
 - E. Specifies a due date for completed fiscal note to be returned from affected division, for entry into the FNTS.
4. Once notified of a fiscal note request, agency program, financial, and administrative staff:
 - A. Read and analyze bill.
 - B. Note due date established by fiscal note coordinator. Due dates routinely required within one to five days.
 - C. Determine fiscal impact of proposed legislation.
 1. If no impact to agency, notify fiscal note coordinator, and no additional work required.
 2. If fiscal impact, continue.
 3. If consolidated fiscal note, work with other assigned agencies to coordinate assumptions. When Admin is designated as the lead agency on a consolidated fiscal note, Admin has the *primary* responsibility for coordinating with the other assigned agencies.
 4. If local government units are affected, work with representatives of local government to estimate impact of bill on relevant local government units or political subdivisions.
 - D. Prepare accurate and complete fiscal estimates for the appropriate fiscal years indicated, and complete relevant sections of the [Fiscal Note Request Worksheet](#).
 1. Fiscal Impact indicators,
 2. Expenditures by fund,
 3. Revenues by fund, and
 4. Full-Time Equivalents (FTE) by fund.

- E. Prepare fiscal note narrative as required explaining assumptions and rationale used in preparing fiscal estimates, and complete relevant sections of the [Fiscal Note Request Worksheet](#).
 1. Bill Description - briefly describes what the bill does with an emphasis on the portions of the bill that create the fiscal impact.
 2. Assumptions – explains assumptions and methodology used to develop the estimate.
 3. Expenditure and/or Revenue Formula – shows a basic equation or formula that rolls up all of the assumptions into the bottom-line fiscal impact.
 4. Long-Term Fiscal Considerations – indicates whether the estimated fiscal impact will continue beyond the initial forecast period.
 5. Local Government Costs – identifies the local government unit(s) affected, the fiscal impact to the local government, any new or expanded local mandates, and if they are program or non-program mandates.
 6. References/Sources – identifies agency staff and other entities supplying information.
 7. Agency Contact - name and phone number of division contact, included at the end of the narrative.
 - F. Review completed draft [Fiscal Note Request Worksheet](#) with appropriate division/agency management.
 - G. Within specified time frame, submit electronic file of approved [Fiscal Note Request Worksheet](#) to Admin's fiscal note coordinator at Admin.fiscal-notes@state.mn.us. If use of paper copy is necessary, date, sign, and submit approved [Fiscal Note Request Worksheet](#) to the Commissioners Office, Room 200, Admin Building. Note: Narrative should still be submitted on a disk in Microsoft Word format, or transmitted through e-mail.
5. Upon receipt of draft [Fiscal Note Request Worksheet](#) from Admin division, the fiscal note coordinator:
 - A. Reviews [Fiscal Note Request Worksheet](#) for accuracy and completeness.
 - B. Confers when necessary, with commissioner, legislative liaison, division management, division staff, and MMB.
 - C. Ensures entry of fiscal note into the FNTS.
 - D. If lead agency for a consolidated fiscal note, reviews data entered by other agencies in the FNTS. If necessary, contact other agencies for clarification.
 - E. Reviews FNTS version of fiscal note.
 - F. When fiscal note is in acceptable form, authorizes agency signoff in the FNTS, submitting complete fiscal note to MMB through the FNTS.
 - G. Maintains file of completed fiscal notes, along with all supporting documentation.
 6. Executive budget officer's (EBO) responsibilities:
 - A. Reviews completed fiscal note in the FNTS.
 - B. If necessary, contacts the fiscal note coordinator with questions or recommendations for revision.
 - C. When fiscal note is in acceptable form, signs off in the FNTS, and enters comments, as necessary.
 7. Immediately following the final EBO signoff, copies of the completed fiscal note are distributed via e-mail to the chief author, committee chair, fiscal analyst, and requester.

Forms:

MMB Form:
[FI-00085, Fiscal Note Request Worksheet](#)

See Also:

[Fiscal Note Manuals](#) – Department of Minnesota Management and Budget
Exhibit A, [Minnesota Department of Minnesota Management and Budget Fiscal Note Process flow-chart](#)