



Fiscal Note Policy Manual

Updated January, 2015

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Chapter 1 Fiscal Note Process

A. Description

A **fiscal note** estimates the fiscal impact—the potential 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, the budgets of 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.

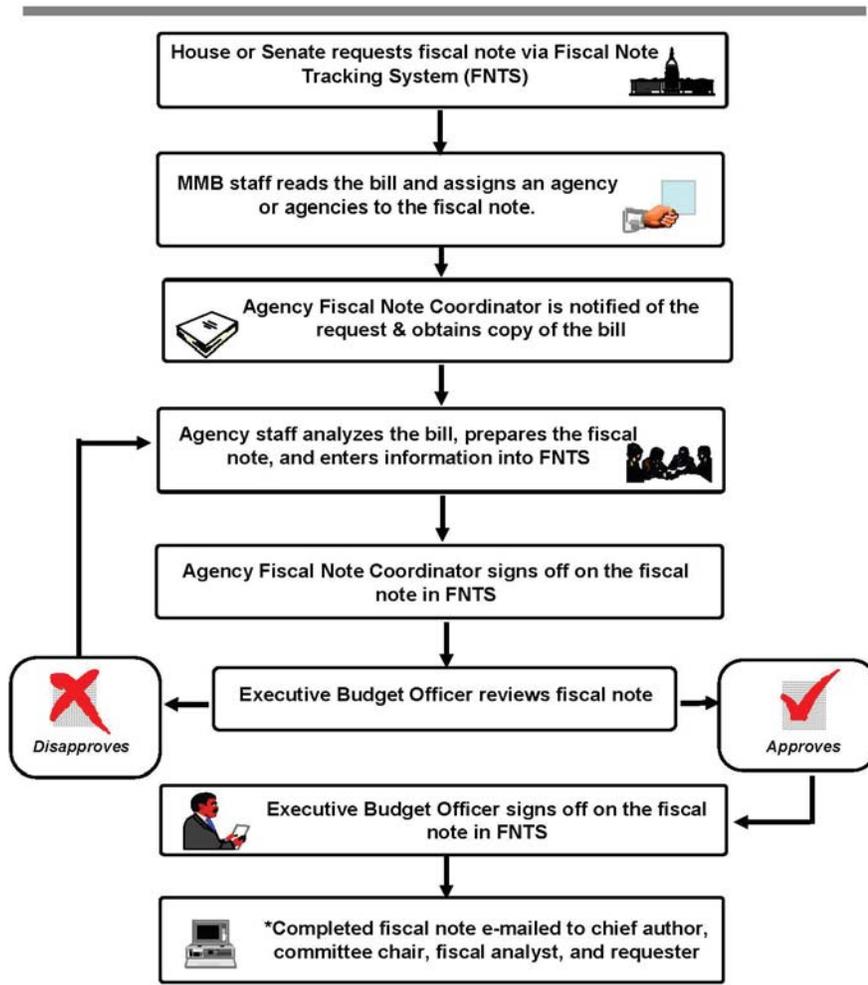
C. Steps in the Fiscal Note Process

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, requests a fiscal note through the web-based 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. When the bill affects multiple agencies—what's referred to as a consolidated note—MMB designates one of the assigned agencies as the Lead Agency.
3. The assigned agency's Fiscal Note Coordinator is notified of the request; a copy of the bill for which the fiscal note was requested is obtained.
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 for accuracy, objectivity, completeness and format, the Agency Fiscal Note Coordinator or designated agency staff signs off on the fiscal note in FNTS.

6. The 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 the note is a consolidated fiscal note (more than one agency is assigned), after all agencies' notes have been approved, the Lead EBO must sign off on the note in its entirety 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 I

Fiscal Note Process



*If more than one agency is assigned to the fiscal note, all agencies' notes must be finished and approved before the fiscal note is complete.

D. Components of a Fiscal Note

The components of a fiscal note are described below and illustrated in Figures 1 and 2.

1 - Fiscal Note Heading

Includes the Bill number and Version, Bill Title, Chief Author, Date Completed (when the fiscal note was approved by MMB), and Agency. When more than one agency is assigned to the note, the heading will also state "Consolidated Fiscal Note" and identify the name of the Lead Agency, and the name(s) of Other Agencies.

2 - Fiscal Impact Indicator Checkboxes

- Indicate whether the bill would have an impact on state Expenditures, a Fee or Departmental Earnings, or Tax Revenue, and whether the bill impacts state information technology systems. A fifth checkbox for Local Fiscal Impact indicates whether the bill has an impact on local government expenditures or revenues.

3 - State Cost (Savings)

This table appears on the fiscal note's cover page(s) and summarizes the bill's state cost or savings by fund and fiscal year. Consolidated fiscal notes involving multiple agencies also summarize costs (savings) by agency, and fund, as well as for the state as a whole.

Fiscal notes prepared during the first year of a legislative session will include five years of data, and those prepared during the second year four years of data. For example, a fiscal note requested in the 2015 session will project the impact to fiscal years 2015 through 2019; notes prepared during the 2016 session will project fiscal impact for fiscal years 2016 through 2019.

4 - Full Time Equivalent Positions (FTE)

Estimates the changes in Full Time Equivalent (FTE) positions by fund. Consolidated fiscal notes display impact by fund and fiscal year for each agency.

5 - Executive Budget Officer Signoff

Identifies the Minnesota Management & Budget executive budget officer who reviewed the fiscal note (the Lead EBO for a Consolidated Fiscal Note), their telephone number and email address; and the date EBO approved or did not approve the note. The standard message "I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies" may sometimes be followed by additional clarifying comments from the EBO.

6 - State Cost (Savings) Calculation Details

This table appears immediately after the Executive Budget Officer's signature, and details the data and calculation of summary State Cost (Savings) table on the fiscal note cover page(s).

This table consists of three sections:

1. State Cost (Savings) repeats the summary costs by fund presented in the table on the cover page.
2. Part 1 details by fund the changes in expenditures; the amount of additional costs the agency can absorb (if any); and the amount of funds to be transferred out (if any) of a fund to another state fund. Data is presented by agency and fund for consolidated fiscal notes.
3. Part 2 details by fund the changes in fees or state tax revenues; and the amount of funds to be transferred in (if any) to a state fund from another fund. Data is presented by agency and fund for consolidated fiscal notes.

7 - 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 does, 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 briefly describes what the bill does with an emphasis on the portions of the bill that create the fiscal impact. This summary explanation should have sufficient detail and context for readers who are not familiar with the bill. The agency should also state when it is responding to a particular section(s) of the bill. 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 explain the factors, 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/or Revenue Formula describes the 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 Fiscal Impact section identifies the local government unit(s) affected; provides a brief description of the fiscal impact to the local government; describes any new or expanded local mandate(s) and whether it is a program or a non-program mandate (see Chapter 3 for a definition of mandate). Often it may not be possible to quantify the amount of local impact; in that case, this section should explain the factors contributing to local government costs. This narrative section must be completed when an agency checks the Local Fiscal Impact indicator.
6. References/Sources section identifies staff and/or other entities the agency consulted or that provided information used to complete the fiscal note.

8 - Agency Contact

Identifies the name and phone number of the staff member that the agency fiscal note coordinator has designated to respond to questions regarding the fiscal note.

9 - Agency Fiscal Note Coordinator Signature

Lists the name, telephone number, and email address of the agency fiscal note coordinator, telephone number, and date the coordinator signed off on the fiscal note.

Figure 1

Fiscal Note

2015-2016 Legislative Session

1 SF1761 - 0 - "Alternative Comp Prep Revenue"

Chief Author: **TERRI BONOFF**
 Committee: **E-12 DIVISION**
 Date Completed: **01/02/2015**
 Agency: **Education Department**

2

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

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

3 State Cost (Savings)

Dollars in Thousands	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General	63,338	72,195	73,480	-	-
Total	63,338	72,195	73,480	-	-
Biennial Total	145,675			-	

4 Full Time Equivalent Positions (FTE)

	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
General	.5	.5	.5	-	-
Total	.5	.5	.5	-	-

5 Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.
 EBO Signature: Elizabeth Connor Date: 1/2/2015 10:52:54 AM
 Phone: 851 201-8041 Email fnts.iq@state.mn.us

Figure 2

6

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.
 *Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars In Thousands		Biennium			Biennium	
		FY2015	FY2016	FY2017	FY2018	FY2019
General		63,338	72,195	73,480	-	-
	Total	63,338	72,195	73,480	-	-
	Biennial Total		145,675		-	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General		63,338	72,195	73,480	-	-
	Total	63,338	72,195	73,480	-	-
	Biennial Total		145,675		-	
2 - Revenues, Transfers In*						
General		-	-	-	-	-
	Total	-	-	-	-	-
	Biennial Total		-		-	

7

Bill Description

This bill creates a new alternative compensation preparation revenue program. School districts and charter schools that are not already receiving alternative teacher compensation (Q comp) revenue are eligible to receive this new revenue if they have completed and submitted an educational improvement plan under MS 122A.413.

Assumptions

1. Based on February forecast data.
2. Assumes an October 1 implementation deadline, similar to Q comp.
3. 0.5 FTE of an Education Specialist 2 will be required each year for review, approval, training, and technical assistance.

Expenditure and/or Revenue Formula

Funding for this program is based on prior year fall enrollment. School districts eligible for revenue under this provision would receive \$169 per student in basic Q comp aid, and \$91 per student in equalized levy revenue.

Long-Term Fiscal Considerations

The revenue for this program ends after FY 2017.

Local Fiscal Impact

This bill would increase local property tax levies beginning with taxes payable in 2015 for the school districts that would be new to the program

References/Sources

8, 9 **Agency Contact:** Terri Yetter 651-582-8868

Agency Fiscal Note Coordinator Signature: Judy Kuck

Phone: 651 501-2000

Date: 1/2/2015 12:13:49 PM

Email: fnts.iq@state.mn.us

Chapter 2 Preparing a Fiscal Note

1. Why is an Agency assigned to a Fiscal Note?

Agencies are generally assigned to a fiscal note for one or more of the following reasons: (1) receiving an appropriation in the bill, (2) collecting money in the bill, (3) administering a program or grant in the bill, (4) changing agency statutes in the bill, or (5) having the most knowledge on the subject of the bill.

If you are aware of an agency that could be affected by proposed legislation other than those assigned to the fiscal note, please contact Camille Drinkwine at 651-259-3772 or camille.drinkwine@state.mn.us as soon as possible so the agency may be contacted to prepare a fiscal note.

2. Role of Agency Fiscal Note Coordinator

Primary responsibility for preparation of prompt, accurate fiscal notes rests with the agency fiscal note coordinator. The fiscal note coordinator acts on behalf of the commissioner or agency head.

Specifically, a fiscal note coordinator is expected to manage their agency's fiscal note process by:

- Training appropriate agency staff on the fiscal note process and requirements;
- Monitoring the Fiscal Note Tracking System (FNTS);
- Obtaining a copy of the bill for which a fiscal note has been requested;
- Working with knowledgeable agency program and fiscal staff to obtain information as required for preparation of quality fiscal notes, which may include contacting fiscal staff or legislators to seek clarification on bill language and possible fiscal note assumptions;
- Ensuring that fiscal notes are completed within specified time lines;
- Supervising entry of fiscal note data into FNTS;
- Reviewing fiscal notes for accuracy, objectivity, reasonableness, completeness (including clear explanations and justifications for assumptions), and format;
- Coordinating preparation of a fiscal note with other agencies when a consolidated fiscal note has been requested and leading the coordination when the agency is designated as the lead agency; and
- Contacting local government organizations for fiscal impact estimates, where feasible, when proposed legislation affects local government units.

3. Copies of Bills

Agencies are responsible for obtaining a copy of the bill for which a fiscal note has been requested. FNTS provides hyperlinks to official bill language which can also be obtained from the House Index, Senate Index, or electronically from the Legislature's Homepage (<http://www.leg.state.mn.us/>).

When a fiscal note is requested on an amendment or an unofficial bill draft or legislative proposal, the amendment or unofficial bill language will be available as a file attachment to the fiscal note record in FNTS. The legislative staff requesting the note or MMB Budget Operations may also provide guidance in the FNTS message field, such as what has changed from a prior version of the bill, whether the request is similar to another bill from the current or a previous session, or whether the request is limited to specific sections of the bill.

4. Fiscal Note Due Dates

Legislative staff assigns a due date to each fiscal note at the time of request. “Due date” is defined as the date a completed fiscal note is to be returned to the Legislature, not the date that an agency should be finished preparing their note. Generally, a completed fiscal note is due to the legislature within eight (8) working days, but individual deadlines may vary. Requests designated as urgent will be due to the legislature within four (4) days from the date requested. Occasionally, fiscal note turnaround time may be as little as one working day. Shorter turnaround times on fiscal note requests can be expected around committee deadlines. Coordinators should routinely check due dates and committee hearing schedules and communicate with EBOs and fiscal analysts to help manage priorities and adjust internal agency procedures as necessary to comply with compressed timelines. Legislative committees may delay hearing a bill until a completed fiscal note has been delivered. On fiscal notes due within 24 hours, each agency coordinator will be contacted by telephone, in addition to the FNTS email notification.

5. Fiscal Note Basics

- The primary objective of a fiscal note is to provide the best possible estimate of expenditure, revenue, and staffing impacts of proposed legislation given a short turn-around time. It should be factual, informative, and concise, with fiscal estimates that are transparent, adequately explained, justified, and documented. Fiscal notes are to be objective and not used to influence the outcome of a bill. A fiscal note should help the Legislature make an intelligent, informed decision on the potential costs of a bill based on the best facts available.
- Read the bill carefully and compare to existing statutory language. Look carefully for repealer clauses at the end of the bill.
- A fiscal note should focus on the fiscal implications of only the bill in which the fiscal note is requested, without consideration of other proposed legislation or speculation beyond the language actually contained in the bill.
- Clearly specify ALL agency assumptions because it is possible for more than one set of assumptions to be made from the same bill particularly when the provisions in the bill are either uncertain or permissive. Assumptions should be clearly and adequately explained and justified.
- Do not use an inflation factor to increase costs in future years for FY 2018-19. Fiscal estimates are to be stated in known costs for the FY 2016-17 biennium.
- Be as clear as possible and avoid the use of jargon and acronyms. The fiscal note narrative is intended to communicate to a general audience.
- The fiscal note may comment on mechanical or technical defects of the bill, but comments or opinions relative to the bill’s value are not appropriate. The fiscal note should not be biased by the agency’s position on the legislation. Agency concerns or positions on the bill should be made through other means, such as testimony, meetings, or letters to legislators.
- Information entered into the Fiscal Note Tracking System can be viewed by all system users, with two exceptions: 1) while an agency assigned to a fiscal note is in “Agency Draft Status,” only the agency’s users may view the fiscal note document; and 2) when the legislature requests a fiscal note on unofficial bill language and directs it to be classified as not public data under Minnesota Statutes section 13.64, subdivision 3(b), data about the request and the fiscal note document can only be viewed by MMB, the legislative requester, and agency users with sign off authority who are assigned to complete the fiscal note.
- Fiscal notes are not official until they are distributed by Minnesota Management & Budget. Agencies should not distribute fiscal notes directly. However, agencies may share preliminary fiscal notes with appropriate legislative fiscal staff to facilitate communication. Fiscal note documents produced by the Fiscal Note Tracking System bear the header “Preliminary” until approved by the MMB executive budget officer.
- Work papers utilized in the preparation of fiscal notes should be maintained for at least two years following the applicable legislative session.

- An agency's ability to prepare objective, accurate, and factual fiscal notes affects its credibility with the legislature.

6. Special Circumstances in Fiscal Note Preparation

1. Bill Intent Clarification

In cases where an agency is not familiar with a particular bill, the wording of a bill may necessitate contact with the chief author to clarify intent. An agency should contact the requesting committee fiscal analyst or the chief author as soon as possible, citing the bill language that needs clarification. The committee fiscal analyst or the chief author should be able to provide sufficient information about the intent to allow the agency to make assumptions. All assumptions used to develop the fiscal note should be stated clearly, transparently, adequately explained, and justified in the supporting narrative section of the fiscal note. A list of Legislative Members and Committee Fiscal Analysts with their telephone number and e-mail address is available on-line in the Fiscal Note Tracking System.

2. Fiscal Impact Cannot Be Determined

Agencies are encouraged to make assumptions and estimate costs even when uncertainty exists. The Fiscal Implications table of the fiscal note should identify the single fiscal estimate that reflects the most likely scenario or, if the agency is unable to identify the most likely scenario, a likely scenario. In the supporting narrative section, an agency can identify a range of possible expenditures or revenues linked to alternative scenarios. An agency should respond with a statement that "The fiscal impact cannot be determined" only in those rare cases when no data exists to support a reasonable set of assumptions. For example, it may be difficult to obtain relevant information from other states, studies or pilot programs with some large-scale, complex, or unprecedented proposals. Before making the determination that the fiscal impact is undeterminable; however, an agency should attempt to obtain the information necessary to develop estimates by calling the chief author or committee fiscal analyst. If the agency is still unable to obtain sufficient information to prepare an accurate fiscal note, they should prepare the fiscal note in the following method:

- a. Check "Yes" for state fiscal impact in the Fiscal Impact Indicators section if it is understood that there will be a cost, but the cost cannot be quantified.
- b. Identify the fund for the expenditures or revenues in the Fiscal Implications section (if possible).
- c. Explain "The fiscal impact cannot be determined because...." in the supporting narrative section. The agency should specify the factors that prevent them from preparing an accurate fiscal note. The agency also should explain relevant information about the fiscal impact that may assist policymakers in considering costs and benefits.

3. Bills Containing an Appropriation or Blank Appropriation Amount

If a fiscal note is requested on a bill containing an appropriation or the appropriation amount is blank, the agency should estimate revenues and expenditures without regard to the amount of the appropriation. An agency should make its own evaluation of what would be required if the bill is enacted into law and becomes a responsibility of the agency.

When an appropriation is contained within the bill, do not simply assume that the dollar amount in the bill equals the program's cost; even though the dollar amount stated may very well be the funding level at which the Legislature will expect the agency to operate the activity. In the supporting narrative, the agency should indicate the operational level that can be performed with the appropriation amount stated in the bill.

Your agency's estimate of expenditures and revenues should appear in the Fiscal Implications section of the fiscal note even if it is different than the appropriation amount stated in the bill. If your estimate and the bill appropriation are different include an explanation of the difference between the two amounts in the supporting narrative section.

If the bill appropriation amount is blank and the bill language is vague, contact the chief author or the requesting committee fiscal analyst for more information. See Bill Intent Clarification and Fiscal Impact Cannot Be Determined paragraphs above.

4. Funding Provided in a Budget Bill

If a fiscal note is requested on a bill where funding is provided in a budget bill, estimate expenditures and revenues without regard to the amount of funding provided in the budget bill. The budget bill amount should be referenced in the supporting narrative along with an explanation of any differences.

5. No Fiscal Impact

If the proposed legislation has no fiscal impact on your agency or local government unit, check “No” for all the Fiscal Impact Indicators. The explanation and assumptions leading to a “No fiscal impact” response should be adequately documented in the supporting narrative section.

6. Bills Involving More Than One Agency (Consolidated Fiscal Notes)

When a bill involves more than one agency, each agency is requested to prepare a fiscal note detailing the fiscal impact related to its own operations. To present a comprehensive picture of the fiscal implications, the completed notes are sent to the legislature as one package referred to as a “consolidated” fiscal note. Consolidated fiscal note documents include cover pages that summarize the bill’s state cost or savings and FTE impact for all agencies assigned to the note, as well as individual fiscal note pages for each agency.

Fiscal notes involving multiple agencies should be developed using the same set of assumptions for all agencies (e.g., caseload, duration of impact, meaning of bill language). The agency with the greatest perceived impact by the bill will be designated as the “lead agency.” **In addition to preparing a fiscal note, the lead agency (through its fiscal note coordinator) is responsible for coordinating the fiscal note with the other assigned agencies.** When appropriate, the EBO for the lead agency will contact the agency to discuss the approach and relevant assumptions. The lead EBO will communicate the lead agency’s approach and relevant assumptions to other EBOs, as needed.

Communication and coordination is necessary to avoid contradictory assumptions, double counting, or omissions. Common consolidated fiscal note errors include the following: (1) overlap of information; (2) no coverage of the cost of a new commission or advisory council; (3) different workload numbers or assumptions; and (4) conflicting assumptions on staffing, rates, or revenues.

The EBO assigned to the designated lead agency is responsible for reviewing the “consolidated” fiscal note. **Conflicting assumptions among individual fiscal notes will delay the distribution of the consolidated fiscal note to the Legislature.**

7. Fiscal Notes Involving Capital Projects and Bonding

Fiscal notes involving capital projects and bonding will be assigned both to Minnesota Management & Budget and to the agency that will have responsibility for operating the proposed capital project. Minnesota Management & Budget through its fiscal note coordinator, Dennis Munkwitz, is responsible for preparing the portion of the fiscal note relating to bonding and debt service costs. The other assigned agency is responsible for preparing a fiscal note for ongoing operating costs (e.g., utilities, custodial) that would be incurred if the proposed capital project were approved.

Agencies should not include the capital appropriation amount in the fiscal implications section, but should identify the amount in the supporting narrative of the fiscal note. If there is a difference between the capital appropriation amount in the bill and the amount needed to complete the project, this difference needs to be stated in the supporting narrative. Capital projects include construction or major remodeling of state buildings and other state facilities, purchase of land or a building, park development, etc.

8. Bills Involving Local Government Units or Political Subdivisions

Fiscal notes on bills with possible local impact are to be prepared by the designated state agency in cooperation, where feasible, with one or more of the following local government contacts:

Association of Minnesota Counties

Julie Ring (651) 789-4330 ring@mncounties.org

League of Minnesota Cities

Rachel Walker (651) 281-1236 rwalker@lmc.org
 Gary Carlson (651) 281-1255 gcarlson@lmc.org

Association of Townships

Eric Hedtke (763) 497-2330 ehedtke@mntownships.org
 Kent Sulem (763) 497-2330 ksulem@mntownships.org

Minnesota School Boards Association

Kirk Schneidawind (507) 934-2450 kschneidawind@mnmsba.org
 1-800-324-4459

Minnesota Inter-County Association

Keith Carlson (651) 222-8737 keithc@mica.org
 Cell: (612) 759-9442

Information provided by local government organizations should be included under Local Government Costs in the supporting narrative section. State agencies are expected to cooperate with local government organizations in estimating the local fiscal impact of proposed state legislation, but fiscal notes should not be delayed when local government organizations do not respond within the time allotted for preparation of a fiscal note. See **Local Impact Notes** section on page 18.

9. Bills Involving Pensions

Fiscal notes on pension bills should be completed using the standard fiscal note format. The front table should only be a reflection of the bill's direct impact on the state budget. Narratives should discuss the long-term implications of the bill, particularly how the bill affects unfunded liabilities. The narrative should also discuss the effect on actuarial required contributions. This information should be presented in tabular format within the narrative under the Expenditure and/or Revenue Formula section. Impacts to local governments should be discussed in the Local Impact section and should include actual estimates if they are available.

10. Bills with Technology Impacts

If a bill has a technology impact, MMB will assign the fiscal note to the impacted agency as the lead and to MN.IT Services for response. In certain cases, it may not be apparent in the bill language that there is a technology impact; however, when an agency is putting together their response they may determine costs related to technology. In all cases, fiscal notes with a technology related impact must be reviewed and approved by the agency's chief information officer (CIO) prior to submission to MMB. Fiscal note coordinators should work with their agency CIO to ensure this review occurs. If the EBO notes during the EBO review process that the agency CIO has not yet reviewed the note, the CIO will be instructed to complete this step before the bill can move forward.

11. Constitutional Amendments

MMB will assign these fiscal notes to the Secretary of State as the lead agency and to any agencies impacted by the amendment. Only the costs of adding the question to the ballot should be included in the table on the cover of the fiscal note. Potential impacts, if the amendment were to pass, should be presented in a table within the narrative under the Expenditure and/or Revenue Formula section.

12. Contingency Bills

Bills that provide funding to continue operations in the event legislation is not enacted by July 1 of an odd number year should be handled as follows:

- a. The table should not reflect costs unless there are NEW costs to the state.
- b. Existing costs should be discussed in the narrative of the fiscal note, but not reflected on the table.
- c. Cost estimates should be reflected in bi-weekly amounts.
- d. Agencies should consult their 2012 shutdown plans as a resource.
- e. If the bill does not include appropriation language, agencies should work with the bill author to ensure legal authority exists for funds to be available to support the activities of the bill.
- f. Agencies should consider central service agency work that may be necessary to support the bill (ex: payroll, accounting, technology support). If an impacted central service agency is not on the bill, please contact Camille Drinkwine at camille.drinkwine@state.mn.us to have them added.

13. Fiscal Notes That Cannot Be Completed by the Due Date

Occasionally, a bill is so lengthy or detailed that a reasonable estimate cannot be completed by the due date. If, after reviewing the legislation, an agency finds that it cannot prepare a fiscal note by the due date, they should contact the fiscal note requester. Indicate to the requester why additional time is needed and when the fiscal note will be completed. If the requester agrees to a later due date, it is the responsibility of the requester to change the due date in the system. Agencies are also encouraged to use the FNTS message feature to explain a delay so that other FNTS users interested in the note will be notified of the delay. Agencies are expected to make every effort to complete these fiscal notes by the agreed upon due date.

14. Central Service Agency Responses of Behalf of Multiple Agencies

In certain cases, central service agencies such as the Department of Administration, MN.IT Services, and Minnesota Management & Budget, may be asked to respond to a fiscal note on behalf of multiple agencies. In these cases, whenever possible, the central service agencies should work with impacted agencies to develop and review the assumptions and expenditure formulas used in the fiscal note. In cases where a cost impact to state agencies is apparent, but is not able to be estimated, agencies should follow the instructions found in the "Costs Cannot Be Estimated" section of this chapter.

15. Fiscal Notes on Amended Bills

Agencies should prepare fiscal notes on the latest version of a bill for which a fiscal note has been requested, unless specifically instructed to do otherwise. When a fiscal note request is entered in the Fiscal Note Tracking System (FNTS), the legislative requester will indicate the bill version—whether the bill is an original, amendment, engrossment, or unofficial engrossment. Because the legislative process often moves rapidly (particularly during the latter part of a session), the version or status of any given bill may change between the time of the request and the point at which the actual bill analysis is made. Since agency personnel usually learn of bill changes before a new fiscal note request has been entered into FNTS, agencies should take the initiative in preparing fiscal notes on the latest bill version of a bill. The agency fiscal note coordinator should contact the legislative requester to verify which version of the bill should be used to prepare the fiscal note. In all instances, legislative fiscal analysts are responsible for entering a fiscal note request for the latest bill version in FNTS.

16. Legislation That Did Not Make Committee Deadlines

If a fiscal note is requested on a bill that subsequently does not make it past a particular committee deadline, Minnesota Management & Budget will not cancel a fiscal note request made by a legislator or legislative staff member. The agency should contact the requester of the fiscal note for information related to the need to complete the note and prioritize the completion of that fiscal note with other requests. Until the individual who requested the fiscal note makes the request "inactive," Minnesota Management & Budget expects the fiscal note to be completed.

17. Agency Not Responding to a Fiscal Note Request

If an agency does not respond to a fiscal note request by the specified due date, Minnesota Management & Budget, at its discretion, may sign off for the agency. This scenario will most likely happen on a consolidated fiscal note where the agency has been repeatedly notified and the bill is being heard in committee shortly. Minnesota Management & Budget will sign off for the agency with the following comment in the narrative: *"The agency did not respond to the fiscal note request by the specified due date."* After the assigned EBO has signed off on the fiscal note, it will be transmitted to the legislature.

18. Common Fiscal Note Errors

- Indicating "No State Fiscal Impact" when there are estimated costs associated with the bill that the agency is willing to absorb within existing appropriations. The "Agency Can Absorb" section below discusses how to reflect these costs in the note.
- Expenditures for salaries and benefits without an associated FTE impact.
- Expenditures for salaries without expenditures for benefits.
- Not including indirect costs for non-general funded programs or activities.
- Revenue displayed by the agency spending it rather than the agency collecting it.
- Agencies preparing fiscal notes on the same bill (consolidated fiscal note) failing to communicate and coordinate with each other, resulting in different assumptions, double counting, or omissions.
- Highly technical narrative not appropriate for a general audience.
- Agencies not completing fiscal notes before the due date, allowing time for EBO review and comment. Whenever possible, agencies should allow 24-48 hours for EBO review prior to the due date.

19. Local Impact Notes

Minnesota Statutes, sections 3.986 through 3.989, govern preparation of local impact notes. The 1997 Omnibus Tax Act contained "local mandates" provisions intended to improve the quality of information available to legislative committees. By identifying the local fiscal impact, the provisions also help the tax committees consider the property tax implications of new state actions. The law makes Minnesota Management & Budget responsible for coordinating the production of local impact notes.

Similar to its role in administering state fiscal notes, Minnesota Management & Budget serves a coordination and review function for local impact notes. At the request of the chair or ranking minority member of the legislative committees on taxes, the House Ways and Means Committee and the Senate Finance Committee, Minnesota Management & Budget must coordinate the development of reasonable and timely estimates of the fiscal impact of proposed legislation and rules on political subdivisions. The statute spells out which types of mandates are covered and which are exempt from the impact estimation process.

After Minnesota Management & Budget receives a local impact note request from a tax committee chair or ranking minority member, MMB will enter the request in the Fiscal Note Tracking System (FNTS). FNTS will post an email notification to the bill author that a Local Note has been requested for the bill. Local governments and their representative associations are then contacted for necessary data or cost estimates. Minnesota Management & Budget examines the information provided by local governments and creates an estimate of possible statewide costs. MMB prepares a cost estimate that includes an analysis summary, an explanation of the proposed legislation, a detailed analysis of the cost estimate, and a listing of the entities that contributed information for the estimate. When the local impact note is completed, FNTS will email the document to the legislative requester, the bill author, and all addresses in

the requesting committee's FNTS email notification list. The local note will also be posted on MMB's website. The local impact note contact at Minnesota Management & Budget is Bryan Dahl, Executive Budget Officer. Phone: 651-201-8031.

20. Unofficial Fiscal Notes

An unofficial fiscal note is fiscal analysis prepared for an unofficial draft bill, amendment or legislative proposal that has not been introduced as a bill in the House or Senate. Unofficial fiscal notes are public documents, unless the person requesting the fiscal note directs that it be classified as not public data. (See Minn. Stat. §13.64, Subd. 3.) For bill language that impacts more than one agency, agencies may share information with one another in order to complete the fiscal note. Unofficial fiscal notes will be published to MMB's website. This process does not apply to technical assistance requests.

Unofficial note requests are entered in the Fiscal Note Tracking System. The requester selects "Unofficial" for the Note Type; the system will automatically assign a "generic" bill number to the request. The requester must also upload a file attachment containing the proposed bill language. Important note: FNTS will not permit MMB to assign an unofficial fiscal note request to an agency until the bill language has been uploaded into the system.

21. Unofficial Fiscal Notes Classified as Not Public Data

Legislative fiscal staff may request that an unofficial fiscal note be classified as not public data, as authorized under Minnesota Statutes §13.64, subd. 3(b). Not public data is data classified by state or federal law as confidential, private, nonpublic, or protected nonpublic data. Definitions of each of these classifications are found in Minn. Stat. §13.02. When such a request is made, all data on the fiscal note request, the unofficial bill draft, and the unofficial fiscal note are not public data.

The Fiscal Note Tracking System (FNTS) designates such requests "Classified Unofficial" fiscal notes. When legislative staff requests this type of note in FNTS, the system will automatically assign a bill number to the request and apply security settings that prohibit other FNTS users from viewing the request in the system. Only the legislative user who entered the request, MMB Budget Operations and Executive Budget Officers, and the assigned agency's users with signoff authority will be able to view the request in FNTS. For bill language that impacts more than one agency, agencies may share information with one another in order to complete the fiscal note.

When a Classified Unofficial fiscal note is completed, FNTS will send an email notification to the legislative requester, and to the assigned agency coordinator and EBO. Unofficial fiscal notes classified as not public are not published on the MMB website. An unofficial fiscal note classified as not public (not the data about the request or the unofficial bill language) becomes public data if the unofficial fiscal note or an updated version is subsequently used for an introduced bill, or any legislation, including an amendment or a proposed bill, that any member of the legislature offers for consideration by a legislative committee. (Minn. Stat. §13.64, subd.3(b)).

Chapter 3 Preparing a Fiscal Note

A. General

The Fiscal Note Tracking System User Manual provides detailed instructions for preparing a fiscal note in FNTS. Agencies may enter data directly into FNTS or use a fiscal note worksheet available online at: <http://mn.gov/mmb/budget/statewide-budget-systems/fns/> to collect the information required for entry into FNTS. FNTS provides an “Agency Draft” setting that allows only the agency’s FNTS users to view the agency’s fiscal note while it’s being prepared. Before signing off on the note, the agency can change the status to “Preliminary” to allow MMB Budget Operations, EBOs, and all other FNTS users to view the agency’s note. Once an agency has signed off, the agency status becomes “Preliminary” and the note is viewable by all system users. Guidelines and instructions for completing each section of a fiscal note follow.

B. What Version of the Bill Are You Working On?

Agencies should prepare fiscal notes on the latest version of a bill for which a fiscal note has been requested, unless specifically instructed to do otherwise. The agency fiscal note coordinator should contact the legislative requester to verify which version of the bill should be used to prepare the fiscal note, when in doubt.

C. Agency Contact

The name and phone number of the person who should be contacted to respond to questions about the fiscal note. The suggested format for the Agency Contact field is as follows: Name (phone number). The agency contact name and phone number will appear, immediately above the Fiscal Note Coordinator’s signature in the fiscal note document.

D. Fiscal Impact Checkboxes

The fiscal note’s cover page heading features a table with five checkboxes that allow the reader to quickly determine the nature of the bill’s fiscal impact. The information is entered in FNTS by selecting either a “Yes” or “No” radio button for each of the following five questions:

1. **State Expenditures: Does this bill have an impact on your Agency’s spending?** If the bill would require your agency to incur additional costs or increase the costs of programs the agency administers, check the “Yes” box. If you are a central service agency responding on behalf of other agencies and there is a cost to those agencies, check the “Yes” box. Detail of the fiscal impact should be included in the fiscal implications and supporting narrative sections of the fiscal note. If there are expenditures associated with the bill that your agency would absorb all or part of the costs, the agency must still check the State Fiscal Impact box “Yes.”
2. **Fee/Dept Earnings: Does this bill impact an Agency Fee or Dept. Earning?** If the bill impacts a fee or departmental earnings, check the “Yes” box. Departmental earnings are defined as service charges, license fees, regulatory fees and other charges imposed by or pursuant to state law. Supporting narrative sections should describe fee assumptions, explain who will pay, and detail any formula or equation used to calculate the revenue generated by the fee and the costs to be recovered.
3. **Tax Revenue: Does this bill impact State Tax Revenues?** If the bill impacts a state tax revenue, check the “Yes” box. Supporting narrative should include detail of the tax involved along with assumptions and any formula or equation used in estimating the tax revenue.
4. **Information Technology: Does this bill impact your Agency’s information technology systems?** If the bill impacts an agency’s information technology systems, check the “Yes” box. MMB will assign fiscal notes on bills affecting information technology systems to MN.IT Services.

5. **Local Fiscal Impact: Does this bill have a fiscal impact on a Local Government Body?** If the bill could have a fiscal impact on a local government unit or political subdivision, check the “Yes” box. A description and, where feasible, an estimate of the amount of the fiscal impact must be included in the fiscal note narrative’s Local Fiscal Impact section.

E. Fiscal Data Tables:

A fiscal note document has three sets of tables. The fiscal note’s cover page(s) has two tables that summarize the bill’s fiscal impact by fund and fiscal year:

1. **State Cost (Savings) Estimate** summarizes the bill’s state cost or savings by fund and fiscal year. Consolidated fiscal notes involving multiple agencies also summarize costs (savings) by agency and fund, as well as for the state as a whole.
2. **Full Time Equivalent Positions (FTE)** details changes in full time equivalent staffing (FTE) by fund and fiscal year.

Following the cover page(s), appearing immediately after the Executive Budget Officer’s signature, is a third table:

3. **State Cost (Savings) Calculation Details** presents the statewide cost (savings) summary from the cover page, followed by two sections—Part 1 and Part 2—that detail the underlying data and calculations.

Agencies enter the data for these tables in the Fiscal Note Tracking System’s Prepare screen. Dollar amounts are to be stated in thousands, e.g., 1 = 1000. FTE can be entered in fractional amounts of one hundredth of a full-time position, e.g., 2.25.

Guidelines for developing this data are detailed below by the section number of the Fiscal Note Tracking System’s Prepare screen where the data are entered.

Expenditures, Absorbed Costs, Transfers Out Section 3 - FNTS Prepare Screen

3.1 Expenditures

- Agency expenditures are estimated by fund. Expected costs must be estimated consistent with budgetary policy and instructions for the 2016-17 biennium. The expenditure calculation must be detailed in the supporting narrative section. No inflation should be included for the planning years, FY 2018 through FY 2019. Caseload levels and enrollment fluctuations are allowed, but these assumptions need to be included in the supporting narrative section of the fiscal note.
- Agency estimates should only include direct impacts.
- **Secondary impacts are excluded from fiscal note estimates.** Discussion of potential secondary costs may occur within the narrative of the fiscal note, but should never be included in the table. Examples of secondary impacts include:
 - A provision that requires all young children to be immunized at a state cost of \$1 per child (the direct costs/fiscal implication) might possibly reduce future state expenditures on treatment for disease (secondary fiscal implication). In this example, only the \$1 cost per immunization would be included in the estimate.
 - Another example is a bill that requires all motorcycle riders to wear helmets. The primary fiscal impact of such a bill is the cost of enforcing the new law and the expected revenue from citations. A secondary impact is the potential reduced cost of medical care as individuals on public health care programs might be less likely to be injured in an accident. While reducing health care costs may be one of the main considerations of such a bill, it is an indirect impact of the bill and should not be included as a fiscal impact.

- Detail of the estimated expenditures by various objects of expenditure (salary, benefits, supplies, equipment, travel, etc.) should be explained in the Assumptions and Expenditure Formula in the supporting narrative.

3.2 Agency Absorbed Costs

In some cases, the workload and associated costs resulting from legislation may be absorbed by the agency.

- M.S. 3.98 requires fiscal notes to cite the dollar effect of proposed legislation. Fiscal notes on bills that explicitly require an agency to absorb the costs of implementing the legislation within existing funding should continue to show the costs of the legislation. If an agency is able to absorb costs, they should indicate the amount that can be absorbed by fund; however, the indication of absorbed costs should not be made solely based on language in the bill stating that costs must be absorbed. If other agency activities will be displaced as a result of absorbing the costs, that should be discussed within the narrative of the fiscal note. Costs associated with forecast programs should never be absorbed and should be reported in the expenditures section.
- The fiscal note should inform the legislature of the cost implications associated with the proposed legislation. The legislature considers fiscal notes advisory and in doing so may determine whether or not to fund the costs identified within a fiscal note.
- Identify all incremental costs and workload by fund and report them in the Expenditures section 3.1; identify costs by state fund for each fiscal year 2015 through 2019 that the agency would be able to absorb and report them in the Absorbed Costs section.
- An agency should only report Absorbed Costs if the bill's requirements are an extension of a current activity or function that wouldn't displace any other functions within your existing budget. Costs that are acceptable for absorption should be operational only and should be limited in scope. They need to be something that would not be considered a new cost to the agency, but something that can be done within existing work. Absorption of costs needs to be supported with analysis clearly explaining why the costs may be absorbed. Additionally, agencies are encouraged to consider whether the costs could be absorbed if other bills were enacted that involved absorbed costs and if the costs are being absorbed based on a fair analysis of the impact (not because the agency supports the bill). Agencies need to consider whether or not they can create thresholds for activities that can be absorbed. An example might be:
 - A bill would require 0.5 FTE to support the activity of the bill. If the activity were performed by one staff person, it may require the agency to hire a new 0.5 FTE. If the activity were spread across a division of 20 staff, it might mean each of those staff dedicate 52 hours of time to the activity and the agency may indicate that they are able to absorb the cost when spreading the work out among multiple existing staff without displacing other work. If the additional 52 hours of time for the 20 staff people would displace other work, then the agency should not indicate that they can absorb the costs.

3.3 Transfers Out

When a bill requires a transfer between funds, both the Transfer Out and Transfer In must be reported in the fiscal note. Transfers Out and Transfers In must be of like amounts; that is, inter-fund transfers have no net cost or savings to the state budget as a whole. This business rule is not hard-coded into FNTS. For Consolidated Notes, when a bill requires an inter-fund transfer, the Lead EBO will be responsible for coordinating which agency or agencies record Transfers Out and Transfers In.

Revenues and Transfers In

Section 4 - FNTS Prepare Screen

4.1 Revenues

The Revenue section summarizes the estimated revenue to your agency by state fund for each fiscal year 2015 through 2019.

- Estimated revenues should include both dedicated and non-dedicated receipts from all sources, e.g., taxes, federal reimbursements, fees or departmental earnings.

- Detail of estimated revenues by various sources should be included in the supporting narrative section.

4.2 Transfers In

When a bill requires a transfer between funds, both the Transfer In and Transfer Out must be reported in the fiscal note. Transfers In and Transfers Out must be of like amounts; that is, inter-fund transfers have no net cost or savings to the state budget as a whole. This business rule is not hard-coded into FNTS. For Consolidated Notes, when a bill requires an inter-fund transfer, the Lead EBO will be responsible for coordinating which agency or agencies record Transfers Out and Transfers In.

Full Time Equivalent Positions (FTE)

Section 6 – FNTS Prepare Screen

Certain proposed legislation may require an increase or decrease in staffing levels. Any such impact on staffing should be calculated in terms of full time equivalent positions.

- M.S. 16A.122 (Work force planning and reporting) defines a full time equivalent position as “2,080 working hours per year; except that the number of work hours may vary, depending upon the exact number of working days in any given year. Independent contractors are not to be included within the definition of a full time equivalent position.”
- Agencies should include any increase or decrease in the number of FTEs by state fund and reflect any corresponding increase or decrease in salary and benefit costs in the expenditure section of the fiscal note.
- FTE can be stated down to the hundredth of a position, e.g., 2.25 or .75.
- FTE changes should reflect the difference from current projected levels for each year. For example if a bill would add 5 FTEs in each year every year for four years, the FTE table would show an FTE impact of 5, 10, 15, and 20 for the 4 years (not 5 each year). If the bill would add 5 FTEs that would be needed ongoing, the table should show 5 FTEs each year.

To calculate the estimated costs of new positions, agencies should use a format similar to the one shown below. Costs associated with each FTE should include the following: salary (at a level determined appropriate by the agency), fringe, and associated supplies and expenses. The fringe benefit percentages and insurance costs in the illustration below are estimates that may differ depending on the retirement plan or insurance coverage. The 5.5% retirement percentage represents the rate for the MSRS general retirement plan for FY 2015. The health insurance costs

Table 1 – Compensation Costs

Job Classification	A - Salary Cost per FTE	B - Fringe Cost per FTE	C - Insurance Cost per FTE	D -Total Cost per FTE	E - FTE Required	F - Total Costs
Describe the Position Class and Level	Monthly Salary for this Position	Equals column A x 13.15% (FICA 6.2% + Medicare 1.45% + Retirement 5.5%)	\$1,470 for family coverage as of 1/1/2015	Sum of columns A, B & C	Number of FTE	Column D x Column E

Table 2 – Supplies and Expenses

Expense Category	Cost per FTE	Number of FTE	Cost x FTE
Office Space Rent: square feet x rate per sf ²	\$		\$
Furniture	\$		\$
Telephone	\$		\$
Travel Expense	\$		\$
Office Supplies	\$		\$
Equipment: PC, software, etc.	\$		\$
Other (describe)	\$		\$
Total Cost			\$

F. Supporting Narratives

Section 7 – FNTS Prepare Screen

Fiscal notes are to include supporting narrative that should clearly, yet concisely and transparently explain agency expenditure, revenue, and FTE estimates. Because legislators and legislative staff may not be familiar with the details of agency programs and operations, the supporting narrative should be written for a general audience and should avoid jargon, acronyms, and abbreviations (except when terms are clearly explained when first introduced in the fiscal note narrative). Agencies should carefully document assumptions and rationale used in preparing fiscal notes. Each fiscal note narrative should use the following format:

Bill Description

- Briefly describe what the legislation does, with an emphasis on the bill provisions that have fiscal impact on the agency by describing how the provisions will affect agency operations. Be sure to include the article and section numbers as a reference. To the extent that portions of the bill do not have fiscal impact, a section-by-section analysis of the bill is not necessary; however, the description should clearly describe which sections of the bill are being addressed in the fiscal note.
- Indicate the budgetary program(s) being affected by the proposed legislation.
- Indicate if the legislation contains an appropriation or funding or if the appropriation or funding is included in a budget bill.
- Describe the general workload and policy assumptions that have revenue or expenditure impact on the agency. Any assumptions should be clearly explained.
- Describe the changes(s) from current law that are driving an increase or decrease in expenditures or revenues. Include any significant historical data that may be appropriate.
- Highlight changes from previous versions of the bill for which a fiscal note was requested. If there is no change from the previous bill version, be sure to state this fact. The requester of the fiscal note, or the bill’s author should be contacted with questions about the changes.
- Note technical or mechanical defects. Technical or mechanical defects should be limited to bill drafting errors such as internal reference conflicts, conflicts with unamended statutes, undefined terms, etc. There should be no statements related to the merits, support or opposition to the bill.

Assumptions

Detail assumptions made in preparing the fiscal note. Explanations of assumptions should be clear, transparent, reasonable, justifiable, documented and easily understood by interested readers.

This is very important for a complete understanding of the fiscal note. For example, a basic description of components such as the number to be served, unit or average costs; the timing of expenditure changes; and when program or staff changes will be fully implemented.

- Describe agency expenditures necessary to implement the legislation.
- Explain how workload assumptions translate into cost estimates.
- State the assumptions and methods used to arrive at the dollar estimates for each object of expenditure and FTE.
- State assumptions regarding the salary levels of new full-time equivalent positions (FTEs) being requested. Agencies should identify the classification, compensation code, and salary step of new positions being requested. If new positions will not start at the first salary step, provide rationale. Agencies may state the source of data, such as the AFSME Contract.
- Assumptions regarding fringe benefits and associated supplies and expenses should also be separately identified.
- Distinguish between one-time and ongoing costs.
- State the indirect cost assumptions for non-general funded programs and activities.
- Display administrative, contract, and grant costs separately, if applicable.
- Indicate workload and accompanying costs that the agency is able to absorb. Include an explanation of programs or activities that may be displaced.
- Describe the assumptions and methods used in estimating the revenue impact of the legislation, including revenue sources, e.g., taxes, departmental earnings or fees, federal reimbursement. Explain how the assumptions translate into revenue estimates. Distinguish between one-time and ongoing revenue.
- Explain any substantial differences in revenue or expenditures between the first biennium when the proposed legislation becomes effective and the following biennium. Situations where substantial differences may occur are when a phase-in period is necessary or when start-up costs are higher than continuing costs.

Expenditure and Revenue Formula

Indicate a basic equation or formula that rolls up all of the assumptions into the bottom- line fiscal impact, if applicable. Assumptions used in the formula should be footnoted.

Simple example:

Summary of Impact on Revenues:

Water Permit Application Fees: 100 applications x \$135 fee	\$13,500
Dam Safety Application Fees: 4 applications x \$75	<u>300</u>
Total Revenue	\$13,800

Unit Cost Calculations should be given, if applicable. This will most likely be applicable for proposals relating to grants or programs providing services or assistance to individuals or groups.

Long Term Fiscal Considerations

Be sure to include any long-term fiscal considerations beyond FY 2019. This is especially important if there will be substantial differences in expenditure or revenue estimates from the fiscal years shown in the fiscal implications section such as phased-in revenues or expenditures, or sun-setting.

If federal funds are involved, discuss the probability of continued federal support.

Local Impact

Identify the local government unit(s) affected by the legislation (e.g., townships, counties, school districts, cities). Describe the fiscal impact to the local government unit(s), including any estimates received from the local government organization with any assumptions provided.

Indicate if there are new or expanded local mandates involved in the proposed legislation. Local mandates are to be categorized as either program or non-program. **Program mandates** involve proposals that would expand, reduce, or alter local government functions or services. **Non-program mandates** involve proposals which apply equally to private or public entities and which relate to the organization or institutional structures of local units of government (e.g., elections, public meeting requirements, data collection, tax collection, procurement procedures).

References/Sources

Reference the source of the information provided in the fiscal note (e.g., agency staff, research articles, similar programs in other states).

Relevant work papers should be retained for future reference. Documentation is often needed to defend agency fiscal estimates in appearances before legislative committees; to facilitate preparation of fiscal notes involving bills that are amended; and to help resolve disputes or questions of intent that might arise after legislation has been enacted.

G. Agency Fiscal Note Signoff

After completing entry of information into the system, an agency should carefully review its fiscal note for accuracy, transparency and completeness. Sign off should only be completed when data is approved and not likely to change. Upon agency signoff, the agency contact and the fiscal note coordinator's name and telephone number will appear at the bottom of the fiscal note as well as the signoff date. Agency signoff serves as a notification to the assigned executive budget officer that the fiscal **note is ready for their review**. An agency may remove its sign off at any time before the executive budget officer has signed off on the note.

H. Executive Budget Officer (EBO) Review

Minnesota Management & Budget reviews agency fiscal notes before transmitting them to the legislature. The review is performed by an agency's assigned executive budget officer and occurs after agency signoff. The executive budget officer signoff indicates that a fiscal note has been reviewed for reasonableness, completeness, and conformity with statewide policies and procedures. Executive budget officers may approve or not approve a fiscal note and have the ability to add clarifying comments. In some instances, the executive budget officer will contact an agency to discuss the fiscal note and require revision or additional information.

I. Consolidated Fiscal Note – Lead EBO Review

On a consolidated fiscal note (multiple agency fiscal note), the lead agency's assigned executive budget officer has the responsibility to review the consolidated fiscal note for common assumptions among assigned agencies. In some cases, the EBO may contact the lead agency to discuss the approach to the fiscal note prior to its completion. Upon review of the consolidated fiscal note, the Lead EBO may approve or not approve a fiscal note and can add comments. In some instances, the lead executive budget officer may contact one or more of the assigned agencies for revision of their fiscal notes.

J. Distribution of Fiscal Notes

Immediately following executive budget officer signoff or lead executive budget officer signoff, the completed fiscal note is distributed by e-mail to the chief bill author, the legislative requester, all persons listed in the requesting committee's FNTS email notification list, the assigned agency's fiscal note coordinator and all persons listed in the agency's FNTS email notification list.

K. Revised Fiscal Notes

Occasionally, an error is detected in an agency fiscal note after being distributed to the Legislature. In this circumstance, the affected agency and EBO signoff will be removed from the fiscal note and the agency will be asked to correct the information that is in error or add additional information. At this point, an email is sent to the legislative requester and requesting committee's FNTS email notification list, the bill author, agency fiscal note coordinator, and persons in the agency's FNTS email notification list that the fiscal note is in process of being revised. After the agency has corrected the error and signed off, the EBO will review the revised fiscal note and sign off. When the revised note is completed, the same parties are notified by email; the new fiscal note's header will indicate "Revised" to distinguish it from the original note.

Chapter 4 Overview of the Fiscal Note Tracking System

A. FNTS Overview

The fiscal note tracking system (FNTS) is a computerized system developed and operated by Minnesota Management & Budget. The system consists of the following five major functions:

1. **Security function** controls system sign-on and access rights for various user groups.
2. **Request function** enables the legislature to electronically request fiscal notes and Minnesota Management & Budget to assign and notify assigned agencies.
3. **Preparation function** enables agencies to enter, edit and store fiscal note data.
4. **Tracking function** enables users to determine the processing status of fiscal note requests.
5. **Reporting function** enables users to view and print the fiscal note, tracking reports, and statistical reports.

It is essential that agency fiscal note coordinators have a general understanding of FNTS functions and procedures to facilitate efficient processing of fiscal notes. The following outline is designed to assist fiscal note coordinators to have an understanding of FNTS operations.

RESPONSIBILITY	SUMMARY OF FNTS ACTION
Legislature (House or Senate)	<ul style="list-style-type: none"> ▪ Enters fiscal note request into FNTS. A requester indicates the bill number and version, author, requesting committee, due date, and any relevant messages to Minnesota Management & Budget and agencies to be assigned. At this point, a fiscal note has a fiscal note status of "Legislative Request". ▪ Uses the "Message" function to communicate relevant information such as committee hearing dates, if the bill is similar to other legislation or if the agency is only being asked to respond to certain sections of the bill.
Minnesota Management & Budget Budget Operations	<ul style="list-style-type: none"> ▪ Reviews bill for which fiscal note is requested. Determines agency or agencies affected by provisions of the bill. Assigns agencies by section sequence number to the fiscal note. ▪ If more than one agency is assigned (consolidated note), selects and designates a Lead agency. ▪ Uses the "Message" function to communicate any relevant information such as if a central service agency is being asked to respond on behalf of multiple agencies.
Agency Fiscal Note Coordinator	<ul style="list-style-type: none"> ▪ Each hour, FNTS notifies assigned agencies by e-mail of new fiscal note requests. Agencies should routinely check FNTS daily to monitor status of their incomplete fiscal notes. ▪ Obtains bill for which a fiscal note has been requested. Reads bill and distributes to appropriate agency staff. At this point, a fiscal note has an agency status of "No Data". ▪ To obtain a listing of all new and incomplete fiscal notes, agency checks <i>Fiscal Notes Requiring Agency Action</i> box on the search screen. ▪ Uses the "Message" function to communicate any related delays to completing the fiscal note.

RESPONSIBILITY	SUMMARY OF FNTS ACTION
Agency Program, Fiscal and Administrative Staff	<ul style="list-style-type: none"> ▪ Reads and analyzes bill to extent required for preparation of accurate and complete fiscal estimates for fiscal years 2015 through 2019. Prepares fiscal note narrative as required to explain assumptions and rationale used in preparing fiscal estimates. Prior to the stipulated due date, forwards material to agency fiscal note coordinator. ▪ If consolidated fiscal note, works with other assigned agencies to coordinate assumptions used for fiscal note preparation. ▪ If local government units are affected, works with representatives of local government organizations to estimate impact of bill on relevant local government units or political subdivisions.
Agency Fiscal Note Coordinator	<ul style="list-style-type: none"> ▪ Reviews and organizes expenditure, revenue, and FTE information provided by agency staff. Assembles all relevant fiscal and narrative information and forwards to agency FNTS staff. To facilitate entry, this information should be provided to agency FNTS staff on the fiscal note worksheet. The Fiscal Note Worksheet can be obtained online at: http://www.mn.gov/mmb/budget/statewide-budget-systems/fns/
Agency FNTS Staff	<ul style="list-style-type: none"> ▪ Completes Fiscal Impact indicators; as applicable, enters expenditure, agency can absorb amount, transfers out, revenue, transfers in, and FTE information by fund for each fiscal year, 2015 through 2019. ▪ Completes fiscal note narrative sections.
Agency Fiscal Note Coordinator	<ul style="list-style-type: none"> ▪ Reviews fiscal note. If fiscal note is acceptable, authorizes agency sign off. ▪ If lead agency for a consolidated fiscal note, reviews data entered by other agencies using the View option in FNTS. If errors or omissions are found in data entered by another agency, contacts agency to obtain accurate data. In the FNTS menu, under Directories, select Agency Coordinators to search for and find contact information. ▪ Note: Lead agencies cannot access FNTS for the purpose of altering data entered by other agencies; any necessary changes must be made by the agency that originally entered the data.
Minnesota Management & Budget Executive Budget Officer	<ul style="list-style-type: none"> ▪ Reviews completed fiscal note in FNTS. ▪ If acceptable, signs off in system by selecting appropriate signoff option (approve or not approve). Enters comments, as necessary, using the EBO narrative screen. ▪ If agency data is not acceptable, contacts the agency with questions or recommendations for revision. If the fiscal note is a consolidated fiscal note (more than one agency assigned), see the next step.
Minnesota Management & Budget Lead Executive Budget Officer (Consolidated Fiscal Notes Only)	<ul style="list-style-type: none"> ▪ If the fiscal note is a consolidated fiscal note, the lead agency EBO reviews the fiscal note for conflicting assumptions, double counting, or omissions. ▪ If acceptable, signs off in the system by selecting appropriate signoff option (approve or not approve). Enters comments, as necessary, using the EBO narrative screen. ▪ If data entered by any assigned agency is unacceptable, contacts the agency or assigned EBO with questions or recommendations for revision.
Minnesota Management & Budget	<ul style="list-style-type: none"> ▪ Immediately following the final EBO signoff, the completed fiscal note is distributed via e-mail to the legislative requester, chief author, requesting committee's FNTS email notification list, the assigned agency's fiscal note

RESPONSIBILITY	SUMMARY OF FNTS ACTION
Fiscal Note System	coordinator and agency email notification list.
Legislative Staff	<ul style="list-style-type: none"> ▪ Reviews completed fiscal note. If necessary, contacts agency contact person, agency fiscal note coordinator or Minnesota Management & Budget executive budget officer to obtain additional information or clarification. If bill is amended or engrossed, may request new fiscal note (thus returning to the beginning of the fiscal note process).

B. FNTS Search and Tracking Functions

Besides providing for requesting, preparing, and distributing fiscal notes, FNTS has tracking and reporting capabilities. The FNTS Search screen that is accessed through the Main Menu is to be used to select those fiscal notes of interest to a user (e.g., for the purpose of checking the status of a fiscal note or to review fiscal notes by author, title, agency, etc). A fiscal note may be selected from the Fiscal Note Search screen and viewed, saved or printed as a pdf document.

FNTS includes a tracking capability that allows users to determine the current processing status of the fiscal note. The Note Status indicates the status of the fiscal note as a whole and is shown on both the Search and Status Details screens. When more than one agency is assigned to a fiscal note, the Search and Status Details screens will also display the Consolidated Fiscal Note Status (Consolid. FN Status). This status—not the Note Status—tracks the overall status of a consolidated fiscal note. For consolidated fiscal notes, the Note Status will reflect the status of whichever agency assigned to the note has advanced the farthest in the fiscal note process. The table below lists the Note and Consolidated FN statuses in the Fiscal Note Tracking System:

STATUS	STATUS DESCRIPTION
Legislative Request	Fiscal note has been requested by the legislature, but agencies have not been assigned.
In Process	Fiscal note has been assigned to agency or agencies for preparation.
Waiting for EBO Signoff (Note Status only)	Waiting for EBO to review and sign off (agency has signed off).
Waiting for Lead EBO Signoff	On a consolidated fiscal note, waiting for lead EBO to review and sign off on the consolidated note.
Inactive	Fiscal note that was initially requested by the legislature, but currently is not needed.
Complete	Fiscal note has been signed off by all agencies and EBOs and transmitted to the legislature. The Complete Date field is automatically populated upon final signoff of the fiscal note.

The Note and Consolidated Note statuses indicates the progress of the fiscal note as a whole, the Agency status indicates the status of the individual agency’s fiscal note. The agency status is also displayed on both the Search and Status screens. After an agency or agencies have been assigned, each agency’s fiscal note will display one of the Agency Statuses described in the table below:

STATUS	STATUS DESCRIPTION
Agency Draft	FN assigned to an agency for preparation. Agency can enter data but other FNTS users may not view its fiscal note while in Agency Draft Status.
Preliminary Data	Data has been entered by agency, but has not yet been signed off as complete.
Agency Signed Off	FN signed off by agency and returned to Minnesota Management & Budget for executive budget officer review and signoff.
EBO Signed Off	Agency and executive budget officer have reviewed and signed off.
MMB Signed off for Agency	Minnesota Management & Budget signed off for an agency because agency did not respond to request by specified due date.

C. Agency E-Mail Notifications

In addition to receiving e-mail notifications from FNTS about new fiscal note requests and companion bill fiscal notes, the agency fiscal note coordinator will receive e-mail notifications for the following reasons:

1. Change in Fiscal Note Due Date;
2. Fiscal Note no longer needed (moved to inactive status);
3. Fiscal Note reactivated (moved to active status);
4. Agency is unassigned from a fiscal note;
5. Agency Sign Off Removed on a Fiscal note;
6. Fiscal note’s message field has been updated;
7. Notification of Fiscal Notes Past Due Date (produced daily);
8. Notification of a completed Fiscal Notes transmitted to the legislature (upon final sign off); and
9. Notification when EBO Sign Off is removed and a completed Fiscal Note is being revised.

D. Available Tracking Reports

The Fiscal Note Tracking System Home Page Menu’s Reports section has three tracking reports available for users who do not want to individually review fiscal note statuses using the search function. The tracking reports are available from the Fiscal Note Tracking System Home Page’s main menu under Reports. Below is a list of the three reports:

1. Legislative Fiscal Note Requests
2. Fiscal Note Requests by Agency
3. Fiscal Note Requests by EBO

E. Assistance

MMB Budget Operations has designated the SWIFT Help Desk as the first point of contact for the three statewide budget systems, including the Fiscal Note Tracking System (FNTS). Having a central point of contact will allow MMB to route and respond to users' calls more efficiently, and to track and analyze system questions and issues to develop more effective user training and guide future system updates.

Contact the help desk line at 651-201-8100 option 2; or email SWIFTHelpDesk.MMB@state.mn.us. Be sure the email message is sufficiently detailed; at a minimum, include: the name of the budget systems application (FNTS), a description of the issue or question, and a screen shot of system error message, where applicable.

Agencies should contact their Executive Budget Officer directly when they need to discuss the fiscal implications of proposed legislation or resolve issues related to developing the cost and/or revenue estimates for a fiscal note.

F. Contingency Procedure for Processing Fiscal Notes Offline

This procedure describes the process MMB Budget Operations will follow to process new fiscal note requests if the Fiscal Note Tracking System (FNTS) is not available due to an unscheduled service interruption and the legislature requires the requests to be completed before the system is expected to be restored. When this manual process is required, MMB Budget Operations will send an email to notify legislative fiscal analysts, the committee administrators of the House Ways and Means, Senate Finance, and the House and Senate Tax Committees, and all fiscal note coordinators.

- 1) Legislative FNTS users request a fiscal note by sending an email to MMB Budget Operations: Camille Drinkwine and Mary Crosson; cc: Robyn Rupp.
 - a) Subject Line appropriate to the type of request:
 - i) All requests, except Classified Unofficial fiscal notes: Fiscal Note Request - HF/SF XXXX-X (bill number-version);
 - ii) Classified Unofficial fiscal notes: Fiscal Note Request - Classified Not Public
 - b) The Bill author's name
 - c) If the bill is not posted on the Revisor of Statutes' website, the bill language must be attached
 - d) Committee requesting the note
 - e) Fiscal Note due date
 - f) Optional: message pertinent to the request
- 2) Budget Operations receives the email, logs the date and time the request was sent and received in a tracking spreadsheet, and electronically files the email message.
- 3) Budget Operations reviews the bill language to identify which agencies and EBOs should be assigned to develop the fiscal note and records the agencies and the assignment date in the tracking spreadsheet.
- 4) Budget Operations emails the fiscal note request and any attachment(s), along with a fiscal note worksheet to the assigned agency fiscal note coordinator(s) and EBO(s).

- 5) The agency fiscal note coordinator completes the worksheet, including the coordinator's signature, and emails it to their EBO, copying Budget Operations. For consolidated notes, also copy the Lead EBO (if different) and all other agency coordinators assigned to the note.
Subject line:
 - a) All requests, except Classified Unofficial fiscal notes: Fiscal Note HF/SF XXXX-X Ready for Review;
 - b) Classified Unofficial fiscal notes: Fiscal Note Ready for Review – Classified Not Public.
- 6) The EBO reviews the fiscal note and, if approved, adds their signature, and emails the worksheet to Budget Operations, copying the agency fiscal note coordinator and, if applicable, the Lead EBO, with the appropriate subject line:
 - a) All requests, except Classified Unofficial fiscal notes: EBO Signed Off - Fiscal Note HF/SF XXXX-X
 - b) Classified Unofficial fiscal notes: EBO Signed Off on Fiscal Note - Classified Not Public
- 7) Budget Operations removes the "Preliminary" header from the fiscal note worksheet, creates a pdf file of the approved fiscal note, and emails the pdf document to the legislative analyst who requested the note, the agency coordinator, and the EBO, with the appropriate subject line:
 - a) All requests, except Classified Unofficial fiscal notes: Fiscal Note HF/SF XXXX-X Completed
 - b) Classified Unofficial fiscal notes: Fiscal Note Completed - Classified Not Public
- 8) Budget Operations electronically files the completed fiscal note and updates the tracking spreadsheet with the date and time of the note's completion.
- 9) Budget Operations forwards the completed fiscal note pdf file to MN.IT @ MMB technical support to be copied onto the web search server with the proper file name. (Unofficial fiscal notes classified as not public are not posted on the web.) Any fiscal note documents that are manually posted to the web search server are searchable by bill number only. In the event the fiscal note public web search application is also unavailable, Budget Operations will not be able to upload the fiscal note documents to the web until after the public search is restored.