



# Fiscal Note Process

Project Description

July 2011

## BACKGROUND

Fiscal notes are a tool to help legislators and others understand the budgetary impacts of proposed legislation. According to statute, a fiscal note on a bill can be requested by the chair of a standing committee to which the bill has been referred or by the chair of either the House Ways and Means Committee or Senate Finance Committee.

The Minnesota Department of Management and Budget (MMB) coordinates the fiscal note process. MMB receives legislators' fiscal note requests; assigns them to the state agencies affected by the proposed legislation; and reviews notes for reasonableness, completeness, and conformity with policies and procedures.

State agency staff prepare fiscal notes. Agency fiscal note coordinators manage and supervise the agency response and review the notes for accuracy and objectivity. For the 2009 and 2010 legislative sessions, MMB worked with agencies to complete more than 1,400 fiscal notes.

During the 2011 legislative session, legislators used some estimates of fiscal impact generated by parties outside state government and raised questions about the credibility and objectivity of fiscal notes prepared by state agencies.

## EVALUATION ISSUES

1. To what extent have fiscal notes provided legislators with credible, objective, timely, and useful information? How have these notes been used in the state's budget process?
2. How does Minnesota's approach to fiscal notes compare with the approaches of other states?
3. How could Minnesota's fiscal note process be improved? Is there a need to change the content of fiscal notes, or the way fiscal notes are developed, overseen, or used?

## SCOPE

This evaluation will consider whether fiscal notes have been (1) consistent with statutory requirements; (2) transparent regarding their assumptions, calculations, and information sources; (3) developed with reasonable and objective methods; (4) timely; and (5) readable.

To evaluate the fiscal note process, we will solicit information and perspectives from legislators, legislative fiscal staff, MMB staff, state agency officials, and others. In addition, we will review samples of fiscal notes from prior years, particularly from 2009 to 2011. We will select some at random; others will be fiscal notes that have raised questions or concerns during the legislative process.

We will use MMB's fiscal note tracking system to develop background information on fiscal notes since 2001. We will also use this system to help us evaluate the timeliness of the fiscal note process and MMB's role in managing the process.

We will try to provide general information on the fiscal note approaches used in all states, with more detailed information collected from a limited number. Our review of other states will help place Minnesota's fiscal note process in context and might point to useful practices.

In addition to examining fiscal notes, we will examine some "local impact notes." While fiscal notes focus primarily on fiscal impacts to the state, local impact notes are occasionally requested by legislators to examine the likely fiscal impacts of proposed legislation on local governments. Also, our evaluation will describe how the Department of Revenue estimates the impact of legislation on state tax revenues, but these estimates (which are not considered to be fiscal notes) will not be the main focus of our evaluation.

We plan to issue the fiscal notes report in January 2012. For more information, please contact evaluation manager Joel Alter at 651-296-8313 or [joel.alter@state.mn.us](mailto:joel.alter@state.mn.us)