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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **1281**

03/02/2015 Authored by Daudt, Peppin, Garofalo and Runbeck

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

03/19/2015 Adoption of Report: Amended and re-referred to the Committee on State Government Finance

1.1 A bill for an act  
1.2 relating to state government; requiring the legislative auditor to perform  
1.3 certain budget-related legislative duties; appropriating money; amending  
1.4 Minnesota Statutes 2014, sections 3.98; 3.987, subdivision 1; 477A.03,  
1.5 subdivision 2b; proposing coding for new law in Minnesota Statutes, chapter 3;  
1.6 repealing Minnesota Statutes 2014, sections 270C.11, subdivision 5; 270C.991,  
1.7 subdivisions 6, 7.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. **[3.9742] BUDGET-RELATED DUTIES.**

1.10 The legislative auditor shall:

1.11 (1) prepare fiscal notes and revenue estimates on pending legislation; and

1.12 (2) prepare local government impact notes on pending legislation.

1.13 Sec. 2. Minnesota Statutes 2014, section 3.98, is amended to read:

1.14 **3.98 FISCAL NOTES AND REVENUE ESTIMATES.**

1.15 Subdivision 1. **Preparation.** (a) The head or chief administrative officer of each  
1.16 department or agency of the state government, including the Supreme Court, legislative  
1.17 auditor shall prepare a fiscal note or revenue estimate at the request of the chair of  
1.18 the standing committee to which a bill has been referred, or the chair of the house of  
1.19 representatives Ways and Means Committee, or the chair of the senate Committee on  
1.20 Finance, or the chair of the house of representatives or senate Tax Committee.

1.21 (b) The head or chief administrative officer of each department or agency of state  
1.22 government, including the Supreme Court, shall supply information for fiscal notes and  
1.23 revenue estimates upon request of the legislative auditor. The legislative auditor may  
1.24 adopt standards and guidelines governing timing of responses to requests for information

2.1 and governing the auditor's access to data, consistent with laws governing access to data.  
 2.2 Agencies must comply with these standards and guidelines.

2.3 (c) For purposes of this subdivision, "Supreme Court" includes all agencies,  
 2.4 committees, and commissions supervised or appointed by the state Supreme Court or the  
 2.5 state court administrator.

2.6 Subd. 2. **Contents.** (a) The A fiscal note, where possible, shall:

2.7 (1) cite the effect in dollar amounts;

2.8 (2) cite the statutory provisions affected;

2.9 (3) estimate the increase or decrease in revenues or expenditures;

2.10 (4) include the costs which may be absorbed without additional funds;

2.11 (5) include the assumptions used in determining the cost estimates; and

2.12 (6) specify any long-range implication.

2.13 (b) The A revenue estimate must estimate the effect of a bill on state tax revenues.

2.14 (c) A fiscal note or revenue estimate may comment on technical or mechanical  
 2.15 defects in the bill but shall express no opinions concerning the merits of the proposal.

2.16 Subd. 3. **Distribution.** A copy of ~~the~~ a fiscal note shall be delivered to the chair  
 2.17 of the Ways and Means Committee of the house of representatives, the chair of the  
 2.18 Finance Committee of the senate, the chair of the standing committee to which the bill  
 2.19 has been referred, to the chief author of the bill and to the commissioner of management  
 2.20 and budget. A copy of a revenue estimate shall be delivered to the chairs of the house  
 2.21 of representatives and senate tax committees, to the chief author of the bill, and to the  
 2.22 commissioner of revenue.

2.23 Subd. 4. **Uniform procedure.** ~~The commissioner of management and budget~~  
 2.24 legislative auditor shall prescribe a uniform procedure to govern the departments and  
 2.25 agencies of the state in complying with the requirements of this section.

2.26 Sec. 3. Minnesota Statutes 2014, section 3.987, subdivision 1, is amended to read:

2.27 Subdivision 1. **Local impact notes.** ~~The commissioner of management and budget~~  
 2.28 legislative auditor shall coordinate the development of a local impact note for any proposed  
 2.29 legislation ~~introduced after June 30, 1997,~~ upon request of the chair or the ranking minority  
 2.30 member of either legislative Tax, Finance, or Ways and Means Committee. Upon receipt  
 2.31 of a request to prepare a local impact note, ~~the commissioner~~ auditor must notify the  
 2.32 authors of the proposed legislation that the request has been made. The local impact note  
 2.33 must be made available to the public upon request. If the action is among the exceptions  
 2.34 listed in section 3.988, a local impact note need not be requested nor prepared. The  
 2.35 ~~commissioner~~ auditor shall make a reasonable and timely estimate of the local fiscal impact

3.1 on each type of political subdivision that would result from the proposed legislation. The  
3.2 ~~commissioner of management and budget~~ auditor may require any political subdivision or  
3.3 the commissioner of an administrative agency of the state to supply in a timely manner  
3.4 any information determined to be necessary to determine local fiscal impact. The political  
3.5 subdivision, its representative association, or commissioner shall convey the requested  
3.6 information to the ~~commissioner of management and budget~~ auditor with a signed  
3.7 statement to the effect that the information is accurate and complete to the best of its ability.  
3.8 The political subdivision, its representative association, or commissioner, when requested,  
3.9 shall update its determination of local fiscal impact based on actual cost or revenue figures,  
3.10 improved estimates, or both. Upon completion of the note, the ~~commissioner~~ auditor must  
3.11 provide a copy to the authors of the proposed legislation and to the chair and ranking  
3.12 minority member of each committee to which the proposed legislation is referred.

3.13 Sec. 4. Minnesota Statutes 2014, section 477A.03, subdivision 2b, is amended to read:

3.14 Subd. 2b. **Counties.** (a) For aids payable in 2014 and thereafter, the total aid  
3.15 payable under section 477A.0124, subdivision 3, is \$100,795,000. Each calendar year,  
3.16 \$500,000 of this appropriation shall be retained by the commissioner of revenue to  
3.17 make reimbursements to the commissioner of management and budget for payments  
3.18 made under section 611.27. The reimbursements shall be to defray the additional costs  
3.19 associated with court-ordered counsel under section 611.27. Any retained amounts not  
3.20 used for reimbursement in a year shall be included in the next distribution of county  
3.21 need aid that is certified to the county auditors for the purpose of property tax reduction  
3.22 for the next taxes payable year.

3.23 (b) For aids payable in 2014 and thereafter, the total aid under section 477A.0124,  
3.24 subdivision 4, is \$104,909,575. The commissioner of revenue shall transfer to the  
3.25 ~~commissioner of management and budget~~ \$207,000 legislative auditor \$214,000 annually  
3.26 for the cost of preparation of local impact notes as required by section 3.987, and  
3.27 other local government activities. ~~The commissioner of revenue shall transfer to the~~  
3.28 ~~commissioner of education \$7,000 annually for the cost of preparation of local impact~~  
3.29 ~~notes for school districts as required by section 3.987.~~ The commissioner of revenue shall  
3.30 deduct the amounts transferred under this paragraph from the appropriation under this  
3.31 paragraph. The amounts transferred are appropriated to the ~~commissioner of management~~  
3.32 ~~and budget and the commissioner of education respectively~~ legislative auditor.

3.33 Sec. 5. **TRANSFER.**

4.1 Upon request of the legislative auditor, the commissioner of management and budget  
4.2 must transfer all records, documents, data, hardware, and software relating to the fiscal  
4.3 note tracking system to the legislative auditor.

4.4 Sec. 6. **REPEALER.**

4.5 Minnesota Statutes 2014, sections 270C.11, subdivision 5; and 270C.991,  
4.6 subdivisions 6 and 7, are repealed.

4.7 Sec. 7. **EFFECTIVE DATE.**

4.8 Sections 1 to 6 are effective July 1, 2015.

**270C.11 TAX EXPENDITURE BUDGET.**

Subd. 5. **Revenue estimates; legislative bills.** Upon reasonable notice from the chair of the house of representatives or senate tax committee that a bill is scheduled for hearing, the commissioner shall prepare an estimate of the effect on the state's tax revenues which would result from the passage of a legislative bill establishing, extending, or restricting a tax expenditure. These revenue estimates shall contain the same information as provided in subdivision 4 for expenditure items contained in the tax expenditure budget, as appropriate.

**270C.991 PROPERTY TAX SYSTEM BENCHMARKS AND CRITICAL INDICATORS.**

Subd. 6. **Department of Revenue; revenue estimates.** As provided under section 270C.11, subdivision 5, the Department of Revenue is required to prepare an estimate of the effect on the state's tax revenues which result from the passage of a legislative bill establishing, extending, or restricting a tax expenditure. Beginning with the 2011 legislative session, those revenue estimates must also identify how the property tax principles contained in subdivision 2 apply to the proposed tax changes. The commissioner of revenue shall develop a scale for measuring the appropriate principles for each proposed change. The department shall quantify the effects, if possible, or at a minimum, shall identify the relevant factors so that legislators are aware of possible outcomes, including administrative difficulties and cost. The interaction of property tax shifting should be identified and quantified to the degree possible.

Subd. 7. **Appropriation.** The sum of \$30,000 in fiscal year 2011 and \$25,000 in each fiscal year thereafter is appropriated from the general fund to the commissioner of revenue to carry out the commissioner's added responsibilities under subdivision 6.