

SF4431 - 1E - PCR Claims Online System Establishment

Chief Author: **Bonnie Westlin**
 Committee: **Elections**
 Date Completed: **3/19/2024 8:42:40 PM**
 Lead Agency: **Revenue Dept**
 Other Agencies:
 Campaign Finance Board

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.

	Biennium		Biennium		
	FY2023	FY2024	FY2025	FY2026	FY2027
Campaign Finance Board					
General Fund	-	-	(1)	(2)	(16)
Revenue Dept					
General Fund	-	-	-	109	21
State Total					
General Fund	-	-	(1)	107	5
Total	-	-	(1)	107	5
Biennial Total			(1)		112

	Biennium		Biennium		
	FY2023	FY2024	FY2025	FY2026	FY2027
Campaign Finance Board					
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	.54	.16
Total	-	-	-	.54	.16

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/19/2024 8:42:40 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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					
FY2023					
Campaign Finance Board					
General Fund	-	-	(1)	(2)	(16)
Revenue Dept					
General Fund	-	-	-	109	21
Total	-	-	(1)	107	5
Biennial Total			(1)		112
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Campaign Finance Board					
General Fund					
Expenditures	-	-	9	(2)	(16)
Absorbed Costs	-	-	(10)	-	-
Revenue Dept					
General Fund	-	-	-	109	21
Total	-	-	(1)	107	5
Biennial Total			(1)		112
2 - Revenues, Transfers In*					
Campaign Finance Board					
General Fund					
	-	-	-	-	-
Revenue Dept					
General Fund					
	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

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 Reductions shown in the parentheses.

	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	109	21
Total	-	-	-	109	21
Biennial Total			-		130

	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	.54	.16
Total	-	-	-	.54	.16

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/19/2024 8:40:36 PM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2					
<small>Dollars in Thousands</small>					
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	109	21
Total	-	-	-	109	21
Biennial Total			-		130
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	-	-	109	21
Total	-	-	-	109	21
Biennial Total			-		130
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

This bill requires the Department of Revenue (Revenue) to create an electronic submission process for Political Contribution Refunds (PCRs).

Section 1: This section amends Minnesota Statutes 2022, section §10A.02, subd. 11b to allow data submitted to the Campaign Finance and Public Disclosure Board (Board) to be transferred to Revenue to process the PCR. The effective date of this section is January 1, 2026.

Section 2: This section amends Minnesota Statutes 2022, section §10A.322, subd. 4 by requiring the Board to provide electronic receipts and requiring each receipt to include a unique receipt validation number to allow Revenue to verify the receipt with the Board. A receipt must only be issued for a contribution of \$5.00 or more. At least once per week, the board must provide the commissioner of revenue a receipt validation report. This section is effective for contributions made after December 31, 2025.

Section 3: This section amends Minnesota Statutes 2023 Supplement, section §290.06, subd. 23 to require a PCR claim to be made electronically to allow multiple PCR claims per year as long as the total doesn't exceed the maximum allowed per calendar year (\$150 for Married Filing Joint couples and \$75 for individuals, and to indicate that Revenue may accept the unique identification number in lieu of the actual receipt for electronic refund claims. Claims must be for a minimum of \$10.00. This section is effective for contributions made after December 31, 2025.

Section 4: This section is a blank appropriation to the commissioner of revenue to establish and implement an electronic filing system for PCR claims. This is a one-time appropriation and is available until June 30, 2026.

Assumptions

The Department of Revenue (Revenue) assumes creation of an electronic submission process for Political Contribution Refunds (PCRs) with a January 1, 2026 effective date.

Revenue assumes it will need to develop an interagency agreement with the Campaign Finance Board, conduct business systems development in e-services, and communicate with the public about the change. Revenue assumes this legislation will impact approximately 39,615 people based on 2022 PCR claims. Additional contact from these customers is anticipated as they will be new e-Services users.

The Tax Operations Division assumes .07 FTE in system development hours will be needed in FY26 largely for e-Services development.

The Appeals, Legal Services, and Disclosure Division assumes costs of .30 FTE in FY26 for the Disclosure and Records Management unit (DRM) to negotiate, draft, and execute a data exchange agreement. The assumed costs are based on DRM's previous experience working with other agencies on data exchange agreements. DRM will need to hold numerous meetings with the board to discuss the agreement. DRM staff will draft the agreement and review language proposed by the board. DRM may need to draft Tennessee warning language. DRM attorneys and supervisors will review the agreement before it is finalized. DRM also anticipates the need to provide support, legal advice, and draft Tennessee warning language for the electronic filing system.

The Communication Division assumes it will need to review, edit, and publish website content; review and edit a rejection letter for GenTax; review and edit two email bulletins; review and edit a press release; and review and edit in-app messaging. Communications assumes it will need .01 FTE in FY26 only for this work.

The Income Tax and Withholding (ITW) Division assumes a standard rate of 5 percent of the 39,615 (1,981) political contribution claimants will call or email about the new option to file the PCR electronically. With a standard rate of 10 minutes per call or email message, this equates to 330 hours or .16 FTE beginning in FY26 and ongoing.

MN.IT assumes system development costs of \$29,500 in FY26. Ongoing systems support of \$2,650 annually is assumed to begin in FY27.

FTE Impact

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Appeals, Legal, and Disclosure staff (MAPE)			.30	
Communications staff (MAPE)			.01	
Income Tax and Withholding staff (AFSCME)			.16	.16
Tax Operations staff (MAPE)			.07	<.01
Total FTE Impact			.54	.16

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation				79,140	17,973
Other					
Systems Development				29,500	
Systems Support					2,650
Total Administrative Costs (Savings)				108,640	20,623

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

There are ongoing systems costs and staff costs related to customer service.

Local Fiscal Impact

N/A

References/Sources

Consulted with staff at the Campaign Finance Board. Agency staff also provided information for this fiscal note.

If information technology costs are included, my agency's Chief Business Technology Officer has reviewed the estimate.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

Date: 3/19/2024 9:36:24 AM

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Fiscal Note

2023-2024 Legislative Session

SF4431 - 1E - PCR Claims Online System Establishment

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 Committee: **Elections**
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 Agency: **Campaign Finance Board**

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Expenditures	X	
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Tax Revenue		X
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General Fund	-	-	(1)	(2)	(16)
Total	-	-	(1)	(2)	(16)
Biennial Total			(1)		(18)

	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/14/2024 9:09:53 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

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	<small>FY2023</small>	<small>FY2024</small>	<small>FY2025</small>	<small>FY2026</small>	<small>FY2027</small>
General Fund	-	-	(1)	(2)	(16)
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Biennial Total			(1)		(18)
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General Fund					
Expenditures	-	-	9	(2)	(16)
Absorbed Costs	-	-	(10)	-	-
Total	-	-	(1)	(2)	(16)
Biennial Total			(1)		(18)
2 - Revenues, Transfers In*					
General Fund					
	-	-	-	-	-
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

The bill requires the Campaign Finance Board (the Board) to develop a file of political contribution refund receipts (PCR) issued by candidates and political party units for transfer to the Dept of Revenue. To create electronic PCR receipts the treasurers for candidates and political party units must enter the political donation into the online campaign finance reporting online application (CFRO). The Board will create a file of the donations that qualify for a PCR receipt, and send that file periodically to the Dept. of Revenue. The Dept of Revenue will build an online application that donors can use to request a PCR receipt. The Dept. of Revenue will compare the request entered by the donor with the file of eligible receipts received from the Board to verify that the refund request is valid.

The amended bill varies from the bill as introduced in the following ways:

Section 1, lines 1.18 1.22, clarifies that the Board may access information stored in CFRO in order to transfer the data to the Dept. of Revenue, and also provides that the information in the transfer file remains private data after it is received by the Department of Revenue. This provision is effective January 1, 2026. The original version of the bill did not specific an effective date.

Section 2, lines 2.2 2.4, eliminates the ability to issue a paper PCR receipt, the receipt must be electronic.

Section 2, lines 2.10 2.12, sets the minimum amount for a PCR receipt at \$5. Previously there was no minimum amount.

Section 2, line 2.13, requires the Board to send the electronic file of PCR receipts to the Dept. of Revenue at least once a week. The bill as introduced did not provide a schedule for the transfers.

Section 2, lines 2.16 2.20, provides the data elements that must be provided by the Board in the file to the Dept. of Revenue. The bill as introduced did not provide specific data elements other than a unique identification number.

Section 2, lines 2.29 2.30, provides that a receipt validation report or receipt validation number is private data. This is a new requirement.

Section 2, lines 3.1 3.2, provides that section 2 is effective December 31, 2025. The bill as introduced did not provide an effective date for this section.

Section 3, lines 3.11 3.19, eliminates the ability to file a refund request on paper, requires use of the electronic system

provided later in the bill. The original bill did not delete references to the filing of a paper receipt.

Section 3, line 3.22, requires that a PCR claim must be for at least \$10.

Section 3, line 4.27, requires the Dept. of Revenue to create an online electronic filing system. This requirement was implied in the original version of the bill, this new language is more direct.

Section 3, line 4.28, provides that section 3 is effective December 31, 2025. The original version of the bill did not provide an effective date.

Assumptions

The Board will need to modify CFRO to generate a donation record with a unique identification number every time a donation is entered and the treasurer wishes to generate a PCR receipt. The record will be copied to a file that will be sent to the Dept. of Revenue. The majority of the features needed for this process are already in place. Treasurers already enter contributions into CFRO, the donation is already identified with a unique identification number, then saved to a database. To create the file for the Dept. of Revenue, the Board will need to modify CFRO so that the application will also record qualified donations identified by the treasurer as PCR eligible to a separate file, and then combine the donations made by all candidates and party units into a single file for transfer to the Dept of Revenue. The data elements mandated by the amended bill are already available in CFRO, and do not represent a cost not accounted for in the first fiscal note for this bill.

The amended version of the bill eliminates the requirement that the Board provide paper PCR receipts to treasurers of political party units and candidate committees that sign the public subsidy agreement. This will save the Board approximately \$2,000 a year in mailing costs, as most paper PCR receipt books are mailed to treasurers. Long term it will also eliminate the printing cost for additional paper PCR receipt books. The Board printed a significant supply of the PCR books in FY23 at a cost of \$14,000. The next anticipated printing of PCR receipt books would be in FY 27. The reduction in mailing costs is documented in Table 1. Because the effective date of the legislation is December 31, 2025, savings on postage do not occur until half way through FY 25. The savings shown for postage is \$1,000 in FY25, and \$2,000 in subsequent years.

Board staff developed CFRO, and an evaluation of the requirements of the bill by the Board's programming staff results in the assumption that the needed modification can and will be done by existing staff. Staff time needed for the modification is worth approximately \$10,000 and the Board can absorb those costs as existing staff are fully funded in FY25. This should be a one-time development cost. The fiscal further assumes that the transfer of the file containing the PCR receipts from the Board to the Dept. of Revenue will be an automated process with no identifiable costs. The amended version of the bill requires that transfer occur at least once a week, but that does not affect the cost incurred by the Board to generate the file.

Expenditure and/or Revenue Formula

Table 1 Mailing Cost Reduction from Eliminating Paper PCR Booklets

USPS cost to mail one PCR book	Approximate Number Mailed Each Year	Mailing Cost
\$2.36	1,000	\$2,360.00

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact: Jeff Sigurdson (651-539-1189)

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