

Adopted by the Legislative Commission on Planning and Fiscal Policy 12/5/2002, Updated for the 2014 Session

2014 Session Fiscal Tracking must show actual costs for FY 2014 and FY 2015 and “Tails” for FY 2016 and FY 2017.

A. For tracking FY 2014-15 budget impact, the following apply:

1. Current appropriations for FY 2014 and 2015 should be consistent with previous end of session spreadsheets. Any changes, due to errors or other reasons should be reviewed and understood. For forecasted programs, any subsequent forecast changes must also be acknowledged.
2. “Change requests” are recommendations for changes from the current appropriations for FY 2014 and FY 2015. Changes may be positive or negative.
3. “Forecast adjustments” are changes from current appropriations to make appropriations consistent with the most recent forecast. Forecast adjustments have no cost relative to the forecast.

B. For tracking FY 2016-17 budget impact in 2014, the following apply:

Cost implications for FY 2016-17 (tails) must be tracked.

1. Rules for tracking tails are:

- a. The general rule is that funding for FY 2016 and 2017 is assumed to continue at the FY 2015 appropriated level unless some other level is specified (consistent with the definition of base in M.S. 16A.11, Subd. 3, paragraph (b)).
- b. Appropriations for programs that are codified in statute are always assumed to be on-going unless the program is sunsetted, terminated on a certain date, or one time by definition (such as a transfer to the budget reserve). Tails must be counted until the sunset date.
- c. Appropriations for agency operations (agency staff, space rental, etc.) are assumed to be on-going unless otherwise indicated.
- d. Appropriations for infrastructure and large equipment may be one-time. However, it is important to clarify that these are one-time appropriations. Some portion of such project appropriations may be ongoing, that amount should be made clear.
- e. Capital projects may have a positive or negative impact on future state agency

operating cost. These cost implications should be evaluated when capital budget requests are being discussed, especially in the finance committee or division that considers the agency's operating budget. Due to the time-frame of a capital project coming on-line, the actual cost implication on the agency operating budget may be several years away. Planning estimates for operating costs should reflect that time-frame.

If an appropriation is made for capital budget related operating costs in FY 2014-15, that appropriation would be tracked like any other appropriation. If capital budget related operating costs for the next biennium (FY 2016-17) are to be added to a budget base for those years, language is required to effect that change and the costs would be tracked in FY 2016-17.

f. Constitutional amendments may have future expenditure or revenue implications. While it can not be assumed that the voters will pass a proposed constitutional amendment, its potential costs must be identified and tracked separately. Potential impacts of constitutional amendments will be recognized in official state budget documents.

g. If the situation is unclear regarding the status of a program in FY 2016-17, language should be added to the bill clarifying the status of the program's appropriation in future years. Note the language in M.S. 16A.11, Subdivision 3, paragraph (b) regarding determination of the budget base.

h. Unallotment is a one-time action that affects an appropriation only in the biennium in which the appropriation was unallotted. An action to restore an unallotment does not have a cost in the next biennium. This is the case as long as the action is only restoration of an unallotment, any additional program or appropriation change may have a fiscal effect in the next biennium.

2. Rules for determining the base amount of tails are:

a. Appropriations for grants are carried forward in FY 2016 and 2017 at the level appropriated in FY 2015.

b. Biennial appropriations are assumed to continue at one-half of the biennial amount per year in the future unless indicated by other documentation (legislative tracking, implementation plans in statute or session law, etc.). A \$10 million appropriation made in FY 2014 but available until June 30, 2015 would be tracked as a tail of \$5 million in FY 2016 and \$5 million in FY 2017.

c. Appropriations for formulas that have statutory appropriation language are carried forward at the level needed to fund those formulas (including caseload changes and other factors) in FY 2016 and 2017.

d. Appropriations for formulas that have variables such as caseload or enrollment changes (forecasted formulas) are carried forward at the level needed to fully fund those

formulas in FY 2016 and 2017.

e. If the rules listed in A-D above do not apply to an appropriation, or if there is any uncertainty about the status of an appropriation, or to ensure that an appropriation does not have tails or has limited tails, clarification language should be included as a rider with the appropriation. Examples of such rider language include:

“This appropriation is one-time.”

“This appropriation is for fiscal years 2014 and 2015 only.”

“This appropriation is for fiscal year 2015 only.”

“Of this appropriation, \$xx are one-time.”

“The funding base for this program in fiscal year 2016 and 2017 is \$xxx per year.”

C. Other Rules and Issues Regarding Appropriations

1. Most appropriations are made by fiscal year. However, appropriations for state agencies operations for the first year of the biennium may be carried into the second year unless the bill or other language in law specifically prohibits it. (See Minnesota Statutes, section 16A.28, subdivisions 1- 4) Amounts carried forward from the first year to the second year do not increase the base for subsequent years.

2. Agencies may transfer operating funds between programs within the agency (See Minnesota Statutes, section 16A.285). This provides agencies with additional flexibility. If the committee does not want an agency to have this flexibility, language should be included in a bill stating that a transfer under M.S. 16A.285 is not allowed for that specific appropriation, program, or agency. Again, amounts transferred under this authority do not change base levels for subsequent years.

3. Time within a biennium will not be used as a controlling factor in counting spending. Appropriations for grants and pass through funds do not carry forward from the first year of the biennium to the second year unless the bill language specifically allows it. (Note, under M.S. 16A.28, subdivision 6, grant funds that are encumbered before the end of a fiscal year are available for up to one year beyond the end of the year for which they were originally appropriated.) If a bill enacted in 2013 appropriates \$100,000 for a specific purpose in FY 2014 but in the 2014 session it is determined that only \$60,000 is being spent, a law change is required to allow that excess FY 2014 money to be spent in FY 2015. Extending the availability of an appropriation from the first year of the biennium to the second year of the same biennium **does not** require that the unexpended first year's amount be counted as additional spending even though that funding would presumably have canceled without the law change.

However, an amendment that allows an unexpended existing appropriation to be carried

past the end of the biennium **does** require that spending being carried forward to be counted as additional spending.

4. Expenditure forecasts assume an aggregate amount of savings from expected cancellations from grants and operating appropriations (\$20 million of undesignated cancellations in FY 2014-15). For that reason, capturing or redirecting under-spending (excess) within a current appropriation **must be explicitly stated in the bill language and tracked on the spreadsheet.**

To effect a reduction in a FY 2014 or 2015 appropriation, bill language must identify a specific amount of reduction and the spreadsheet must clearly specify the amount of savings from the reduction. If the savings from the reduction is reallocated for another purpose (expanded service level or new initiative) that reallocation must be specified in bill language and tracked on the spreadsheet as a cost. The specific bill language and tracking on the spreadsheet must be done even if the reallocation occurs within the same appropriation or budget activity.

In addition, if the reduction is in a forecasted program, a clear formula or programmatic change needs to be specified in the bill language and an estimated amount of savings must be included in the bill language.

Reductions in the second year (FY 2015) appropriations will reduce the base for that appropriation in future years unless otherwise specified (See the definition of base in M.S. 16A.11, subdivision 3, paragraph (b)).

5. As a general rule (open or statutory appropriations are an exception), bills in the 2014 session should not include appropriations for any fiscal year beyond 2015.

6. Any provision that changes revenue or expenditures beyond the planning period (FY 2016-17 during the 2014 session) must be identified and tracked separately.

7. In most cases revenue should go into the general fund and spending should be by direct appropriation from the general fund. When there are compelling reasons to create dedicated revenue and dedicated spending for a program, that program funding should not be in the general fund. If a program's financing is designed like a special revenue fund account then the program funding should be in an account in the special revenue fund or another fund but not the general fund.

These rules are drafted for the 2014 session. Date and year references need to be updated each year or biennium.