

SF3673 - 0 - Firefighters' Pensions; Changes

Chief Author: **Julie Rosen**
 Committee: **State Government Finance and Policy and Elections**
 Date Completed: **3/16/2020 4:47:58 PM**
 Lead Agency: **Revenue Dept**
 Other Agencies:
 Office of The State Auditor

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.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
State Total						
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Total	-	-	-	-	-

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: Joe Harney **Date:** 3/16/2020 4:47:58 PM
Phone: 651-284-6438 **Email:** joe.harney@bo.leg.mn

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		Biennium			Biennium	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

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Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
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: Joe Harney **Date:** 3/16/2020 4:47:46 PM
Phone: 651-284-6438 **Email:** joe.harney@lbo.leg.mn

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Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

When a volunteer firefighters relief association or the statewide volunteer firefighter retirement plan makes a lump-sum distribution to a qualified recipient, the association or state plan must also pay a supplemental benefit or supplemental survivor benefit, whichever is applicable, that is later reimbursed by the state. The retirement benefit may not exceed \$1,000. The survivor benefit may not exceed \$2,000. Occasionally, an individual receives more than one lump-sum distribution due to:

1. returning to service with the same fire department after receiving an initial lump-sum distribution and supplemental benefit; or
2. service with multiple fire departments.

Current law is not clear on whether or not an individual may receive more than one supplemental benefit.

The proposal clarifies that a qualified recipient who receives more than one lump-sum distribution would be eligible to receive a supplemental benefit or supplemental survivor benefit, whichever is applicable, with each lump-sum distribution. Each benefit would be subject to a separate limit.

Assumptions

DOR will update the Integrated Tax System (GenTax) and other computer systems.

DOR will update tax forms, instructions, and schedules to reflect the changes in this bill.

This administrative impact will be minimal for the Department of Revenue.

Expenditure and/or Revenue Formula

PROPERTY TAX

Firefighters' Pensions; Changes

Department of Revenue

Analysis of S.F. 3673 (Rosen) / H.F. 3778 (Nelson) - Section 8. Supplemental benefit. As introduced.

Fund Impact (000's)	FY2020	FY2021	FY2022	FY2023
General Fund	\$0	(negligible)	(negligible)	(negligible)

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Effective retroactively for supplemental benefits paid in 2018 and thereafter.

REVENUE ANALYSIS DETAIL

- Generally, claims for reimbursement are paid in March of the year following the year of the lump-sum distribution.
- Based on claims received for calendar years 2018 and 2019, the total retroactive payment would be approximately \$3,000.
- The retroactive amounts would be added to the total supplemental benefit reimbursement to be paid in March 2021 (FY2021).
- It is unknown how many new claims will be made for eligible recipients in calendar years 2020-2022 (for reimbursements in FY2021-FY2023).
- Based on existing claims, it is assumed that there will be two claims per year and that the average claim will be \$750.
- Under these assumptions, the proposal would increase reimbursements by approximately \$4,500 (\$3,000 + \$1,500) in FY2021 and \$1,500 per year thereafter.
- Amounts under \$5,000 are considered negligible.

Long-Term Fiscal Considerations

Local Fiscal Impact

None

References/Sources

Agency staff provided information for this fiscal note.

March 13, 2020

Minnesota Department of Revenue Property Tax Division - Research Unit

www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx
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Agency Contact: Penny Demko 651-556-4025

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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: Michelle Weber **Date:** 3/11/2020 11:03:57 AM
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State Cost (Savings) Calculation Details

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Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

SF3673-0 implements changes to retirement plan requirements for volunteer firefighter relief associations (VFRAs) as recommended by the State Auditor’s Volunteer Firefighter Working Group. Specifically, it makes changes to the time period for certifying service credits and makes other clarifying changes to Minnesota Statute.

Assumptions

Based on our current understanding of the changes proposed in SF3673-0, Section 8, there will be no fiscal impact on the Office of the State Auditor (OSA). The OSA may need to modify some of our review procedures but the OSA normally expects to make annual updates to review procedures.

Expenditure and/or Revenue Formula

NA

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

We anticipate no additional cost to local governments or to local relief associations based on the changes proposed in this bill.

References/Sources

Agency Contact:

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