

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3938-01  
Bill No.: SJR 32  
Subject: Auditor, State; State Departments  
Type: Original  
Date: January 27, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
General Revenue	(\$52,560)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$52,560)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>0</b>	<b>0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of Attorney General, Department of Agriculture, Office of State Courts Administrator, Department of Elementary and Secondary Education, Department of Corrections, Missouri Ethics Commission, Department of Labor and Industrial Relations, Department of Social Services (all divisions), Missouri Department of Transportation, Department of Public Safety (all divisions), Office of the Governor, Joint Committee on Public Employee Retirement, Legislative Research, Missouri Health Facilities Review Committee, Missouri House of Representatives, Office of Lieutenant Governor, Missouri State Employees' Retirement System, Office of Prosecution Services, Office of State Auditor, Missouri Senate, Office of State Public Defender, Office of State Treasurer, Missouri State Tax Commission, Hickory County, Nodaway County, and City of Kirksville** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Office of Administration (COA) - Commissioner's Office** state a performance audit requires more time on the part of staff than a financial audit. Unfortunately, the COA does not have data tracking the total time spent by employees on any particular performance audit. Dedicating staff to performance audits, rather than day-to-day operations will result in delays. The COA states that it is too difficult to ascertain what direct costs the proposal may require of the COA.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** state passage of the resolution will have no immediate impact on the DED. The impact of passage of the constitutional amendment would have an unknown impact on DED. The impact would depend which programs performance audits are conducted on, staff involvement in the audits, and if the DED would be required to reimburse for the cost of the performance audits.

Officials from the **Department of Higher Education (DHE)** state the cost of the performance audit is unknown. However, it is assumed that the performance audit requirement will be treated similarly to the Statewide Financial State Audit and the Statewide Single Audit in that the DHE will have to pay for this service. Although the costs of these audits vary annually, the most recent completed fiscal year cost just over \$40,000.

Officials from the **Department of Mental Health (DMH)** state the State Auditor's Office already conducts performance audits of the DMH. Were the State Auditor's Office to conduct additional performance audits of the DMH on an annual basis, there would likely be an increase in the additional staff time that would be required to research and respond to the State Auditor's Office questions during the audits. However, it appears the impact would be minimal and the additional time would be absorbed by existing staff. Therefore, there is no direct fiscal impact to the DMH.

However, if the State Auditor's Office finds it necessary to hire additional staff to conduct performance audits, it is possible that the cost of additional staff at the State Auditor's Office might be passed on to the state agencies, including the DMH, as part of the cost allocation.

Officials from the **Department of Natural Resources (DNR)** assume any additional resources needed to implement this proposal would be in the State Auditor's Office. No significant fiscal impact to the DNR would be anticipated as a result of this proposal.

Officials from the **Department of Health and Senior Services (DOH)** state the proposal would not be expected to fiscally impact the operations of the DOH. If a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Department of Revenue (DOR)** state the proposal does not necessarily create a fiscal impact on the DOR, however, it may well create disruptions in customer service if the auditor requested a large volume of non-financial records.

Officials from the **Missouri Consolidated Health Care Plan** state the proposal may result in an administrative cost associated with an audit; however, this cost is expected to be minimal.

ASSUMPTION (continued)

Officials from the **Department of Insurance (INS)** state the fiscal impact of the proposal on the INS is unknown. The fiscal impact would depend upon the scope of a performance audit, the amount of staff time required to assist and comply with information requests during a performance audit, and the ultimate recommendations of a performance audit.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal could have a fiscal impact on MDC funds due to staff time expended in answering questions and working with the State Auditor's Office on these performance audits. The MDC has been included in the scope of 29 State Auditor's Office audits in the past five years. Since there is no means to track time used on these audits, the exact impact is unknown. However, the MDC estimates the number of hours and costs incurred from January, 2002 through November, 2004 relating to audits would be approximately \$22,142, not including benefits.

Officials from the **Office of Secretary of State (SOS) - Elections Division** provided that statewide newspaper publication of state statutes costs approximately \$1,752 per column inch based on an estimate provided by the Missouri Press Service times three (3) for multiple printings as required by the Constitution and state statute. The total cost per column inch would be \$5,256 (\$1,752 X 3). The estimated total number of inches for this amendment is ten (10) inches, which includes title header and certification paragraph. Therefore, the estimated cost to publish notice of this amendment is \$52,560 (10 inches X \$5,256 per inch).

If a special election is called for this purpose rather than being voted on at a general election, the cost of the special election has been estimated to be \$1.2 million based on the cost of the past two special elections.

Officials from the **SOS - Administrative Rules Division** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this proposal to the Administrative Rules Division is less than \$1,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS recognizes that many such proposals may be passed by the General Assembly in a given year and that collectively the costs may be in excess of that the SOS can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Officials from **Jasper County** state the opportunity exists for there to be significant costs to counties who have to comply with State Auditor's recommendations on a performance basis. However, Jasper County officials are unable to provide an estimate of the potential costs.

Officials from **Taney County** estimate that it would cost approximately \$30,000 to hold a state-wide election at a time other than a general election.

Officials from **Maryland Heights** state the impact of a performance audit on the city could have a significant negative fiscal impact. Most subdivisions already contract with an independent auditor for a fiscal audit, but few contract for an outside performance audit and have no experience in maintaining records that would satisfy such an audit. A performance audit could substantially increase the cost of a state audit and the staff time needed to comply with the auditor's request for information.

**Oversight** is presenting the costs associated with the election only and makes no assumptions regarding potential costs that may be incurred if the proposal is approved by a vote of the people.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE FUND</b>			
<u>Costs - Office of Secretary of State</u>			
Newspaper notification costs	<u>(\$52,560)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$52,560)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

## DESCRIPTION

This Constitutional Amendment, if approved by the voters, will require the State Auditor to carry out performance audits on all state agencies. The auditor shall have free access to all offices and records as concern any of the auditor's duties, and shall be bound by the same confidentiality requirements as may apply to the offices and records reviewed.

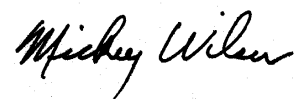
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

## SOURCES OF INFORMATION

Office of Attorney General  
Department of Agriculture  
Office of Administration -  
    Commissioner's Office  
    Division of Accounting  
    Administrative Hearing Commission  
    Division of Budget and Planning  
    Facilities Management, Design and Construction  
    Division of Risk Management  
    Division of Purchasing and Materials Management  
Office of State Courts Administrator  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Mental Health  
Department of Natural Resources  
Department of Corrections  
Department of Health and Senior Services  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Social Services -  
    Division of Budget and Planning  
    Division of Legal Services  
    Division of Medical Services  
    Division of Youth Services  
    Family Support Division  
    Human Resource Center  
    Research and Evaluation  
Missouri Department of Transportation

SOURCES OF INFORMATION (continued)

Department of Public Safety -  
    Director's Office  
    Gaming Commission  
    Missouri State Highway Patrol  
    Missouri National Guard  
    Public Service Commission  
    Missouri Veterans' Commission  
Office of the Governor  
Missouri Consolidated Health Care Plan  
Department of Insurance  
Joint Committee on Public Employee Retirement  
Legislative Research  
Missouri Department of Conservation  
Missouri Ethics Commission  
Missouri Health Facilities Review Commission  
Missouri House of Representatives  
Office of Lieutenant Governor  
Missouri State Employees' Retirement System  
Office of Prosecution Services  
Office of State Auditor  
Missouri Senate  
Office of Secretary of State -  
    Administrative Rules Division  
    Elections Division  
Office of State Public Defender  
Office of State Treasurer  
Missouri Tax Commission  
Hickory County  
Jasper County  
Nodaway County  
Taney County  
City of Kirksville  
City of Maryland Heights



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