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Dorinda Ball...
Operator's Signature

10/2/03
Date

2003 HOUSE POLITICAL SUBDIVISIONS

HB 1187

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Deanna Holbrook
Operator's Signature

10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1187

House Political Subdivisions Committee

Conference Committee

Hearing Date: January 23, 2003 10:00 am

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|-----------|
| 1 | X | | 43.0-52.9 |
| 1 | | X | 0.0-15.9 |
| Committee Clerk Signature <i>Mickie Schmidt</i> | | | 1-27-03 |

Minutes:

***TAPE 1: SIDE A:**

(43.0) REP. GLEN FROSETH: We will now open the hearing on HB 1187.

(44.8) REP. RON IVERSON: Testified in support of HB 1187. (See attachment #1)

(48.6) REP. MARY EKSTROM: Are we illuminating the State Auditors audits?

(48.8) REP. RON IVERSON: There is nothing in this Bill that prohibits the State Auditors from bidding on political subdivision audits.

(49.6) REP. CAROL NIEMEIER: What numbers do you have on how the savings on salaries, of possible 9 FTE's would compare to the loss of audit income.

(50.0) REP. RON IVERSON: I do not have that information for you but can get it for you. I would contend that the savings that we would have from the auditory to private firms, would be more significant.

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Dorena Ballerath
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Date

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House Political Subdivisions Committee

Bill/Resolution Number HB 1187

Hearing Date January 23, 2003

(50.7) REP. BRUCE ECKRE: In your opinion, have the State Auditor not do a good job at a fair price?

(51.1) REP. RON IVERSON: Absolutely not! I think they do a fine job. I don't have a rant against the Auditors Office. I'm looking at the budget. I thought this was one area where we could save money.

(52.9) REP. GLEN FROSETH: You said this does not prohibit the State Auditor from bidding on audits, but the language on page 2, line 45, sounds to me like the political subdivision must be audited by the public.

(0.0) *TAPE 1; SIDE B:

(3.9) REP. ANDREW MARAGOS: Why would you want to take any option away from any governing body, when we always say that the best decisions are made at the local level.

(4.3) REP. RON IVERSON: What I'm doing exactly the opposite. I'm giving them the option to be audited by any CPA they wish.

(4.5) REP. ANDREW MARAGOS: Read current law: "A political subdivision at the option of it's governing bodies may be audited by a certified public accountant or a licensed accountant rather than by the State Auditors".

(4.7) REP. RON IVERSON: If you look that page over at the very beginning, it says that a political subdivision must be audited by the state auditor. If we go by that portion of the law, then they all have to be audited by the state auditor.

(7.2) BOB PETERSON; STATE AUDITOR: Testified in opposition of HB 1187. (See attachment #2)

(9.4) REP. GLEN FROSETH: What percent of the court subdivisions are used?

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Bill/Resolution Number HB 1187
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(9.5) BOB PETERSON: In year ending 2002, State Auditor's office did 103 audits.

Independent Public Accountants did 285 audits. We did about 27% and they did about 73%. We do charge a fee to review them.

(10.2) REP. MARY EKSTROM: Is there anything else that we can do with your operations that includes introduce more efficiency?

(10.6) BOB PETERSON: Not at this time. I think it's up to the governing board to make their own decisions. It's their dollars and they represent those taxpayers.

(11.6) REP. ANDREW MARAGOS: Does the figure of the 1.4 million in fraud claims, do you think those would have been paid out regardless? In your statement you said the Bureau of Criminal Investigation conducts fraud analysis. Are you stating that because the State Auditor had a hand in helping uncover these fraud claims?

(12.3) BOB PETERSON: Quite possibly. As our population diminishes, we end up with internal control problems.

(14.5) REP. MIKE GROSZ: This precludes the State Auditors from doing audits. Do you have an unfair advantage over others whom are bidding for these jobs?

(15.1) BOB PETERSON: Not in bidding. A firm can take a loss. We're not trying to make a profit out of these. That's our advantage.

(15.6) REP. GLEN FROSETH: Further opposition on HB 1187? Hearing none we'll close this hearing on HB 1187.

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1/23/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1187

House Political Subdivisions Committee

Conference Committee

Hearing Date: January 23, 2003

3:00 PM

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|----------|
| 2 | | X | 9.6-14.8 |
| | | | |
| | | | |
| Committee Clerk Signature <i>Micki Schmidt</i> | | | 3-5-03 |

Minutes:

TAPE 2: SIDE B:

(9.6) CHAIRMAN GLEN FROSETH: Let's take a look at HB 1187.

(9.7) REP. RON IVERSON: It was my intent to help the state government. Legislative Council told me that the auditor would be able to compete on this but, as it's written right now, it would look like that is not the case. I will support this.

(11.6) REP. MARY EKSTROM: I WOULD MOVE A DO NOT PASS.

(11.6) REP. CAROL NIEMEIER: I SECOND IT.

(11.7) CHAIRMAN GLEN FROSETH: Any discussion?

(12.4) REP. ANDREW MARAGOS: I agree with your philosophy about moving as much business into the private sector as possible with one caviar, that it doesn't crunch with subdivisions or anybody for that purpose, because that's not fair.

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Bill/Resolution Number HB 1187
Hearing Date: January 23, 2003

(12.7) REP. NANCY JOHNSON: It's still going to be public money paying, because it's all passing authority. It's either going to be the State Auditor putting money back to the subdivision or the subdivision putting out to the community, it's still going to be the public paying for it.

(13.2) CHAIRMAN GLEN FROSETH: Any further discussion? Hearing none, I will have the clerk take the Roll Call Vote: 12-y; 1-n; 1-absent; Carrier: Rep. Grosz. (14.8)

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Demetrius Ballantyne
Operator's Signature

10/2/03
Date

FISCAL NOTE
 Requested by Legislative Council
 01/13/2003

REVISION

Bill/Resolution No.: HB 1187

1A. State fiscal effect: Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

| | 2001-2003 Biennium | | 2003-2005 Biennium | | 2005-2007 Biennium | |
|----------------|--------------------|-------------|--------------------|---------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | \$0 | \$0 | \$186,000 | (\$1,252,923) | \$186,000 | \$0 |
| Expenditures | \$0 | \$0 | \$0 | (\$1,252,923) | \$0 | \$0 |
| Appropriations | \$0 | \$0 | \$0 | (\$1,252,923) | \$0 | \$0 |

1B. County, city, and school district fiscal effect: Identify the fiscal effect on the appropriate political subdivision.

| 2001-2003 Biennium | | | 2003-2005 Biennium | | | 2005-2007 Biennium | | |
|--------------------|--------|------------------|--------------------|-------------|------------------|--------------------|-------------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| \$0 | \$0 | \$0 | \$9,999,999 | \$9,999,999 | \$9,999,999 | \$9,999,999 | \$9,999,999 | \$9,999,999 |

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Lines 6 through 12 on page 2 of HB No. 1187 eliminate the State Auditor's operating account which is used for funding audits of political subdivisions, by the State Auditor's Office.

Lines 24 and 25 on page 2 of HB No. 1187 would prohibit the State Auditor from conducting political subdivision audits.

Assuming that CPA firms do the same amount of audit work as the State Auditor's Office, the cost of audits to counties, cities and school districts will be significantly higher. The exact amount is unknown.

3. State fiscal effect detail: For information shown under state fiscal effect in 1A, please:

A. Revenues: Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

Audit fees generated by political subdivision audits (other fund revenue) would be reduced to zero.

Fund #246 "State Auditor Operating Fund" would be closed.

Other fund revenue of \$1,252,923 is included in the 2003-2005 executive budget.

Review fees of political subdivision audits and reports (\$186,000) would be deposited into the general fund.

B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

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