

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Amendment to: SB 2150

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$10,000	\$10,000
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Audits of regional education associations will use existing staff and appropriations if the audit is conducted by the Office of the State Auditor.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The regional education association will have to pay the cost of the audit. \$10,000 is a guess, the Office of the State Auditor is only aware of one regional education association at this time.

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.*

The Office of the State Auditor does not anticipate any increase in revenues as a result of this bill.

- 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.*

The Office of the State Auditor does not anticipate any increase in expenditures as a result of this bill.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

No additional appropriation changes are necessary for the implementation of this bill.

Name: Donald LaFleur

Agency: Office of the State Auditor

Telephone: 7013284744

Date Prepared: 01/08/2019

19.0065.02000

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: SB 2150

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The regional education association will have to pay the cost of the audit. \$10,000 is a guess, the Office of the State Auditor is only aware of one regional education association at this time.

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

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- 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.*

The Office of the State Auditor does not anticipate any increase in expenditures as a result of this bill.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

No additional appropriation changes are necessary for the implementation of this bill.

Name: Donald LaFleur

Agency: Office of the State Auditor

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Date Prepared: 01/08/2019

2017 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2150

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

SB2150

1/17/2019

#30944

Subcommittee

Conference Committee

Committee Clerk: Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to audits of regional education associations by the state auditor.

Minutes:

Att #1 – Chairman Davison

Vice Chair Meyer: Let's open the hearing on SB2150. Chairman Davison, you are the sponsor.

Chairman Lyle Davison, Dist.41, Fargo Executive Director, South East Education Cooperative (SEEC): (see att #1) (.16-) Our money comes from the funding formula. We get 16% of our dollars come from the general fund. Since 2005, we have been asked for more. We forgot to put the REA's names for who the state auditor can audit. We had to hire another CPA. We would like to have the option for all eight of our REA's and choose the State Auditor to do the audit. (2.60) I ask a do pass.

Vice Chair Meyer: Any questions?

Sen. Erin Oban: I wanted to comment to the students that we weren't doing careful work with the first two bills her today. We are correcting our mistakes of the past. (3.22) In section 2, this provides the state auditor as an option; but in section two, it says the auditor has to do it. Which one is correct.

Chairman Davison: I had to amend the bill because they had the requirement that the state auditor in 15. You are looking at 'shall'.

Sen. Erin Oban: In section 1, is giving you as the REA the option of who would audit you. In section 2, it says the state auditor has to audit it every two years.

Chairman Davison: Very good point. (4.28)

Sen. Shawn Vedaa: If section 2 was not there, what would be the reason to choose the State Auditor.

Chairman Davison: First, it is a cost issue. They are less expensive than accountants in Fargo area. Secondly, it could be access for the small areas that are rural and far from big city. Difficult to find auditors.

Vice Chair Meyer: Any more questions?

Sen. Erin Oban: The fiscal note approximates \$10,000 and it is a guess. They are only accounting for one of the eight.

Chairman Davison: Yes, because some are not their own fiscal agents. They do it through the school. With the new bill going into law July or August 1, 2017, all REA's will have to be audited by the end of 2019. How they choose to do that is up to them. The money is going into State Auditor from general fund. (7.14)

Vice Chair Meyer: Any more in support?

Don LaFleur, Director of State Auditor's Office: We are neutral but wanted to clarify. In regards to section 2, and go to Code, it says in section 4, it says that a political subdivision can choose a certified public accountant instead of state auditor. Those entities have a choice. (8.42) In regards to the fiscal note, we only had one entity that requested an audit from us and we estimated \$10,000. We figured it would be the same for other who requested, if they wanted us.

Sen. Erin Oban: The other REAs are small, correct? Are those audits charged on the size of budge, amount of time?

Don: That section of Code specifies the amount of money you have to have before an audit is required. If you are under, you can submit a report to state auditor in lieu of having an audit. Depends of regions size. (9.40)

Chairman Davison: Any more testimony? Any against? Close the hearing.

2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Sheyenne River Room, State Capitol

SB2150
1/24/2019
31376

- Subcommittee
 Conference Committee

Committee Clerk: Signature Pam Dever

Explanation or reason for introduction of bill/resolution:

Relating to audits of charitable organization & professional fundraiser & charitable organization's annual reporting.

Minutes:

Chairman Davison: Please look at SB2150. What are the committee wishes?

Sen. Shawn Vedaa: I move a DO PASS. **Vice Chair Meyer:** I second.

Chairman Davison: Discussion.

Sen. Jay Elkin: This bill just adds REA's in the list?

Chairman Davison: Yes, good question. It was added under the REA section but we forgot to add under the other section. They have a list under that section of law. (2.15)

Sen. Richard Marcellais: Weren't we going to change 'shall audit' to 'may audit'?

Chairman Davison: That was explained to us.

Sen. Erin Oban: In that section, in subsection 4, it says that political subdivision may be audited by a CPA or licensed accountant rather than the state auditor. I think it is confusing language, but it is Code.

Sen. Erin Oban: I did have Hugh (intern) print and highlighted that section of Code for you at the hearing.

Chairman Davison: Please take the roll. YES – 7 NO – 0, -0-absent PASSED
Sen. Jay Elkin will carry the bill.

Date: 16/4/19
Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2150**

Senate Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description:

Other Actions: Reconsider

Motion Made By Sen Vedaa Seconded By Sen Meyer

Total (Yes) 7 No 0

Absent

Floor Assignment Sun Elkin

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2150: Government and Veterans Affairs Committee (Sen. Davison, Chairman)
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
SB 2150 was placed on the Eleventh order on the calendar.

2019 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2150

2019 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee
Fort Union Room, State Capitol

SB 2150
3/7/2019
33422

- Subcommittee
 Conference Committee

Committee Clerk: Carmen Hart

Explanation or reason for introduction of bill/resolution:

Relating to audits of regional education associations by the state auditor

Minutes:

Attachments 1-2

Chairman Kasper opened the hearing on SB 2150.

Senator Kyle Davison appeared in support. Attachment 1-2. (:20-3:07)

Vice Chair Steiner: Is that \$10,000 fiscal note for all the REAs to be audited, or is that just yours?

Senator Davison: Every REA has to have an audit every two years. The fiscal note is a positive. I didn't even realize there was a fiscal note attached to it.

Vice Chair Steiner: It says the regional education association has to pay the audit the \$10,000 as a guess. They are only aware of one, but there is more than one.

Senator Davison: There really shouldn't be a fiscal note. There can be, because we don't have to use the state auditor. We would just like that as an option.

Rep. Laning: This isn't free from the state? You still have to pay for this audit?

Senator Davison: Yes. They are a little bit less expensive, and they are there in Fargo.

Vice Chair Steiner: On Page 2 you list public libraries. Would you have a problem if I amended in the TR presidential library and museum? If it becomes law this session, they may have public funds, and I would like to know that they have been audited every two years.

Senator Davison: I will let the state auditor address that.

Rep. Rohr: If you select your accountant to do the audit, the findings go to the state board of public school education, etc. If we do it, does it go to legislative management and to _?

Senator Davison: No. It would go to the board of public schools.

Chairman Kasper: How many other entities like yours in Fargo are there?

Senator Davison: One is currently merging. There are six or seven others.

Chairman Kasper: Located generally in the larger cities in ND?

Senator Davison: Yes.

Chairman Kasper: Up until this time, have they been doing their audits with their local CPAs or public accountants?

Senator Davison: For a lot of our regional education associations that started in 2005, their fiscal agent was a school district that was assigned to be the fiscal agent, and when the auditors came into that school district to do an audit, they would include some language for that regional education association. We became our own fiscal agents at the end of 2016. To answer your question, depending on if they are a stand-alone organization doing their own accounting, they certainly could do their audit through whatever accountant they had. If they are part of a school district, sometimes that is still done as part of a school district.

Chairman Kasper: Each of these other organizations make their own decisions?

Senator Davison: They have their own board.

Chairman Kasper: They are not a cookie cutter?

Senator Davison: No.

Chairman Kasper: Have you ever heard your colleagues complaining about they didn't have people that can do the audit properly?

Senator Davison: No. All school districts around the state have to be audited at least every two years. Even the smallest school districts find somebody to do it. This bill is just allowing us flexibility for those of us that having easier access to the state auditor.

Rep. Schauer: Explain to me how difficult it is to find a public accountant.

Senator Davison: It is not difficult to find one now. It depends on where you are living. It is becoming more difficult to find one, because it is a workforce shortage issue in ND.

Josh Gallion, State Auditor, appeared. As the bill is presented, I would be neutral with the amendments adopted. I do support the option for Senator Davison's organization to have the flexibility to choose the state auditor's office. I would support the amendment to remove it from Section 54-10 because if it is listed in there, then all of the REAs would have to submit their audit reports to the state auditor's office. It would have to be reviewed. We would charge them for that review, and they would not be able to their audit firm until we have actually accepted it and approved the audit report.

Rep. B. Koppelman: I assume with the amendments it negates the \$10,000 school district fiscal, because this would be paid by the REA, not the school district. If all the REAs in the state choose the state auditor, and they all write a check for \$10,000, do you have the appropriation to use that money?

Mr. Gallion: I would have to work within the staffing. When we conduct these engagements, we bill for those. That money comes back into a special fund that we use for operating local government division. That covers their salaries and operating costs. There shouldn't be any fiscal impact to our office.

Rep. Laning: You don't feel this would create any additional FTEs necessary for your office?

Mr. Gallion: If the expectation by all of the REAs was for us to pick them up as clients, there would be additional staffing needs. That is why we requested additional local government auditors through our appropriation bill. The senate has approved four additional local government auditors and is now on the house side.

Chairman Kasper: Are you including benefits, retirement, and health benefits when you say no additional cost to state government?

Mr. Gallion: They cover all costs.

Chairman Kasper: Are these audits complex, with 10 being the most complex?

Mr. Gallion: These would be on the lower end. A lot of these are going to be financial statement audits. I would say a rating of 3 or 4.

Chairman Kasper: How much estimated time to do an audit like this?

Mr. Gallion: That is hard to determine, because there are so many variables involved. It probably is a week engagement.

Chairman Kasper: Of the CPA and accounting firms that you are aware of in ND, are most of them capable of doing an audit like this?

Mr. Gallion: Most all CPA firms would be able to. As I have testified for the senate appropriations, about 10 years ago, we had 128 CPA firms providing these types of services in ND. We are down closer to about 48 today either through consolidation or a decrease.

Chairman Kasper closed the hearing.

Rep. C. Johnson moved the amendment.

Rep. B. Koppelman seconded the motion.

Voice vote. Motion carries.

Rep. B. Koppelman: Having the auditor as an option and if we requested to see it, I think we would have access to a very consistent auditing format. It is a good bill, and I will support it.

Rep. P. Anderson: I am going to support the bill. I struggle a little bit about taking away from local, private firms.

Chairman Kasper: It is working now, so we are taking away from the private sector and putting it into state government. I will resist a do pass motion if there is one.

Rep. B. Koppelman: Do you think the other REAs are likely to go to the state auditor?

Chairman Kasper: I can't speak to that. It is sort of the principle of moving from private sector to public sector.

Rep. Schauer made a motion for a DO PASS AS AMENDED and REREFERRED TO APPROPRIATIONS.

Rep. B. Koppelman seconded the motion.

Rep. Schauer: In having dealt professionally with accounting firms, this is such a small portion of their business, and if the REA gets the better deal from a private, certainly they can go that direction.

A roll call vote was taken. 8-5, 1 absent.

Rep. Schauer will carry the bill.

DP 3/7/14

19.0065.02001
Title.03000

Prepared by the Legislative Council staff for
Senator Davison
March 4, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2150

Page 1, line 1, remove "and subsection 1 of section"

Page 1, line 2, remove "54-10-14"

Page 1, remove lines 14 through 24

Page 2, remove lines 1 through 16

Renumber accordingly

Date: 3-7-19
Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2150**

House Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: 19.0065.02001

Recommendation: Adopt Amendment

Other Actions: **Reconsider**

Motion Made By Rep. Johnson Seconded By Rep. B. Dorpel

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper			Rep. Pamela Anderson		
Vice Chair Vicky Steiner			Rep. Mary Schneider		
Rep. Jeff Hoverson					
Rep. Craig Johnson					
Rep. Daniel Johnston					
Rep. Karen Karls					
Rep. Ben Koppelman					
Rep. Vernon Laning					
Rep. Scott Louser					
Rep. Karen Rohr					
Rep. Austen Schauer					
Rep. Steve Vetter					

Total (Yes) _____ No _____

Absent _____

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Date: 3-7-19 Roll Call Vote #: 2

**2019 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2150**

House Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description:

Recommendation:	<input type="checkbox"/> Adopt Amendment	<input checked="" type="checkbox"/> Do Pass <input type="checkbox"/> Do Not Pass	<input type="checkbox"/> Without Committee Recommendation
	<input checked="" type="checkbox"/> As Amended	<input checked="" type="checkbox"/> Refer to Appropriations	
Other Actions:	<input type="checkbox"/> Place on Consent Calendar	<input type="checkbox"/> Reconsider	<input type="checkbox"/>

Other Actions: Reconsider

Motion Made By Rep. Schauer Seconded By Rep. B. Koppelman

Total (Yes) 8 No 5

Absent _____ / _____

Floor Assignment _____
Rep. Schauer

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2150: Government and Veterans Affairs Committee (Rep. Kasper, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). SB 2150 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "and subsection 1 of section"

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Page 1, remove lines 14 through 24

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Renumber accordingly

2017 TESTIMONY

SB 2150

SB 2150
1-17-19
A# #1
PG 1

Testimony 2150

Senator Kyle Davison, District 41 South Fargo, I'm here to introduce and support SB 2150.

In full disclosure, I'm the Executive Director of the South East Education Cooperative (SEEC). I have been since it's inception in 2005. The SEEC is one of eight Regional Education Association's across North Dakota. The SEEC is the largest with 40 member school districts including schools as large as Fargo and West Fargo to schools as small as Mapleton Elementary and Fairmount. We provide support services to schools such as professional development, business services, after-school programs and special education personnel. We are governed by a nine-member board including superintendents and school board members.

This bill is only to correct an omission from the 2017 legislative session. In the 2017 session, the legislature wanted more accountability for state tax payer dollars from REA's. Part of that accountability was audits every two years and a reporting line of that audit to the State Board of Public School Education.

It was my understanding as the Executive Director, that we could use the state auditor since they are typically CPA's or licensed public accountants. In fact, we went as far as having the state auditor's department come in and begin our audit in 2018. About half-way through the audit I received a call from the state auditor indicating they couldn't continue this work because the legislature omitted adding REA's to the list of political subdivisions the state can legally audit.

This bill adds REA's to the state auditor's list and corrects that omission.

I ask for a Do Pass on SB 2150 and will stand for any questions.

#1
SB 2150
3-7-19

Testimony 2150

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My full-time job is the Executive Director of the South East Education Cooperative (SEEC). I have been since it's inception in 2005. The SEEC is one of eight Regional Education Association's across North Dakota. The SEEC is the largest with 40-member school districts including schools as large as Fargo and West Fargo to schools as small as Mapleton Elementary and Fairmount. We provide support services to schools such as professional development, business services, after-school programs and special education personnel. We are governed by a nine-member board including superintendents and school board members.

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It was my understanding as the Executive Director, that we could use the state auditor since they are typically CPA's or licensed public accountants. In fact, we went as far as having the state auditor's department come in and begin our audit in 2018. About half-way through the audit I received a call from the state auditor indicating they couldn't continue this work because the legislature omitted adding them specifically to the bill.

So now we added it to many places as were not a political subdivision as we have no taxing authority, so I've brought an amendment to address this error.

I ask for a Do Pass on SB 2150 with amendment and will stand for any questions.

March 4, 2019

PROPOSED AMENDMENTS TO SENATE BILL NO. 2150

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