

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - Funding Summary

	Base Budget	Final Legislative Action	Comparison to Base Budget
State Auditor			
Salaries and wages	\$13,123,559	\$14,069,503	\$945,944
Operating expenses	1,371,703	1,787,771	416,068
Capital assets		70,550	70,550
Information technology consultants	450,000	450,000	
	<hr/>	<hr/>	<hr/>
Total all funds	\$14,945,262	\$16,377,824	\$1,432,562
Less estimated income	5,826,152	6,344,152	518,000
General fund	<hr/>	<hr/>	<hr/>
	\$9,119,110	\$10,033,672	\$914,562
FTE	61.00	65.00	4.00
Bill total			
Total all funds	\$14,945,262	\$16,377,824	\$1,432,562
Less estimated income	5,826,152	6,344,152	518,000
General fund	<hr/>	<hr/>	<hr/>
	\$9,119,110	\$10,033,672	\$914,562
FTE	61.00	65.00	4.00

Senate Bill No. 2004 - State Auditor - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$13,123,559	\$3,294,346	\$16,417,905
Operating expenses	1,371,703	522,368	1,894,071
Capital assets		70,550	70,550
Information technology consultants	450,000		450,000
	<hr/>	<hr/>	<hr/>
Total all funds	\$14,945,262	\$3,887,264	\$18,832,526
Less estimated income	5,826,152	2,335,579	8,161,731
General fund	<hr/>	<hr/>	<hr/>
	\$9,119,110	\$1,551,685	\$10,670,795
FTE	61.00	8.00	69.00

Department 117 - State Auditor - Detail of Senate Changes

	Adjusts Funding for Cost to Continue Salaries¹	Adjusts Base Budget Funding²	Adds Funding for Salary and Benefit Increases³	Adds Salary Equity Funding for Elected Officials⁴	Adds Local Government Division Audit Positions⁵	Adds 1 FTE Education Coordinator Position⁶
Salaries and wages	\$86,660	\$17,593	\$1,016,889	\$26,748	\$1,427,784	\$218,672
Operating expenses		(17,593)			126,500	
Capital assets						
Information technology consultants						
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total all funds	\$86,660	\$0	\$1,016,889	\$26,748	\$1,554,284	\$218,672
Less estimated income	23,627	0	402,836	0	1,554,284	0
General fund	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$63,033	\$0	\$614,053	\$26,748	\$0	\$218,672
FTE	0.00	0.00	0.00	0.00	7.00	1.00

	Increases Funding for Temporary Salaries ⁷	Increases Funding for Audit Software Upgrades ⁸	Increases Funding for Information Technology ⁹	Adds Funding for Capitol Space Rent Model ¹⁰	Adds One-Time Funding for Local Government Auditors ¹¹	Adds One-Time Funding for Operating Expense Inflation ¹²
Salaries and wages	\$500,000					
Operating expenses		\$115,564	\$17,669	\$178,228	\$21,000	\$81,000
Capital assets						
Information technology consultants						
Total all funds	\$500,000	\$115,564	\$17,669	\$178,228	\$21,000	\$81,000
Less estimated income	250,000	61,266	6,566	0	0	37,000
General fund	\$250,000	\$54,298	\$11,103	\$178,228	\$21,000	\$44,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Adds One-Time Funding for Audit Software Upgrades ¹³	Adds One-Time Funding for Equipment ¹⁴	Total Senate Changes
Salaries and wages			\$3,294,346
Operating expenses			522,368
Capital assets	\$45,550	\$25,000	70,550
Information technology consultants			
Total all funds	\$45,550	\$25,000	\$3,887,264
Less estimated income	0	0	2,335,579
General fund	\$45,550	\$25,000	\$1,551,685
FTE	0.00	0.00	8.00

¹ Funding is added for cost to continue salary increases.

² Base budget funding is adjusted to transfer \$17,593 from operating expenses to salaries and wages.

³ The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

	General Fund	Other Funds	Total
Salary increase	\$432,963	\$318,639	\$751,602
Health insurance increase	181,090	84,197	265,287
Total	\$614,053	\$402,836	\$1,016,889

⁴ Funding is added for providing a salary equity increase for the State Auditor. The State Auditor's annual salary is increased from the current level of \$114,486 to \$130,000 (13.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding is added from special funds in the agency's operating fund for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 2 FTE local government auditor II positions (\$415,480);
- 4 FTE local government auditor I positions (\$703,940); and
- Ongoing operating expenses of \$126,500 related to additional local government auditors.

⁶ Funding is added for 1 FTE education coordinator position.

⁷ Funding is added, including funding from special funds in the agency's operating fund, for temporary salaries for internships.

⁸ Funding is increased, including funding from federal and special funds, for operating costs related to audit software upgrades.

⁹ Funding is added, including funding from special funds in the agency's operating fund, for operating expenses related to Information Technology Department rate increases.

¹⁰ Funding is added for operating expenses related to a new Capitol space rent model.

¹¹ One-time funding is added for operating expenses related to local government auditor positions.

¹² One-time funding, including funding from federal and special funds, is added for operating expenses related to travel and professional development inflationary increases.

¹³ One-time funding is added for costs related to audit software upgrades.

¹⁴ One-time funding is added for capital costs related to the replacement of equipment over \$5,000.

This amendment also:

- Adds a section to provide a deficiency appropriation of \$24,358 from the State Auditor operating account to the State Auditor to refund audit fees to local governments whose audit costs exceeded 1 percent of their revenues during the biennium ended June 30, 2023;
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024; and
- Adds a section to declare the deficiency appropriation to be an emergency measure.

Senate Bill No. 2004 - State Auditor - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$13,123,559	\$16,417,905	(\$2,631,024)	\$13,786,881
Operating expenses	1,371,703	1,894,071	(124,800)	1,769,271
Capital assets		70,550		70,550
Information technology consultants	450,000	450,000		450,000
Total all funds	\$14,945,262	\$18,832,526	(\$2,755,824)	\$16,076,702
Less estimated income	5,826,152	8,161,731	(1,936,079)	6,225,652
General fund	\$9,119,110	\$10,670,795	(\$819,745)	\$9,851,050
FTE	61.00	69.00	(5.00)	64.00

Department 117 - State Auditor - Detail of House Changes

	Adds Funding for Salary and Benefit Increases ¹	Removes Salary Funding for Funding Pool ²	Removes Local Government Division Audit Positions ³	Removes 1 FTE Communications Position ⁴	Decreases Funding for Temporary Salaries ⁵	Decreases One-Time Funding for Local Government Auditors ⁶
Salaries and wages	\$171,097	(\$1,467,289)	(\$868,074)	(\$166,758)	(\$300,000)	
Operating expenses			(72,300)			(\$12,000)
Capital assets						
Information technology consultants						
Total all funds	\$171,097	(\$1,467,289)	(\$940,374)	(\$166,758)	(\$300,000)	(\$12,000)
Less estimated income	45,835	(873,040)	(940,374)	0	(150,000)	0
General fund	\$125,262	(\$594,249)	\$0	(\$166,758)	(\$150,000)	(\$12,000)
FTE	0.00	0.00	(4.00)	(1.00)	0.00	0.00

	Decreases One-Time Funding for Operating Expense Inflation ⁷	Total House Changes
Salaries and wages		(\$2,631,024)
Operating expenses	(\$40,500)	(124,800)
Capital assets		
Information technology consultants		
<hr/>		
Total all funds	(\$40,500)	(\$2,755,824)
Less estimated income	(18,500)	(1,936,079)
General fund	(\$22,000)	(\$819,745)
<hr/>		
FTE	0.00	(5.00)

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	General Fund	Other Funds	Total
Salary increase	\$134,477	\$47,728	\$182,205
Health insurance adjustment	<u>(9,215)</u>	<u>(1,893)</u>	<u>(11,108)</u>
Total	\$125,262	\$45,835	\$171,097

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	General Fund	Other Funds	Total
New FTE positions	(\$218,672)	(\$596,631)	(\$815,303)
Vacant FTE positions	<u>(375,577)</u>	<u>(276,409)</u>	<u>(651,986)</u>
Total	(\$594,249)	(\$873,040)	(\$1,467,289)

³ Funding from special funds in the agency's operating fund is removed for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 1 FTE local government auditor II position (\$207,740);
- 2 FTE local government auditor I positions (\$351,970); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

⁴ Funding is removed for 1 FTE communications position to repurpose the position to 1 FTE education coordinator position added by the Senate.

⁵ Funding for temporary salaries for internships is reduced to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁶ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000.

⁷ One-time funding, including funding from federal and special funds, is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$40,500.

In addition, this amendment:

- Removes the section related to the refund of local government audit fees;
- Adds a section to require county auditors to notify political subdivisions annually that the State Auditor may require the political subdivisions to provide annual reports in lieu of an audit;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide

quarterly reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees;

- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years;
- Adds a section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report;
- Adds a section to provide for a Legislative Management study of local government audit services; and
- Removes the emergency clause related to the refund of local government audit fees.

Senate Bill No. 2004 - State Auditor - Conference Committee Action

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$13,123,559	\$16,417,905	(\$2,348,402)	\$14,069,503	\$13,786,881	\$282,622
Operating expenses	1,371,703	1,894,071	(106,300)	1,787,771	1,769,271	18,500
Capital assets		70,550		70,550	70,550	
Information technology consultants	450,000	450,000		450,000	450,000	
Total all funds	\$14,945,262	\$18,832,526	(\$2,454,702)	\$16,377,824	\$16,076,702	\$301,122
Less estimated income	5,826,152	8,161,731	(1,817,579)	6,344,152	6,225,652	118,500
General fund	\$9,119,110	\$10,670,795	(\$637,123)	\$10,033,672	\$9,851,050	\$182,622
FTE	61.00	69.00	(4.00)	65.00	64.00	1.00

Department 117 - State Auditor - Detail of Conference Committee Changes

	Adds Funding for Salary and Benefit Increases ¹	Removes Salary Funding for Funding Pool ²	Removes Local Government Division Audit Positions ³	Decreases Funding for Temporary Salaries ⁴	Decreases One-Time Funding for Local Government Auditors ⁵	Decreases One-Time Funding for Operating Expense Inflation ⁶
Salaries and wages	\$197,711	(\$1,610,418)	(\$735,695)	(\$200,000)		
Operating expenses			(72,300)		(\$12,000)	(\$22,000)
Capital assets						
Information technology consultants						
Total all funds	\$197,711	(\$1,610,418)	(\$807,995)	(\$200,000)	(\$12,000)	(\$22,000)
Less estimated income	56,585	(1,016,169)	(807,995)	(50,000)	0	0
General fund	\$141,126	(\$594,249)	\$0	(\$150,000)	(\$12,000)	(\$22,000)
FTE	0.00	0.00	(4.00)	0.00	0.00	0.00

	Total Conference Committee Changes
Salaries and wages	(\$2,348,402)
Operating expenses	(106,300)
Capital assets	
Information technology consultants	
Total all funds	(\$2,454,702)
Less estimated income	(1,817,579)
General fund	(\$637,123)
FTE	(4.00)

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

	General Fund	Other Funds	Total
Salary increase	\$145,198	\$58,478	\$203,676
Health insurance adjustment	<u>(4,072)</u>	<u>(1,893)</u>	<u>(5,965)</u>
Total	\$141,126	\$56,585	\$197,711

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below, the same as the House. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

	General Fund	Other Funds	Total
New FTE positions	(\$218,672)	(\$739,760)	(\$958,432)
Vacant FTE positions	<u>(375,577)</u>	<u>(276,409)</u>	<u>(651,986)</u>
Total	(\$594,249)	(\$1,016,169)	(\$1,610,418)

³ Funding from special funds in the agency's operating fund is removed for 4 FTE local government audit positions and related ongoing funding for operating expenses is reduced as follows:

- 1 FTE local government auditor II position (\$207,740);
- 3 FTE local government auditor I positions (\$527,955); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

The Conference Committee provided 3 new FTE positions in the Local Government Audit Division, including 1 FTE local government audit manager position, 1 FTE local government auditor II position, and 1 FTE local government auditor I position.

The Senate provided 7 new FTE positions in the Local Government Audit Division, including 1 FTE local government audit manager position, 2 FTE local government auditor II positions, and 4 FTE local government auditor I positions.

The House provided 3 new FTE positions in the Local Government Audit Division, including 1 FTE local government auditor II position, and 2 FTE local government auditor I positions.

⁴ Funding for temporary salaries for internships is reduced to provide a total of \$300,000, of which \$100,000 is from the general fund and \$200,000 is from special funds in the agency's operating fund. The Senate provided a total of \$500,000, of which \$250,000 is from the general fund and \$250,000 is from special funds in the agency's operating fund. The House reduced the funding to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁵ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000, the same as the House version. The Senate provided a total of \$21,000 for 7 new FTE positions.

⁶ One-time funding is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$59,000, of which \$22,000 is from the general fund. The Senate provided a total of \$81,000, of which \$44,000 is from the general fund. The House provided a total of \$40,500, of which \$22,000 is from the general fund.

In addition, this amendment:

- Retains a section added by the Senate but removed by the House to provide a deficiency appropriation for a refund of local government audit fees; however, the funding source is changed to the general fund and the amount is reduced;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees, the same as the House version;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years, the same as the House version;
- Adds a section to provide for a Legislative Management study of local government audit services, the same as the House version; and
- Retains the emergency clause related to the refund of local government audit fees included in the Senate version but which the House removed.

The Conference Committee did not include:

- A section to require county auditors to notify political subdivisions annually that the State Auditor may require political subdivisions to provide annual reports in lieu of an audit, included in the House version; or
- A section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report, included by the House. However, a report to the Legislative Audit and Fiscal Review Committee, regarding instances where the State Auditor did not provide a final audit report to the client prior to public release, was added to North Dakota Century Code Section 54-10-01, related to the powers and duties of the State Auditor.