

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: SB645

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Lashrecse Aird

3. Committee: Local Government

4. Title: Local fiscal distress; determination by Auditor of Public Accounts; state intervention.

5. Summary: Sets out a procedure for determining when localities are in fiscal distress, as defined in the bill, and when state intervention may be necessary. The bill requires the Auditor of Public Accounts to develop criteria for a preliminary determination that a locality may be in fiscal distress. The bill also requires the Director of the Department of Planning and Budget to identify any amounts remaining unexpended from general fund appropriations in the state budget as of June 30 of each year, which constitute state aid to local governments. From such unexpended balances, the Governor may reappropriate up to \$750,000 from amounts that would otherwise revert to the balance of the general fund and transfer such amounts as necessary to establish a component of fund balance that may be used for the purpose of providing state assistance, oversight and intervention actions for localities deemed to be fiscally distressed and in need of state assistance, oversight, or intervention to address such distress. The bill provides that if a report by the Commission on Local Government to the Governor concludes that a locality is either unwilling or unable to comply with the conditions necessary to address its fiscal distress, the Commission on Local Government shall appoint an emergency fiscal manager and implement a remediation plan to restore sustainable fiscal health to the locality. The bill further grants the emergency fiscal manager to shift certain responsibilities and duties from any of the locality's constitutional officers to the emergency fiscal manager if the emergency fiscal manager determines that it is necessary in order to implement the remediation plan. The emergency fiscal officer shall give timely notice of any proposed actions to be taken and an opportunity for public input prior to such action and shall establish benchmarks that will allow a locality to exit the state intervention plan upon meeting such benchmarks.

6. Budget Amendment Necessary: Preliminary – Item 106.

7. Fiscal Impact Estimates: Preliminary – Indeterminate, see Item 8.

8. Fiscal Implications: This bill requires the Auditor of Public Accounts (APA) to use leading indicators based on financial data and relevant nonfinancial factors to develop criteria for making a preliminary determination of fiscal distress. Based on criteria established, the APA shall establish an early warning system, and establish a regular process where they review audited financial data and other relevant factors on at least an annual basis to make a

preliminary determination if a locality meets the criteria for fiscal distress. The APA indicates that the impact of this bill can be absorbed with current resources.

The impact of this bill on the Commission on Local Government (CLG) is indeterminate, as it is not possible to predict how many cases of fiscal distress will be identified by the APA. However, the CLG does not currently have the expertise or capacity required to carry out the required tasks. Additional resources will be needed for the CLG to perform the oversight required in the bill if any such fiscal distress cases are identified.

The CLG is required to oversee the remediation of issues as identified in the bill, and report findings to the Governor and Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations. The Commission is additionally required to appoint an emergency fiscal manager, implement a remediation plan, and determine when the locality has met the benchmarks in the approved remediation plan. The CLG currently has three part-time positions on staff. None of the Commission's staff has the required public finance expertise or the capacity to perform the required tasks.

According to the CLG, if an estimated three fiscal distress cases are identified based on the APA's early warning system, two general-fund-supported positions would be required for the CLG to meet the requirements of the bill. The positions include one Auditor I and one General Administration Coordinator, for an ongoing total of \$300,000. Additionally, an estimated two additional public meetings would require \$2,020 per year. Funding for this purpose is allocated under Item 106 in HB30/SB30.

The Department of Planning and Budget and the Department of General Services indicate any requirements of this bill can be absorbed with current resources.

- 9. Specific Agency or Political Subdivisions Affected:** Auditor of Public Accounts, Commission on Local Government, Department of Planning and Budget, Department of General Services

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/7/2024