

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. Bill Number: HB655

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Carrie E. Coyner

3. Committee: Committee on Counties, Cities and Towns

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 technical assistance and intervention actions for localities deemed to be fiscally distressed and in need of intervention to address such distress. The bill provides that if a report to the Governor concludes that a locality is either unwilling or unable to comply with the conditions necessary to address its fiscal distress, the Governor shall use all powers available to him to intervene for the purpose of addressing such fiscal distress. The bill further grants authority to the Governor to appoint an emergency fiscal manager and grant the manager with all powers available and necessary to implement a plan to restore sustainable fiscal health to the locality. 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.

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

8. Fiscal Implications: This bill requires the Auditor of Public Accounts (APA) to analyze specific information and include other, new leading indicators as part of developing criteria for making a preliminary determination of fiscal distress. The changes to evaluate and apply new leading indicators consistently and objectively across 170 localities (38 cities, 95 counties, and 37 towns) will cause a significant amount of additional effort to APA's existing model. APA estimates the additional work to increase their workplan's annual mandatory hours for the fiscal distress monitoring project by approximately 850 hours. This would

create the need for APA to hire an additional full-time salaried position on the Local Government and Judicial Systems team as APA does not believe they could successfully recruit a part time individual for this position. APA would use the excess capacity to assist with other local government responsibilities and initiatives. The annual salary and benefits of this position is estimated at \$90,000 per year.

The bill's current language contains "technical assistance" on line 101 without defining the specific level of assistance APA would be required to provide to the Commission on Local Government. The fiscal impact to APA is indeterminate at this time. The additional resource above could assist in any expansion of current responsibilities provided by this provision. Funding for this purpose is allocated under Item 2 in HB30/SB30.

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 review plans of action and benchmarks as submitted by an emergency fiscal manager in certain cases. 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 five additional public meetings would require \$5,050 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: Identical to SB645