

**FISCAL NOTE**  
**SENATE BILL NO. 2180**  
**LC# 23.0483.02000**  
**01/20/2023**

**1 - 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.*

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(26,061)		\$(26,061)	
<b>Expenditures</b>		\$(1,474,500)		\$(3,142,561)		\$(2,182,561)
<b>Appropriations</b>						

**2 - County, City, School District, and Township Fiscal Effect**

*Identify the fiscal effect on the appropriate political subdivision.*

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 Biennium
<b>Counties</b>			
<b>Cities</b>	\$(962,500)	\$(1,016,500)	\$(1,016,500)
<b>School Districts</b>		\$(476,000)	\$(476,000)
<b>Townships</b>			

**3 - Bill and Fiscal Impact Summary**

*Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

The bill amends multiple sections of NDCC 54-10 relating to the annual comprehensive financial report, audits of state agencies, reports, financial audits, and petitions, and to provide for retroactive application.

**4 - Fiscal Impact Sections Detail**

*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.*

There are many changes included in the bill, but the fiscal impact can be summarized in three different sections.

1) The bill changes the requirements of a state agency to be audited once every two years to be audited once every two to four years.

2) The bill changes the threshold of funding for political subdivisions that require an audit. The current threshold is \$750,000 and the change would move the threshold to \$2,000,000.

3) The final change is in the rate the State Auditor's Office can charge political subdivisions for the review of audit reports submitted by independent CPA firms from \$86/hr to \$90/hr.

The retroactive application to January 1, 2022 removes the audit requirement of local governments for reporting year 2022 with revenue between \$750,000 and \$2,000,000.

## 5 - Revenues Detail

*For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The bill changes the requirements of a state agency to be audited once every two years to be audited once every two to four years. The change would reduce general fund revenue by an estimated \$26,061 each biennium moving forward. The decreased revenue would also result in less expenditures from the special funds responsible for paying the audit bill.

## 6 - Expenditures Detail

*For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

1) The bill changes the threshold of funding for political subdivisions that require an audit. The current threshold is \$750,000 and the change would move the threshold to \$2,000,000.

Every county is over the threshold, so there would be no change to counties.

55 cities will no longer require an audit. Average cost of an audit for a city under \$2,000,000 in funding is \$20,000. The average report review fee is \$500. On average, half of the cities will have an extended review conducted averaging \$2,500 and the other half will file an annual report and be charged \$500. The change would reduce cost to cities by \$1,016,500 each biennium moving forward.

17 school districts will no longer require an audit. The 17 school districts are not clients of the SAO, but it can be estimated their audit costs \$15,000. The SAO charges on average a \$500 review fee of the report. With the threshold change, the school would have an extended review conducted averaging \$1,500 with no identified issues. The savings to school districts would be \$476,000 each biennium going forward.

41 districts, including fire, park, ambulance, and others will no longer require an audit. On average the 41 districts receive a biennial audit cost \$17,500. With the threshold change, the districts would have an extended review conducted averaging \$1,500 with no identified issues. The savings to districts would be \$656,000 each biennium going forward.

60 audits from 38 clients are needing an audit for one-off years where the client surpassed the funding threshold. Most of the clients are districts including fire, park, ambulance, and others with a cost averaging \$17,500. After the changes, an extended review would be conducted on the district for an average of \$1,500. The districts would see a one-time savings of \$960,000.

2) The change in the rate the State Auditor's Office can charge political subdivisions for the review of audit reports submitted by independent CPA firms from \$86/hr to \$90/hr. The change has a \$8,000 impact in total.

3) As mentioned above in the revenue detail, the general fund revenue would decrease due to the change in audit requirements for state agencies, but their special fund expenditures would also be less.

The retroactive application to January 1, 2022 removes the audit requirement of local governments for reporting year 2022 with revenue between \$750,000 and \$2,000,000. The change would effect 55 cities and 32 districts. Cities would save \$17,500 per audit and the Districts would save \$16,000 per audit. Total savings would be \$1,474,500 for the current biennium.

## 7 - Appropriations Detail

*For information shown under state fiscal effect in 1 or 2, please 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.*

N/A

## Contact Information

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