

**FISCAL NOTE**  
**HOUSE BILL NO. 1508**  
**LC# 23.0679.02000**  
**01/24/2023**

**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>	\$(429,032)		\$(2,595,000)	\$(4,153,192)	\$(2,595,000)	\$(4,153,192)
<b>Expenditures</b>	\$429,032	\$(429,032)	\$4,153,192	\$(4,153,192)	\$4,153,192	\$(4,153,192)
<b>Appropriations</b>	\$429,032		\$4,153,192	\$(4,153,192)	\$4,153,192	\$(4,153,192)

**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>		\$(2,711,831)	\$(2,711,831)
<b>Cities</b>		\$(407,586)	\$(407,586)
<b>School Districts</b>		\$(1,033,775)	\$(1,033,775)
<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 caps the amount the State Auditor can charge state agencies, universities, political subdivisions, and occupational boards. The bill would also require each audit performed by the State Auditor to be reviewed and approved by a certified public accountant.

## 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.*

All changes will result in a fiscal impact. More detailed information is included in each section below. The net effect on the general fund would be an increase in general fund spending around \$6,750,000, plus salary and operational increases, each biennium moving forward. Included in the \$6.75 million net effect, is the loss of revenue from billing the Federal Single Audit to the Federal Government; therefore requiring the general fund to subsidize \$1,360,000 in work required by the Federal Government.

## 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 change to 54-10-01-1c caps the billing amount to all agencies to one thousandth of one percent of the agency's total biennial operating budget. This change would essentially remove all general fund revenue billed to agencies that receive and expend moneys from other than the general fund. The fiscal impact would be a reduction of general fund revenue of \$2,595,000 each biennium moving forward. This includes \$709,000 in performance audits, \$1,360,000 in Federal Single Audits billed 100% to the Federal Government, and \$526,000 in financial statement audits to the ND University System.

Section 3 of 54-10-01 creates a new line limiting the State Auditor's ability to bill audit fees to an institution of higher education under the control of the state board of higher education. The office bills universities for performance audits, financial audits, and the Federal Single Audit. In total, the office bills universities approximately \$950,000 each biennium. This is informational and the fiscal impact is included in the first paragraph; a part of the \$2,595,000 in lost revenue.

Another change caps the billing amount to political subdivisions and occupational boards to no more than one thousandth of one percent of the political subdivisions or board's total annual operating budget. Currently, the special fund of the State Auditor's Office operates as a small business and covers its cost by charging its clients. The bill would eliminate any ability to bill clients a fair value of services and would force the special fund to depend solely on general fund dollars going forward. For the 21-23 biennium, the State Auditor's Office special fund had appropriations of \$4,153,192. This would need to be funded by general funds on a continuing basis.

## 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.*

The change to cap the billing amount to political subdivisions and occupational boards to no more than one thousandth of one percent of the political subdivisions or board's total annual operating budget. Currently, the special fund of the State Auditor's Office operates as a small business and covers its cost by charging its clients. The bill would eliminate any ability to bill clients a fair value of services and would force the special fund to depend solely on general fund dollars going forward. For the 21-23 biennium, the State Auditor's Office special fund had appropriations of \$4,153,192. This would need to be funded by general funds on a continuing basis.

The change would reduce expenditures for 15% of political subdivisions currently audited by the State Auditor. The general fund would be subsidizing these specific local governments.

The change that adds a section requiring all audits performed by the State Auditor to be reviewed and approved by a certified public accountant would require additional funding to focus on hiring CPAs or reimbursing for the education needed to obtain a CPA.

## 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.*

The bill retroactively applies to audit fees assessed to North Dakota institutions of higher education after July 31, 2021. The State Auditor shall reimburse all audit fees paid by each respective institution during the 21-23 biennium. This would result in a refund of \$429,000 to universities. The State Auditor does not benefit from the revenue generated; therefore, the appropriations of the general fund of the office would need to be increased to issue the refunds.

## Contact Information

**Name:** James Carroll

**Agency:** State Auditor's Office

**Telephone:** 7013282278

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