

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 725** HLS 13RS 2090
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **HB 197**

Date: May 21, 2013 12:00 PM	Author: GREENE
Dept./Agy.: Local Government	
Subject: Fiscal Administration	Analyst: Mary Kathryn Drago

LOCAL FINANCE RE SEE FISC NOTE LF EX Page 1 of 1

Provides relative to fiscal administrators for political subdivisions, including appointment, powers and duties, and criminal penalties for violations of law relative to public administrators

The proposed legislation defines "financial stability" for political subdivisions. Failure for a political subdivision or a city, parish, or other local school board to provide an audit required by R.S. 24:513 to the legislative auditor for a period of 3 consecutive years shall automatically remove them from the category of "financial stability". The trial court shall appoint a fiscal administrator if a political subdivision has failed to provide an audit for 3 consecutive years. All costs and expenses associated with the independent fiscal administration of a political subdivision shall be borne by the political subdivision subject to independent fiscal administration (which shall include expenses incurred by the legislative auditor, the attorney general, the state treasurer, and any other persons engaged with the independent fiscal administration). The legislation further defines the duties of a fiscal administrator, including amending, formulating and executing the annual and supplemental budget of the political subdivision, the capital budget, executing contracts, and handling personnel. The legislation also provides for penalties for failure to cooperate to the fullest extent possible with the fiscal administrator.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW					
Annual Total						

EXPENDITURE EXPLANATION

Local political subdivisions and school board expenditures will increase by an indeterminable amount to provide for the necessary expenses related to a fiscal administrator in the event one is appointed to handle the affairs of such political subdivision or school board as a result of this measure. The total cost is dependent upon the length of time a fiscal administrator is appointed, the scope of work outlined by such administrator, and the magnitude of the political subdivision or school board's fiscal crisis. The related expenditures could range from fairly minimal to significant. All costs will be borne by the school system or political subdivision. A fiscal administrator could be paid hourly and possibly receive mileage, meals and lodging reimbursement for business related to the fiscal administration. The legislation also specifies what authority the administrator has to direct fiscal operations of the political subdivision. The assumption can be made that the changes in operations made under the direction of the fiscal administrator may eventually result in expenditures being brought back in line with revenues of the political subdivision.

Failure for a political subdivision or a city, parish, or other local school board to provide an audit required by R.S. 24:513 to the legislative auditor for a period of 3 consecutive years shall automatically remove them from the category of "financial stability". School boards and political subdivisions meeting these criteria could have a fiscal administrator appointed. The legislation also requires the trial court to appoint a fiscal administrator if a political subdivision has failed to provide an audit for 3 consecutive years as required by statute noted above. It is not known how many political subdivisions in the future may not submit an audit to the legislative auditor for 3 consecutive years and then be subject to the appointment of a fiscal administrator. The Louisiana Legislative Auditor indicates very few political subdivisions have failed to submit audits for 3 consecutive years. While the proposed legislation requires a fiscal administrator to be appointed if a political subdivision fails to submit audits for 3 consecutive years, it is possible that one would have been appointed under current law for this reason. The legislative auditor, attorney general, and state treasurer may have made the determination that a political subdivision was not financially stable as a result of failure to submit audits.

REVENUE EXPLANATION

Any person who participates in a violation of the provisions of the legislation shall be subject to a civil penalty not to exceed \$1,000 per violation and the person is personally liable and may be ordered to pay restitution. If such persons fail or refuse to furnish any documentation the fiscal administrator has the right to inspect, they may be fined no less than \$500 nor more than \$5,000 or imprisoned. Local revenue will increase in the event any of the above penalties are assessed.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost {S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Evan Brasseaux
Evan Brasseaux
Staff Director