

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 415** SLS 20RS 601
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 22, 2020	7:22 AM	Author: MIZELL
Dept./Agy.: Statewide		Analyst: Alan M. Boxberger
Subject: Fiscal administrators of political subdivisions		

FISCAL CONTROLS RE SEE FISC NOTE LF EX Page 1 of 2
 Provides relative to fiscal administrators of political subdivisions. (gov sig)

Present law provides for unanimous decision of the legislative auditor, attorney general and state treasurer that a political subdivision requires appointment of a fiscal administrator; provides for the attorney general to file a motion in district court to be held not less than nor more than 20 days from the date the motion is filed; provides for the duties and authority of a fiscal administrator; provides for reporting requirements; provides for governing authority responsibilities; and provides for supplemental reporting. Proposed law makes technical changes; provides for consent to the appointment of a fiscal administrator by the political subdivision and provides for motion deadlines and that the fiscal administrator shall be appointed within 20 days of filing of a joint motion; provides that investigation of the financial affairs by the administrator shall be internal; requires quarterly reporting during the term of administration; requires a plan with the goal of establishing and maintaining financial stability once the fiscal administration is terminated; provides for final plan submission, that it will remain in effect for three years and subject to review by the state treasurer, attorney general and legislative auditor; provides that supplemental reports shall be filed no less frequently than required in present law.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will create a nominal workload impact for the legislative auditor, attorney general, the judiciary and fiscal administrators appointed to oversee and provide guidance to the fiscal affairs of a political subdivision that has been deemed unable to maintain financial stability including but not limited to insufficient revenues to pay for current expenditures or failing to make debt service payments. Proposed law appears to be an attempt to streamline the process whereby the attorney general makes a motion in the district court of the domicile of the political subdivision. Proposed law permits the political subdivision to consent to appointment of a fiscal administrator by joint motion and prescribes deadlines for appointing an administrator. Proposed law adds "by a preponderance of the evidence" to the facts that a court may use in determining whether such an appointment is necessary. Proposed law provides for reporting and monitoring requirements during and after the period of fiscal administration. The likelihood or frequency of political subdivisions being placed under fiscal administration in the future is unknown.

Local Political Subdivisions

The fiscal administrator appointed to oversee the financial and budgetary matters of a political subdivision will realize increased reporting requirements under proposed law. Present law requires that a fiscal administrator shall file a written report with the court, the governing authority of the political subdivision, the state treasurer, the attorney general, and the legislative auditor, detailing the findings after his or her initial investigation. Proposed law requires that the report shall be updated at least quarterly during the term of fiscal administration, and that the report shall include a three-year plan with the goal of establishing and maintaining financial stability for the political subdivision once the fiscal administration is terminated. Proposed law provides that upon termination of fiscal administration, the fiscal administrator shall submit a final plan for approval by the state treasurer, the attorney general and the legislative auditor, and that the plan shall remain in place for three years and be subject to periodic review by those entities. The costs of producing these reports will be the responsibility of the political subdivision under fiscal administration, and will likely result in a marginal Local Funds expenditure increase during the term of fiscal administration. Such costs are not likely to be significant in most cases, as the report will be updating the status of the initial and preceding reports on a quarterly basis. Development of the final plan for submission to the LLA, state treasurer and AG will result in an indeterminable workload increase but is not anticipated by the Louisiana Municipal Association to be significant.

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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Staff Director

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CONTINUED EXPLANATION from page one:

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Louisiana Legislative Auditor (LLA)

The LLA reports that proposed law is not likely to result in a material impact on expenditures or workload. The legislative auditor is currently one of the parties that must make unanimous recommendation for a political subdivision to be petitioned to the court for placement under fiscal administration. The LLA is already involved with ongoing monitoring of political subdivisions under fiscal administration. Proposed law will result in additional quarterly reports to be reviewed, a final plan to be reviewed at termination of the fiscal administration, and requires periodic review of compliance with the final plan by the political subdivision upon termination. These requirements will produce an increased workload above baseline activity, but given the historical frequency of political subdivisions placed under fiscal administration and the LLA's ongoing monitoring of political subdivisions in this situation, the LLA feels that it is able to absorb the requirements of proposed law using existing budgetary and personnel resources.

Department of Treasury

The state treasurer is not likely to realize a material impact on expenditures or workload. The treasurer is currently one of the parties that must make unanimous recommendation for a political subdivision to be petitioned to the court for placement under fiscal administration. The treasurer also receives the initial report filed by the fiscal administrator upon completion of his initial investigation. Proposed law will require the fiscal administrator to file quarterly reports with the treasury, a final plan at termination, and ongoing review by the treasurer for a period of three years after termination of fiscal administration. These activities will result in an additional workload impact for the treasury. Given the historical frequency of political subdivisions placed under fiscal administration, the LFO assumes that the treasury is able to absorb the requirements of proposed law utilizing existing budgetary and personnel resources.

Department of Justice

The attorney general (AG) reports that it does not anticipate a material impact on expenditures or workloads. The AG is currently one of the parties that must make unanimous recommendation for a political subdivision to be petitioned to the court for placement under fiscal administration. The AG is responsible for making a motion with the district court of the domicile of the political subdivision to take a rule on the political subdivision to show cause why a fiscal administrator should not be appointed. Proposed law allows political subdivisions to consent to the appointment of a fiscal administrator by joint motion. The AG also receives the initial report filed by the fiscal administrator upon completion of his initial investigation. Proposed law will require the fiscal administrator to file quarterly reports with the AG, a final plan at termination, and ongoing review by the AG for a period of three years after termination of fiscal administration. These activities will result in an additional workload impact for the AG. Given the historical frequency of political subdivisions placed under fiscal administration, the AG feels that it is able to absorb the requirements of proposed law using existing budgetary and personnel resources.

Judiciary

Proposed law prescribes timelines for scheduling a hearing of joint motions by the attorney general and a political subdivision recommended for appointment of a fiscal administrator, and provides that the court shall appoint a fiscal administrator within twenty days of filing the joint motion and consent judgment. The LFO is not able to estimate a discernible workload or budgetary impact from these provisions.

For informational purposes

The LLA reports that since 2006, eleven political subdivisions have been placed under fiscal administration. The first five were under fiscal administration for an average of 2.4 years (ranging from one to four years). There are currently five political subdivisions still under fiscal administration (one beginning in 2016, one in 2018, two in 2019 and one in 2020). Additionally, the fiscal review committee voted on 10/17/18 to place one additional political subdivision under fiscal administration, but to date no individual willing to serve as a fiscal administrator has been identified.

The LLA reported in November of 2019 that Louisiana had 18 municipalities in the state are fiscally distressed and may not be able to provide basic services in the near future. To the degree that the current public health crisis may push these entities into fiscal administration, or that additional political subdivisions may realize financial difficulties arising from the economic impact thereof, the workload described previously would increase proportionally. The likelihood of such a scenario is unknown, but should future state, national or international incidents create scenarios in which a large number of political subdivisions fall under fiscal administration, the respective entities monitoring such activities may require additional budgetary or personnel resources.

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