

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **1364**

HOUSE BILL NUMBER **438**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to area development districts.**

SPONSOR **Representative Susan Westrom**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE'S PURPOSE: This measure will require the use of specific hiring practices, direct compliance with state accountability, reporting and transparency measures, and require an audit of all area development districts by June 30, 2021.

PROVISIONS/MECHANICS:

Section 1 amends KRS Chapter 146 to require area development districts to use specific hiring practices when hiring an executive director and to comply with state accountability and transparency standard measures.

Section 2 creates a new section of KRS Chapter 147A to require a report to the Legislative Research Commission from the Cabinet for Health and Families Services and the Education and Workforce Development Cabinet on allocations of funds provided to the area development districts.

Section 3 creates a new section of KRS Chapter 147A to require the Auditor of Public Accounts or the Auditor's authorized agent to evaluate and conduct an examination if necessary of all area development districts by June 30, 2021.

FISCAL EXPLANATION:***Section 1***

There is no measurable fiscal impact to any state agency with regards to the proposed requirements for ADDS. The requirements will likely have a financial impact on the ADDs, but this will vary depending on the administrative structure and current financial plans.

Section 2

There is no fiscal impact to the Cabinet for Health and Family Services and the Education and Workforce Development Cabinet for requiring their preparation and submittal of a detailed report to the Legislative Research Commission and area development district board members upon awarding federal or state funds to an ADD.

Section 3

The Office of the Auditor of Public Accounts (APA) has reviewed HB 438, and estimates the implementation of the bill would have costs as set forth below:

COSTS	APA BILLABLE ESTIMATE	APA NON-BILLABLE ESTIMATE
APA preparation cost (developing guidelines, training staff, etc.)	\$60,000-\$75,000	-
Evaluation cost per ADD	\$25,000-\$35,000 + travel costs	-
Examination cost, if warranted, per ADD	\$50,000-\$100,000 + travel costs	-
Subsequent evaluations every four years	\$25,000-\$35,000 + travel costs per ADD	-
Outsourcing of statutorily-mandated audit work	-	Indeterminable

These are rough estimates of the costs that would be charged to the ADDs pursuant to the terms of the bill. The preparation cost would be divided among the ADDs. The evaluation and examination costs would be calculated per ADD and charged to the examined ADD. The examination cost is particularly difficult to predict as it can vary greatly depending on the scope of the examination. The numbers above assume there would be full cooperation from the examined entity. By way of example, the actual cost of the 2014 examination of the Bluegrass Area Development District was approximately \$132,000, including approximately \$4,400 in travel costs.

The travel costs would also be charged to the ADDs. Generally, the travel cost is a relatively small percentage of the total bill, but the amount varies depending on staff availability and location.

To accomplish the evaluations and potential examinations will likely require APA's statutorily-mandated audit work be outsourced to private CPA firms through RFPs. This is not billable and the required amount of outsourcing is unknown.

The total cost of this proposed measure is to be billed and paid by the ADD's. Accordingly, there is no state level fiscal impact.

DATA SOURCE(S): Office of the Auditor of Public Accounts

PREPARER: Ray Griffith **NOTE NUMBER:** 102 **REVIEW:** JRS **DATE:** 2/29/2016