

**SENATE BILL REPORT**

**SB 5823**

**AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 19, 1993**

**Brief Description:** Funding the state auditor municipal corporation division.

**SPONSORS:** Senator Rinehart; by request of Office of Financial Management

**SENATE COMMITTEE ON GOVERNMENT OPERATIONS**

**Majority Report:** That Substitute Senate Bill No. 5823 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Haugen, Chairman; Drew, Vice Chairman; Oke, von Reichbauer, and Winsley.

**Minority Report:** Do not pass.

Signed by Senator Loveland.

**Staff:** Barbara Howard (786-7410)

**Hearing Dates:** February 25, 1993; March 3, 1993

**SENATE COMMITTEE ON WAYS & MEANS**

**Majority Report:** That Substitute Senate Bill No. 5823 as recommended by Committee on Government Operations be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chairman; Spanel, Vice Chairman; Bauer, Bluechel, Gaspard, Hochstatter, Moyer, Owen, Pelz, Quigley, Sutherland, Williams, and Wojahn.

**Staff:** Steve Jones (786-7440)

**Hearing Dates:** March 18, 1993; March 19, 1993

**BACKGROUND:**

In the past, development of the annual local government comparative statistics report (LGCS) and the administrative expenses of the Division of Municipal Corporations (DMC) in the State Auditor's office have been supported in part by the general fund, and in part by the municipal revolving fund.

The municipal revolving fund is sustained by hourly billings to local governments for state financial audits. The current hourly rate is \$47.10. Recently, the Office of Financial Management (OFM) has reduced the state general fund contribution each biennium, and required DMC to rely increasingly on the revenues from audit billings.

The 1991-93 budget temporarily amended the statute to require the administrative costs of DMC to be supported entirely by the municipal revolving fund. OFM has requested that this statutory change be made permanent.

**SUMMARY:**

Costs of preparing the annual local government comparative statistics will no longer be supported at the expense of the state. The expense of maintaining and operating the Division of Municipal Corporations is added to the list of functions that are considered expenses of auditing, and shall be borne by the municipal revolving fund.

**EFFECT OF PROPOSED SUBSTITUTE:**

The requirement that the costs of preparing the annual local government comparative statistics be supported from the municipal revolving fund is deleted.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**Effective Date:** The bill contains an emergency clause and takes effect July 1, 1993.

**TESTIMONY FOR (Government Operations):** None

**TESTIMONY AGAINST (Government Operations):**

We are particularly opposed to funding the statistical report out of the revolving fund because we do not believe this service has any connection with local audit costs. We would prefer to continue to have the administrative costs funded by the state, but have lived with the budget proviso.

**TESTIFIED (Government Operations):** Linda Sheler, Deputy State Auditor (con); Gary Lowe (neutral)

**TESTIMONY FOR (Ways & Means):**

The State Auditor's office supports the substitute bill. The publication of local government comparative statistics serves the public interest and should be paid from the general fund. The report is used by the federal Bureau of Census and by state and local policymakers.

**TESTIMONY AGAINST (Ways & Means):** None

**TESTIFIED (Ways & Means):** Linda Sheler, Deputy State Auditor