

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5088-01
Bill No.: HB 1871
Subject: Auditor, State; Education, Elementary and Secondary
Type: Original
Date: January 7, 2016

Bill Summary: This proposal requires school financial audits to contain certain information relating to extracurricular activities within the school district.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Smithville R-II School District** assume the proposal will increase the cost of the annual audit by approximately \$5,000.

Officials from the **Sarcoxie R-II School District** state the auditors will increase fees to format the type of material required for this proposal. The cost is unknown.

Officials from **West Plains Schools** state there will be a potential increase in auditor fees for the increased time commitment, up to \$1,500 annually.

Officials from the **Warren County R-III School District** state the proposed legislation will not have a significant fiscal impact.

Officials from **Parkway Schools** estimate a fiscal impact of \$29,000 for this proposal.

Officials from **Shell Knob School District** estimate there will be some impact for this proposal.

Officials from **East Newton R-VI Schools** assume the proposal would cost \$2,000.

Officials from the **Wright City R-II School District** estimate an additional cost of up to \$1,000 for this proposal.

Officials from the **Chilhowee R-VI School District** assume this legislation would increase the costs to the district on their annual audit, as well as increase administrative costs for gathering the necessary information. The cost is unknown as the auditors will have to adjust their bids for the audit accordingly.

Officials from the **Malta Bend Public School District** assume the proposal will have no fiscal impact on their organization.

Officials from **Macon County R-IV Schools** assume the items described in the proposal are not specifically part of the annual audit. The cost of the annual audit is approximately \$4,000 and would require an additional \$250 to \$500 to address the requirements of this proposal, as well as \$80 to post the public notice.

ASSUMPTION (continued)

Officials from the **New Haven School District** state the cost of the annual audit is approximately \$6,000 and would require an additional \$1,500 to address the requirements of this proposal, as well as \$600 to post the public notice, for a total of \$2,100.

Officials from the **Webster Groves School District** estimate it would take approximately 20 hours each school year to track and provide the necessary detailed costs for the independent auditor, which would come to \$1,042.60 annually.

Officials from the **Pettis County R-XII School District** estimate a cost of \$500 for advertising plus any additional fees the auditors charge for the extra work.

Officials from the **Concordia R-II School District** estimate an additional \$70.48 for three hours of work to gather the required information and a cost of \$125 if required to run an advertisement.

Officials from the **Renick R-V School District** estimate this proposal would cost an additional \$200 to \$500 per annual audit.

Officials from the **Kansas City Public Schools** estimate a fiscal impact of less than \$5,000.

Officials from the **City of St. Charles School District** estimate a cost of \$5,000 to collect and format the requested data by the auditor.

Officials from **Seymour R-II Schools** assume no fiscal impact for this proposal.

Officials from the **Department of Economic Development** and **State Auditor's Office** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight received responses from several school districts indicating a cost, but not all school districts were able to respond and provide a detailed cost estimate. Oversight assumes most school districts would have a fiscal impact from this proposal and therefore will indicate an aggregate cost greater than \$100,000 to local school districts.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL SCHOOL DISTRICTS			
<u>Cost</u> - Local School Districts - for additional information in school financial audits	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)
ESTIMATED NET EFFECT TO THE LOCAL SCHOOL DISTRICTS	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)	(Greater than <u>\$100,000</u>)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal requires that any time an audit examination of financial, transportation, and attendance records of a school district is conducted, the audit must separately disclose the following information relating to extracurricular activities within the district:

- (1) Standard rent for facilities used;
- (2) Salaries, benefits, and stipends for athletic directors;
- (3) Salary stipends for coaches, sponsors, or faculty supervisors;
- (4) Twenty percent of school administrator salaries;
- (5) Equipment and uniform costs;
- (6) Travel expenses and mileage;
- (7) Dues or fees paid to any statewide organization that supervises extracurricular activities; and
- (8) Costs associated with game officials, scorekeepers, or timekeepers.

The audit must include how much was spent for all extracurricular activities, the revenue generated from each of the activities, and how much was spent on each activity.

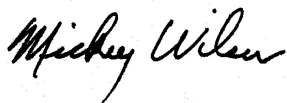
FISCAL DESCRIPTION (continued)

A public meeting must be held to present the results of any audit examination performed, with time allocated for public comment and notice of the meeting must be published in the local newspaper at least two weeks prior to the meeting.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Auditor's Office
Department of Elementary and Secondary Education
Seymour R-II Schools
Renick R-V School
Smithville R-II School District
Sarcoxie R-II School District
West Plains Schools
Warren County R-III School District
Parkway Schools
Shell Knob School District
Kansas City Public Schools
East Newton R-VI Schools
Wright City R-II School District
Chilhowee R-IV School District
Malta Bend Public School District
Macon County R-IV Schools
New Haven School District
Webster Groves School District
Pettis County R-XII School District
Concordia R-II School District
City of St. Charles School District



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