



March 28, 2012

HF 1954 (Downey)
Counties and cities required to report additional budgetary information

Local Fiscal Impact

Net Expenditure Increase/Revenue Loss or
(Expenditure Decrease/Revenue Gain)

Dollars in Thousands, State Fiscal Years

| | <u>FY 2012</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>FY 2015</u> |
|------------------|----------------|----------------|----------------|----------------|
| Statewide | \$0 | \$2,064 | \$156 | \$156 |

Explanation of the Bill

HF 1954 would require cities with a population over 2,500 and counties to publish electronic budgetary information by September 30 of each year. The budget information would include four years of revenues and expenditures by function and by expenditure type, including the two most recently concluded budget years, estimated data for the current budget year, and projected data for the proposed budget.

Local Impact Analysis Methodology

To estimate the statewide local impact if HF 1954 were to become law, MMB worked with the League of Minnesota Cities (LMC), the Association of Minnesota Counties (AMC) and the Minnesota Inter-County Association (MICA) to gauge current local government activity regarding the production and posting of budget information as well as additional capacity that may be needed to fulfill the requirements of the bill. From this information, MMB developed assumptions regarding the amount of additional spending for a local government to implement changes to budget reporting systems to comply with requirements in the bill and assumptions for the number of local governments that currently have the capability to comply with the bill with minimal cost. Using this information and assumptions, MMB was able to develop a statewide aggregate cost estimate for local governments if HF 1954 were to become law.

Local Impact Analysis of HF 1954:

According to survey information provided to MMB by the League of Minnesota Cities and the Association of Minnesota Counties there is considerable variability among local units of governments in Minnesota regarding current capabilities to comply with the requirements in HF 1954. Some local units of government reported that their current budget and accounting systems are fully capable of reporting expenditures and revenues by function and type over a four year period. Others reported that their current systems would need to be modified in order to report the information required in HF 1954; these respondents reported that staff and computer system contractor time would be required in order to implement these modifications.

To estimate the cost to an individual local unit of government if they required modification to their budget and accounting systems MMB assumed that initial system work would take approximately one week and would require a software contractor and two internal budget and accounting system staff. MMB also assumed that training on new system capabilities would need to be performed by one staff person and maintenance of the system would be required after initial implementation. MMB made the following assumptions regarding staff, maintenance, training and contractor costs:

- 2 internal FTEs at a cost of \$61/hour (wages + benefits) for 40 hours¹
- Software contractor consultation at \$150 - \$200/hour for 40 – 50 hours²
- 5 – 6 hours of training staff time at \$61/hour
- on-going annual maintenance requiring 1 staff person at \$61/hour for 8 hours and software contractor consultation at \$150 - \$200/hour for 4 – 5 hours

Using the above assumptions, MMB developed the following cost estimates if a local unit of government would need to implement budget and accounting system changes to comply with the requirements in HF 1954:

Table 1: Individual Local Unit of Government Cost Estimate:

| | FY 2013 | FY 2014 | FY 2015 |
|---------------------|------------------|-----------------|-----------------|
| Internal Staffing | \$ 4,880 | \$ - | \$ - |
| Training | \$ 350 | \$ - | \$ - |
| Maintenance | \$ - | \$ 1,000 | \$ 1,000 |
| Software Contractor | \$ 8,000 | \$ - | \$ - |
| Total | \$ 13,230 | \$ 1,000 | \$ 1,000 |

Through discussions with LMC, AMC and MICA, MMB then developed the following assumptions regarding the number of cities and counties that currently have the capability to implement the requirements in HF 1954 without incurring additional costs:

- Cities with a population over 10,000 already have capability to implement requirements without incurring additional costs
- 20 percent of cities with a population between 2,500 and 10,000 already have capability to implement requirements without incurring additional costs
- The largest 40 percent of counties already have capability to implement requirements without incurring additional costs

From these assumptions it is estimated that 104 cities and 52 counties would incur costs similar to the estimate in table 1.

Statewide local cost estimate of HF 1954 for FY 2013 – FY 2015:

Using the assumptions explained in the analysis section of this note, MMB estimates the statewide aggregate costs incurred by local governments to implement the requirements in HF 1954 to be:

Table 2: HF 1954 Statewide Aggregate Local Government Cost FY 2013 – 15:

| | FY 2013 | FY 2014 | FY 2015 |
|-----------------------------------|---------------------|-------------------|-------------------|
| Total City Costs: | \$ 1,375,920 | \$ 104,000 | \$ 104,000 |
| Total County Costs | \$ 687,960 | \$ 52,000 | \$ 52,000 |
| Total Statewide aggregate: | \$ 2,063,880 | \$ 156,000 | \$ 156,000 |

¹ MMB used standard fiscal note assumption for Budget and Accounting System Programming staff time at \$61/hour for wages + benefits.

² The software vendor hourly rate of \$150 – \$200/hour was indicated as the going rate for software consultants by a survey respondent and is consistent with recent MMB experience.