



Senate

General Assembly

File No. 301

January Session, 2007

Senate Bill No. 115

Senate, April 4, 2007

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING REVIEW OF MUNICIPAL BUDGET AND FINANCIAL CONDITIONS BY THE AUDITORS OF PUBLIC ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2007*) Upon request of the
2 Governor, the Auditors of Public Accounts shall review the budget
3 and financial condition of any municipality in which total state grants
4 in a fiscal year exceed thirty-five per cent of the operating budget of
5 the municipality for the preceding fiscal year. The auditors shall
6 prepare a report of their review along with any recommendations on
7 programmatic savings, efficiencies, financial improvements and
8 reforms in the municipality and submit such report to the Governor
9 and joint standing committees of the General Assembly having
10 cognizance of matters relating to planning and development,
11 appropriations and the budgets of state agencies, and finance, revenue
12 and bonding.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2007</i>	New section

PD *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Auditors of Public Accounts	GF - Cost	Significant	Significant

Note: GF=General Fund

Municipal Impact: None

Explanation

Under the bill, the governor can request that the Auditors of Public Accounts review the budget and financial condition of municipalities that receive more than 35% of their annual operating budget from the state. The Auditors must prepare a report of their review with recommendations on programmatic savings, efficiencies, financial improvements, and reforms.

The bill will result in a significant cost to the Auditors of Public Accounts. It is estimated that 35-40 municipalities receive more than 35% of their annual operating budget from the state.

Since it is unknown how often, or for which municipalities the governor may request a financial review and performance audit, it is expected that the Auditors would contract a certified public accounting (CPA) firm to perform this work. Depending on the size of the municipality and the complexity of the performance audit, the costs will vary. In 2000, the Auditors contracted a CPA firm to conduct a performance audit of the University of Connecticut Health Center at a cost of \$582,000. It is estimated that the cost for a performance audit of a large city could range from \$500,000 - \$1.5 million. The cost for a small town could range from \$25,000 - \$150,000. The overall costs depend on the number of reviews and performance audits conducted each fiscal year and the size of the municipality.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the out years, and would depend on the number of financial reviews and performance audits and the size of the municipality.

OLR Bill Analysis**SB 115*****AN ACT CONCERNING REVIEW OF MUNICIPAL BUDGET AND FINANCIAL CONDITIONS BY THE AUDITORS OF PUBLIC ACCOUNTS.*****SUMMARY:**

This bill sets a standard for triggering a state review of local budgets and finance. If the total amount of state grants a town receives in a fiscal year exceeds 35% of its operating budget for the prior year, the Auditors of Public Accounts must review the town's budget and financial condition at the governor's request.

The auditors must report their findings and recommendations to the governor and the Appropriations; Planning and Development; and Finance, Revenue and Bonding committees. (The bill does not specify a deadline for submitting the report.) The report must recommend how the town (1) can operate programs and deliver services more efficiently, (2) improve its finances, and (3) implement other reforms.

EFFECTIVE DATE: October 1, 2007

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 20 Nay 0 (03/19/2007)