

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: SB 10

STATUS: B-Engrossed

SUBJECT: Establishes a funding mechanism to assess state agencies, local government entities, and special government bodies for the expenses of the Government Standards and Practices Commission; changes government ethics laws and reporting requirements

GOVERNMENT UNIT AFFECTED: Government Standards and Practices Commission, Department of Administrative Services

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DATE: June 12, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES:		
Government Standards & Practices Commission (GF)		
Investigations	\$ 105,567	\$ 120,000
Reporting	22,155	8,875
Electronic Reporting System	700,000	20,000
Total GF	\$ <u>827,722</u>	\$ <u>148,875</u>
Department of Administrative Services (OF)		
Accounting Personal Services		\$ 56,740
Services & Supplies		11,925
Total OF		\$ <u>68,665</u>

REVENUES:

Civil Penalty Increase – GF	\$ 30,000	\$ 30,000
Assessment on State Agencies & Local Governments – OF	\$ 0	\$ 1,200,000

POSITIONS/FTE:

Government Standards & Practices Commission		
Compliance Specialist 1	1/0.92	1/1.00
Department of Administrative Services		
Accounting Tech 2		1/0.50

EFFECTIVE DATE: Upon passage.

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget, but is included in the budget plan of the Co-Chairs of the Joint Committee on Ways and Means.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: This measure establishes a funding mechanism to assess the operational costs of the Government Standards and Practices Commission (GSPC) to state agencies, local governments, local service districts, and special government bodies. The measure also makes changes to current government ethics laws and requires additional and more frequent reporting of expenditure statements by lobbyists,

lobbying entities, and statements of economic interest by public officials. The measure also authorizes public officials to establish legal expense trust funds to defray certain legal costs upon the approval of GSPC. An electronic online reporting system available to the public is also required to be developed and made available by January 1, 2010. The measure increases the amounts of reportable lobbying expenditures and increases the amount of civil penalties for violations from a maximum \$1,000 to \$5,000.

As amended, GSPC is required to estimate in advance its biennial budget and then determine by rule the percentage of the budget to be borne by state government agencies and special government bodies not subject to the Municipal Audit Law and those local governments, local service districts, and special government bodies that are subject to the Municipal Audit Law. The funding mechanism for GSPC operating costs assumes an assessment model that would assess state government agencies their share of the operating budget based on the number of FTE and local governments, local service districts, and special government bodies on the basis of the municipal audit fee under ORS 297.485.

State agencies and those entities not subject to the municipal audit fee will be assessed their share of the GSPC operating costs through a FTE based assessment similar to what is charged to state agencies for Department of Administrative Services programs.

The municipal audit fee is currently assessed annually on a wide range of local government entities based on a sliding scale ranging from \$20 to \$400 determined by the total expenditures made by the subject entities as reported in the submitted audit report. Entities with total expenditures of under \$50,000 are charged \$20 with those having expenditures in excess of \$50 million charged \$400. This fee currently generates approximately \$250,000 per year for the Secretary of State's costs in administering the municipal audit program. Under SB 10, the fee assessed by GSPC for its operating costs will be set so that each entity pays a proportional amount based on its charge for the municipal audit fee provided to the Secretary of State.

For purposes of the funding mechanism, "local government" and "local service district" are defined by ORS 174.116, "special government body" by ORS 174.117, and "state government" by ORS 174.111.

The Legislative Fiscal Office (LFO) assumes that the assessment based revenues will first be collected for GSPC's 2009-11 biennium budget. In order to generate sufficient cash balances for operating costs and provide an ending balance for cash flow purposes, LFO assumes that GSPC will collect the Other Fund revenues from the assessment for both fiscal years in the biennium beginning July 1, 2009, but will also need approximately the first 6 months of the biennial costs to be covered by the General Fund.

In order to collect the revenues for GSPC, DAS anticipates needing a half-time accounting position (0.50 FTE) beginning in the 2009-11 biennium along with associated services and supplies expenditures. Included in the estimated cost of DAS services is a lockbox for submittal of billings. The position is expected to generate the assessment invoices for state agencies as well as the billings to a potential group of over 1,600 local government entities. These costs will be built into the GSPC operating budget beginning with the 2009-11 biennium.

The fiscal impact to GSPC identifies costs of additional investigatory activities related to the changes in ethics laws and reporting requirements included in the measure. The costs of the extra position were approved in HB 5025, the budget bill for GSPC, and the projected costs of development of the electronic reporting system will be included in the Emergency Fund (SB 5509) as a special purpose appropriation with direction to GSPC to develop a plan and refined cost estimates for presentation to the Legislature in the February 2008 special session.