

Digest of A Limited Review of Fiscal Note Accountability

State agencies could be more accountable for fiscal note estimates and expenditure of fiscal note appropriations. We found it is often difficult for state agencies to specifically account for fiscal note appropriations or revenues upon request. In our opinion, it is important for state agencies to be accountable for fiscal note appropriations and revenues. Toward this end, the Office of the Legislative Fiscal Analyst (LFA) has developed and is implementing fiscal note follow-up procedures to assess both the accuracy of the fiscal note itself and the expenditure of fiscal note appropriations. Without strong follow-up, agencies are not held accountable for fiscal note appropriations and revenue projections.

Many Agencies Cannot Readily Account for Fiscal Notes

The Ability to Readily Provide a Detailed Accounting for Fiscal Note Appropriations and Revenues Varies among Agencies. When agencies were asked to provide as detailed an accounting as possible for a sample of 2005 fiscal notes, the results ranged from providing no detail to providing significant detail. Further, an in-depth review of five fiscal notes did not provide conclusive answers in all cases as to how appropriations had been spent or what revenues had been received.

We selected and reviewed a sample of 45 fiscal notes from the 2005 General Session. We reviewed how the agency estimates were developed and supported. These estimates are important because they often form the basis of the fiscal note. When asked, few agencies provided us with specific documentation on the assumptions and calculations used to justify their estimate. Further, when we contacted agencies to assess fiscal note accountability for those 2005 fiscal notes having a fiscal impact that passed, only 30 percent of the agencies provided us with adequate supporting documentation on fiscal note expenditures made or revenues received. Finally, an in-depth review of some fiscal notes did not provide conclusive answers in all cases as to expenditures made or revenues received.

The LFA's New Follow-Up Procedures Will Strengthen Accountability

The LFA Is Changing Its Follow-Up Procedures from More General Budgetary Procedures to More Specific Fiscal Note Procedures. In our opinion, the LFA is going in the right direction. Follow-up on selected

fiscal notes is going to assess not only implementation but accuracy of the fiscal note as well. We believe fiscal-note-specific follow-up is a good idea that will increase both agency accountability and legislative knowledge. While the LFA's new follow-up procedures are still being refined, the LFA management did outline the planned follow-up process as it now exists. The LFA also believes that appropriating to separate line-items could further strengthen agency accountability since agencies must track line item level appropriations separately from one another and cannot transfer funding between line items.

It is important for state agencies to be accountable to the Legislature for fiscal note appropriations and revenues. Strong follow-up procedures will ensure that agencies are held accountable for fiscal note appropriations and revenue projections.

Recommendations

1. We recommend that the Office of the Legislative Fiscal Analyst continue to develop and implement follow-up procedures to assess the accuracy and implementation of fiscal notes based on an agency's actual expenditures and revenues.
2. We recommend that all agencies maintain supporting documentation and a clear audit trail for fiscal note expenditures and revenues to facilitate follow-up by the Office of the Legislative Fiscal Analyst.
3. We recommend the Legislature consider appropriating funds to a separate and distinct line item related to the bill, in those cases where greater accountability for implementation of fiscal notes is desired.