SF1011 - 0 - "Transit Financial Activity Auditing"

Chief Author: **Roger Chamberlain**
Commitee: **Transportation Finance and Policy**
Date Completed: **02/27/2017**
Lead Agency: Office of the Legislative Auditor
Other Agencies:
Metropolitan Council

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X

Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
Reductions shown in the parentheses.

State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	**FY2017**	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Office of the Legislative Auditor					
General Fund	130	-	-	-	-
State Total					
General Fund	130	-	-	-	-
Total	**130**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2017	**FY2018**	**FY2019**	**FY2020**	**FY2021**
Office of the Legislative Auditor					
General Fund	.5	.5	.5	-	-
Total	**.5**	**.5**	**.5**	**-**	**-**

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature:Laura Logsdon Date: 02/27/2017
Phone: 651 201-8020 Email:laura.logsdon@state.mn.us

State Cost (Savings) Calculation Details
This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
Reductions are shown in parentheses.
*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Office of the Legislative Auditor					
General Fund	130	-	-	-	-
Total	**130**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Office of the Legislative Auditor					
General Fund	130	-	-	-	-
Total	**130**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
2 - Revenues, Transfers In*					
Office of the Legislative Auditor					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

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Agency: Office of the Legislative Auditor

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X

Local Fiscal Impact		X

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State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	130	-	-	-	-
Total	**130**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	.5	.5	.5	-	-
Total	**.5**	**.5**	**.5**	**-**	**-**

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature:Laura Logsdon Date: 2/27/2017 1:42:26 PM
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State Cost (Savings) Calculation Details
This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.
*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	130	-	-	-	-
Total	**130**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	130	-	-	-	-
Total	**130**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Biennial Total			**-**		**-**

Bill Description

The Office of the Legislative Auditor (OLA) has been asked to provide a fiscal note on this bill.

Section 1 of the bill requires the legislative auditor to appoint a fiscal oversight officer to perform the duties as described in Section 4 of the bill.

Section 2 of the bill adds the Metropolitan Council to the list of entities the legislative auditor shall audit as resources permit.

Section 3 of the bill requires the legislative auditor to perform transit financial activity reviews of financial information for the Metropolitan Council's Transportation Division and the joint powers board under section 297A.992. Additionally, this section describes the requirements of a transit financial activity review, including (1) a summary of monthly financial statements; (2) a list of any obligations and agreements entered into related to transit purposes; (3) the amount of funds in clause (2) that has been committed; and (4) an analysis of the fiscal viability of revenues and fund balance compared to expenditures. Within 14 days of the end of each fiscal quarter, the review must be submitted to the Legislative Audit Commission and the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance, finance, and ways and means.

Section 4 of the bill requires the first transit financial activity review and report to include financial information from January 1, 2016, through the end of the fiscal quarter immediately preceding the date of the report. Additionally, the legislative auditor must provide a copy of the review to each county that is party to the joint powers agreement under Minnesota Statutes 297A.992.

Section 5 of the bill provides for an appropriation in fiscal year 2017 to the legislative auditor from the general fund to perform the transit financial activity reviews in Section 3 of the bill. This appropriation is one time and available until the end of fiscal year 2019.

Assumptions

Each quarter, OLA, through an appointed fiscal oversight officer, will perform a transit financial activity review of financial information for Metropolitan Council's Transportation Division and the joint powers board under section 297A.992 (Counties Transit Improvement Board or CTIB) and submit a review within 14 days of the end of each quarter. To meet the 14 day requirement, OLA assumes the Metropolitan Council and CTIB will submit monthly financial information to OLA and

the fiscal oversight officer will conduct ongoing and periodic consolidation and analysis of the information.

OLA would assign the duties of the fiscal oversight officer to an experienced auditor at the Audit Coordinator level and estimates it would take approximately half of their time (.50 FTE) to complete the transit financial activity reviews. The first review would cover the period January 1, 2016, through September 30, 2017, and would include time needed to identify and obtain relevant information and develop an appropriate strategy for analysis.

Furthermore, we assume these reviews would continue through fiscal year 2019, to correspond to the one-time appropriation of funds. The estimated cost per quarterly review is about $14,000, or about $130,000 for reviews through June 30, 2019. No additional expenditures are anticipated.

We assume this is a one-time appropriation made from the general fund in fiscal year 2017 and available until June 30, 2019. Any unspent funds would cancel back to the general fund.

Expenditure and/or Revenue Formula

Salary Expenditures:										
Classification	Yearly Salary	Yearly Fringe	Total Salary & Fringe	FTE	Annual Salary & Fringe	Cost per quarterly review	FY 2017 Cost	FY 2018 Cost (four quarterly reviews)	FY 2019 Cost (four quarterly reviews)	Total
Audit Coordinator	$84,624	$31,288	$115,912	0.5	$57,956	$14,489	$14,489	$57,956	$57,956	$130,401

Long-Term Fiscal Considerations

This is a one-time appropriation that is available until June 30, 2019.

Local Fiscal Impact

References/Sources

James Nobles and Cecile Ferkul (651-296-4708)

Agency Contact: Cecile Ferkul (651-296-4708)

Agency Fiscal Note Coordinator Signature: Eric Jacobson **Date:** 2/27/2017 1:36:17 PM

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SF1011 - 0 - "Transit Financial Activity Auditing"

Chief Author: **Roger Chamberlain**
Commitee: **Transportation Finance and Policy**
Date Completed: **02/27/2017**
Agency: Metropolitan Council

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X

Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
Reductions shown in the parentheses.

State Cost (Savings)		Biennium		Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)		Biennium		Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Stewart McMullan Date: 2/27/2017 11:45:58 AM
Phone: 651 201-8026 Email: stewart.mcmullan@state.mn.us

State Cost (Savings) Calculation Details
This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.
*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-
Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Total	-	-	-	-	-
Biennial Total			-		-
2 - Revenues, Transfers In*					
Total	-	-	-	-	-
Biennial Total			-		-

Bill Description

The bill calls for the ongoing review of the Metropolitan Council's Transportation Division financial activities by the Legislative Auditor. It requires quarterly reports to the Office of the Legislative Auditor and the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance, finance, and ways and means. The Legislative Auditor would name a fiscal oversight officer to oversee these activities.

Assumptions

The Metropolitan Council provides financial reports and financial analysis to the State Auditor, the Federal Transportation Administration, the County Transportation Improvement Board, and other entities. The financial information provided to those entities is audited and\or reviewed by those entities.

Based on information from the Legislative Auditors Office, the financial information they would require to meet their statutory requirements would not be substantially different than what the Metropolitan Council prepares for other entities. Thus, the Metropolitan Council expects to be able to fulfill those requests within existing resources.

Expenditure and/or Revenue Formula

Not applicable

Long-Term Fiscal Considerations

Not applicable

Local Fiscal Impact

Not applicable

References/Sources

Metropolitan Council Budget Staff

Office of the Legislative Auditor

Agency Contact: Paul Conery, 651-602-1374

Agency Fiscal Note Coordinator Signature: Lesley Kandaras **Date:** 2/22/2017 4:27:26 PM

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