

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6718
BILL NUMBER: SB 235

NOTE PREPARED: Jan 1, 2004
BILL AMENDED:

SUBJECT: Office of Performance Review.

FIRST AUTHOR: Sen. Zakas
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill establishes the Office of Performance Review within the State Board of Accounts.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The bill would require each state agency to develop a management and efficiency plan for its operation including, but not limited to, a statement of the state agency's mission, goals, and objectives, and measures for outcomes and outputs of the agency. Under the bill, the Governor and the Budget Agency would be required to set goals for state government to assist each state agency in developing its plan.

The bill would establish the Office of Indiana Performance Review under the supervision of the State Board of Accounts (SBA) to conduct an annual performance review of each state agency. The performance review would analyze the effectiveness and efficiency of the policies, management, fiscal affairs, and operations of the state agency. The Office of Indiana Performance Review would consider the degree to which each state agency conforms to the state agency's management and efficiency plan. The bill would require the Office of Indiana Performance Review to deliver an electronic copy of each performance review to the Governor, the Legislative Council, and the Budget Committee. Under the bill, the General Assembly could consider the results of a state agency's performance review in determining the budget for the state agency. The State Board of Accounts would be allowed to adopt rules to implement the chapter.

In order to prepare annual performance audits in addition to the financial and compliance audits currently

prepared, the SBA would need additional staff. To the extent that the annual performance review would compare the agency goals with its performance measurements, as few as five staff may be required. A review of other states' performance evaluation units indicate that more staff may be required for more extensive performance reviews.

Examples of Expenditures: Salaries and benefits for accountants, examiners, and auditors at the State Board of Accounts range approximately from \$37,800 to \$93,450. Assuming that the annual performance evaluation require a staff of five including four junior staff and one senior staff, salary and benefit costs for the audits required under the bill would be \$244,650. If the unit performs more extensive reviews, one might assume the unit would require 12 staff including 10 junior staff and 2 senior staff. Using this configuration, the cost of the unit would be \$564,900.

Analysis of State Board of Accounts expenditures indicates that, depending on the size of the unit, general office costs, training, and travel may cost between \$25,000 and \$48,000. Computer costs are estimated to be between \$11,000 to \$20,000 for laptop computers for each employee. Also, if there is not available space to house the new unit within existing state office facilities, additional space may be rented at an estimate cost of \$16,200 to \$32,400. These costs do not reflect cost savings that may be achieved through the performance review process.

Background: According to the SBA, the agency has the authority under current law to conduct performance audits. The SBA has 297 FTEs and receives an appropriation of about \$18.6 M per year. It focuses its resources on conducting financial and compliance audits for state and local governments, although the SBA has completed some performance audits. These performance audits were not continued due to insufficient staff. When the Legislative Services Agency performed 'sunset' performance audits of state agencies over a 10-year period, there were six staff. Under current law, LSA performs audits of agencies and programs in accordance with IC 2-5-21.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Board of Accounts.

Local Agencies Affected:

Information Sources:

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