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**FISCAL IMPACT STATEMENT**

**LS 6822**

**BILL NUMBER:** SB 332

**NOTE PREPARED:** Dec 28, 2010

**BILL AMENDED:**

**SUBJECT:** Termination of State Agencies and Programs.

**FIRST AUTHOR:** Sen. Walker

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** *Evaluation of State Government:* The bill provides procedures to evaluate and terminate all state agencies and programs on a ten-year cycle.

It requires the schools of public and environmental affairs or business schools of Indiana University, Purdue University, Ball State University, Indiana State University, and the University of Southern Indiana to develop internship programs to give credit to students who perform the evaluation of state agencies and programs, and requires the universities to provide the evaluation service under the direction of the Legislative Services Agency.

*Delay of Termination:* The bill also allows the Governor, by executive order, to delay the date on which an agency or a program is terminated for one year beyond the specified date of termination under certain conditions. It provides that there is appropriated to any agency or program for which the Governor delays the date of termination the same sum from the same sources of funds that the agency or program received for its appropriation in the fiscal year before its original date for termination.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** *Evaluation of State Government:* The bill would have indeterminate, but potentially increased costs for legislative evaluation of state agencies resulting from several factors, including LSA supervision of universities evaluating state agencies, an increase in the number of agencies or programs reviewed each year, additional committee members on evaluation committees, and costs associated with termination or addition of state agencies. Any cost savings from efficiencies gained by sunset evaluation of state agencies could offset the increased costs of the evaluations.

*State Universities:* Additionally, the bill would have increased cost to state universities to develop curricula for evaluation of state agencies for undergraduate and graduate students, to have courses submitted to the Commission on Higher Education, and to provide tenured faculty evaluation services. Costs incurred by universities participating in evaluation programs include faculty not available to pursue grants from federal or private sources or the addition of faculty to provide courses or cover vacation or sabbatical time. Since the course of study or internships would be for credit, tuition may offset some of these faculty costs. The bill does not make an appropriation to the state universities for evaluation of state agencies.

*New State Agencies:* Also, under the bill a proposal to create a new agency or program would require a cost-benefit analysis using U.S. Office of Management and Budget techniques and other techniques recommended by the Legislative Council, the evaluation committee, LSA, or a state university. The resources required to perform a cost-benefit analysis depend upon the expertise needed to develop cost information.

*Background and Additional Information:*

*Evaluation of State Government:* Under the bill, the Legislative Council is to appoint a 16-member committee to review evaluations and make recommendations to the General Assembly concerning the continuation or termination of state agencies or programs, including authorities, boards, bureaus, commissions, committees, departments, divisions, or institutions. In addition, the committee is to direct LSA to oversee evaluations, designate the state university to conduct the evaluation, direct the evaluation, and perform other functions assigned by the Legislative Council. The Legislative Council is to direct the committee concerning the agency or agency programs they will evaluate, and the committee is to operate under the policies concerning study committees adopted by the Legislative Council.

Beginning with an evaluation commencing no later than July 1, 2011, and initial termination effective June 30, 2013, agencies and programs will be reviewed and terminated on a 10-year cycle. The annual topics are education, followed by health and human services (FSSA), health and human services (other than FSSA), Indiana Department of Transportation, public safety (Department of Correction, State Police, Integrated Public Safety Commission, Adjutant General, Indiana Criminal Justice Institute, Coroners Training Board, and Indiana Department of Gaming Research), public safety (all others), economic development, conservation and environment, and general government.

The Governor may delay the termination of an agency or program by one year if in the Governor's opinion there is a beneficial effect for the state. The funds to operate the agency or program during the delayed termination are appropriated by the bill in the same amount and from the same sources that the program or agency received in the fiscal year before its original date for termination.

The evaluating agency (state university) is to use cost-benefit and cost-effectiveness analysis techniques used by the federal government, along with other tools recommended by the Legislative Council, the evaluation committee, LSA, or a participating university. The evaluation committee is to supervise both LSA and the state university preparing the evaluation.

The dean of each listed state university is to appoint a tenured faculty member to oversee the evaluation program and act as liaison between LSA and the school. Graduate and undergraduate students must have an opportunity to participate as unpaid interns, and the school must offer elective courses that allow students to receive college credit; receive sufficient education, counseling, and course work, and have access to computers and other equipment.

*Legislative Committees:* Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$16,500 per interim for committees with 16 members or more.

*Current Evaluation Program:* Under current law, the Legislative Evaluation and Oversight Policy Subcommittee (LEOPS) of the Legislative Council recommends a topic for evaluation. LSA prepares the evaluation, which is reviewed by a committee appointed by the Legislative Council to receive the report. The committee reviews the evaluation and may make recommendations to the General Assembly. The statute does not terminate the entity reviewed or require the committee to recommend its continuation. Usually, one agency or program is reviewed each year in this process, but LSA has produced as many as four reports in one year when several smaller topics were assigned. LSA has one full-time staff working on evaluation, but other staff members assist as needed.

*Sunset Process in Other States:* Automatic termination and review of state agencies began with legislation in Colorado in 1976. In 1981, there were 14 states with comprehensive programs, and in 2005 the number of states with comprehensive legislation was reduced to 10. In 2010, the Council of State Governments reported that there were 7 states. [Indiana is currently considered a selective review state.] Most programs use staff to perform evaluations (it appears that no state program uses state universities as the evaluating entity) and, on average, they produce between 5 and 15 reviews a year. According to a report from the Texas Sunset Advisory Commission, reports take from three to eight months to prepare, depending on the complexity of the agency.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:**

**Information Sources:** “The Expenditure Effects on Sunset Laws in State Governments,” Kerry Waller, Clemson University, August 5, 2008; Council of State Governments, *2010 Book of the States*.

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