

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 781 (Delegate Rosenberg)
Appropriations

Local Governmental Entities and School Boards - Budget Review Program

This bill establishes a local government and school board budget review program in the Department of Budget and Management (DBM). The bill requires DBM, at the request of a majority of the members of the governing body of a local government entity or school board, to provide (1) an objective budget review and evaluation of the local governmental entity or school board; (2) an analysis of the issues affecting the cost of local services; and (3) recommendations for controlling the cost of services. This service would be provided to local governments at no cost.

Fiscal Summary

State Effect: General fund expenditures could increase by \$70,300 in FY 1998. Revenues would not be affected. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GO Revenues	\$0	\$0	\$0	\$0	\$0
GO Expenditures	70,300	82,100	85,000	88,000	91,100
Net Effect	(\$70,300)	(\$82,100)	(\$85,000)	(\$88,000)	(\$91,100)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None. Providing budgetary assistance to local governments could improve their financial operations; however, it would not directly affect local revenues or expenditures.

Small Business Effect: None. Small businesses are not directly affected.

Fiscal Analysis

Background: There are approximately 215 local entities in Maryland that would be eligible for a State budget evaluation pursuant to this legislation (23 counties, 24 school boards, 156 municipalities, 11 special taxing districts, and Baltimore City).

State Effect: General fund expenditures could increase by an estimated \$70,272 in fiscal 1998, which reflects the bill's October 1, 1997 effective date. This estimate reflects the cost of hiring one Program Analyst and one Office Secretary to analyze local budgets. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- 24 local entities requesting budget evaluations each year; and
- local entities requesting budget evaluations would mostly be municipalities with an annual budget not exceeding \$5 million.

Salaries and Fringe Benefits	\$56,897
Equipment	9,100
Operating Expenses	<u>4,275</u>
Total FY 1998 Expenditures	\$70,272

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

The Department of Budget and Management advises that one additional Senior Program Analyst at a cost of \$43,000 and annual contractual services at a cost of \$100,000 would be needed to handle the bill's requirements. The Department of Fiscal Services assumes that most local governments requesting a budget evaluation would be smaller communities without a separate budget office. Thus, DBM would need considerably less staff time to complete the evaluations. However, if larger local entities such as a county government or local school system requested DBM's services, additional personnel may be warranted.

Information Source(s): Department of Budget and Management, Department of Fiscal Services

Fiscal Note History: First Reader - February 24, 1997
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