

## AUDIT PROPOSAL

### Evaluating Whether Fiscal Notes Include Reliable Estimates

#### SOURCE

This audit proposal was requested by Senator Larry Alley.

#### BACKGROUND

The Division of the Budget is required by state law to prepare a fiscal note within 7 days of the legislature introducing a bill that affects state or local revenues and expenditures. Fiscal notes should include reliable estimates of bills' anticipated effects on revenues, expenditures, and fiscal liabilities both immediately and long term, if possible. Fiscal notes that do not include dollars estimates must provide the reasons why no dollar estimates can be given. Fiscal notes are required for original bills but not for amendments.

In practice, state agencies and associations like the League of Kansas Municipalities, Kansas Association of Counties, and the Kansas Association of School Boards prepare or consult with the Division of Budget on all fiscal notes. The division issued about 760 fiscal notes during the 2021 legislative session and about 530 during the 2022 session.

Legislators have expressed concerns about the accuracy and reliability of the estimates provided in fiscal notes.

#### AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

*The audit objectives listed below are the questions we would answer through our audit work. The steps listed for each objective convey the type of work we would do. These may change as we learn more about the audit issues.*

#### **Objective 1: Do agencies provide reliable estimates in fiscal notes for potential legislation?** Our tentative methodology would include the following:

- Work with Division of Budget staff and review state law and agency templates to understand how the fiscal process works, including the timelines, staff, and steps involved.
- Work with Budget staff and review documentation to select 20 fiscal notes from the 2018-2020 legislative sessions to review. This would include 10 fiscal notes for legislation the legislature ultimately passed and 10 fiscal notes for legislation they did not pass.
- For legislation that passed, work with agency staff and collect data about actual fiscal impacts that occurred after the legislation was implemented. Compare to the agency's fiscal estimates from before the legislation passed and calculate the differences.

- For legislation that did not pass, interview agency staff and review their fiscal notes and associated documentation to determine whether they used reasonable methods to develop their fiscal estimates. This would include considerations such as whether the agency used accurate or reasonable inputs, assumptions, and calculations.
- Talk to agency staff and review other documentation as needed to understand the reasons for any identified differences or unreasonable methods. This could include reviewing documentation on subsequent legislative action, changes in the number of clients served, or other factors agency staff identify.

### **ESTIMATED RESOURCES**

We estimate this audit would require a team of **3 auditors** for a total of **4 months** (from the time the audit starts to our best estimate of when it would be ready for the committee).