



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
SB0438 - Revise laws relating to the judiciary to require audit of state bar of Montana (Usher, Barry)	
Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$170,000	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other - Montana State Bar	\$40,700	\$0	\$44,021	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$170,000	\$0	\$0	\$0
Other - Montana State Bar	\$ 40,700	\$0	\$ 44,021	\$0
Net Impact-General Fund Balance:	<u>(\$170,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 438 requires a performance and financial compliance audit of the State Bar of Montana. The fiscal impact to the Judicial Branch is \$170,000 for the 2025 biennium.

FISCAL ANALYSIS

Assumptions:

1. SB 438 requires a one-time performance audit of the State Bar of Montana.
2. The Legislative Audit Division (LAD) charges \$85 an hour for a performance audit. Based on past completed performance audits, LAD estimates the audit will take 2,000 hours for a cost of \$170,000.
3. The estimated \$170,000 cost of the performance audit paid by the Judicial Branch to LAD would be deposited in the division's state special revenue fund. The Legislative Audit Division will conduct the audit with existing resources so no additional FTE or operational expenses are shown.
4. Revenue and expenses are shown in FY 2024, but depending on the timing of the audit, the actual revenue and expenses could be split between FY 2024 and FY2025.
5. Section 2 of SB 438 adds the State Bar of Montana to the Legislative Audit Act.

6. Inclusion of the State Bar in Section 4 requires LAD to estimate the financial compliance audit costs in accordance with section 5-13-402, MCA. The financial compliance audit of the State Bar is not considered a joint audit under 5-13-321, MCA.
7. Consistent with section 5-13-402, MCA, the State Bar will be responsible for its audit costs.
8. The Legislative Audit Division will hire a contractor for the biennial financial compliance audit of the Montana State Bar. It is estimated that the biennial financial compliance audit will take 300 hours to complete at an hourly rate of \$135.67 for a total of \$40,700 in FY 2024. The hourly rate was derived from the average of hourly rates for other current contract audits.
9. The cost of the biennial financial compliance audit for the 2027 biennium includes an annual 4% inflationary factor.
10. Contracting for the financial compliance audit results in no additional revenue for LAD. The Legislative Audit Division will conduct its contract administration responsibilities within existing resources.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses - Judicial	\$170,000	\$0	\$0	\$0
Operating Expenses - Audit	\$40,700	\$0	\$44,021	\$0
TOTAL Expenditures	<u>\$210,700</u>	<u>\$0</u>	<u>\$44,021</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$170,000	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other - Montana State Bar	\$40,700	\$0	\$44,021	\$0
TOTAL Funding of Exp.	<u>\$210,700</u>	<u>\$0</u>	<u>\$44,021</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$170,000	\$0	\$0	\$0
Other - Montana State Bar	\$40,700	\$0	\$44,021	\$0
TOTAL Revenues	<u>\$210,700</u>	<u>\$0</u>	<u>\$44,021</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$170,000)	\$0	\$0	\$0
State Special Revenue (02)	\$170,000	\$0	\$0	\$0
Other - Montana State Bar	\$0	\$0	\$0	\$0

Technical Notes:

1. House Bill 132 negates the requirement for a biennial financial compliance audit of the State Bar.
2. The State Bar contracts with a public accounting firm for routine financial audits.
3. The State Bar is not defined as a state agency or quasi-governmental entity outside of Title 5, MCA, unlike other agencies and quasi-governmental entities.
4. As a non-state entity, the State Bar's financial activity is not subject to appropriation.
5. There is no methodology available to the Legislature for authorizing fixed costs for a non-state entity.

NO SPONSOR SIGNATURE

Sponsor's Initials

2/27/23
Date


Budget Director's Initials

2-27-23
Date