

**Finance Committee Perfecting Amendment to  
Judiciary Committee Amendment for S22**

2/19/13

**1.) Relocate Procurement Services to State Fiscal Accountability Authority (SFAA) - this includes MMO, ITMO and the State Engineer.**

Justification: In his testimony on February 7th, Dr. Fred Carter told the Finance Subcommittee for S22 that the most important characteristics for a Chief Procurement Officer are continuity and expertise. Locating the Procurement Services Division in SFAA will provide the type of organizational environment that fosters continuity and expertise.

Additionally, per the testimony of Voight Shealy, Materials Management Officer for Procurement Services, the Materials Management Office, Information Technology Management Office and the State Engineer's Office often work in multi-disciplinary teams. Thus, keeping all three units together under one organizational umbrella is essential for effectiveness.

**2.) Change makeup of SFAA to assign the Chairs of Senate Finance and House Ways and Means Committees to sit on the new Authority.**

Justification: Senate Rule 19 A assigns those portions of statute related to the Budget and Control Board to the Senate Finance Committee. House procedures are similar. Thus, it is logical to assign the two Budget Chairmen to serve on the successor Authority to the Board.

**3.) Move all loan programs previously housed in the Board's Office of Local Government to the Rural Infrastructure Authority.**

Justification: These loan programs were previously contained in one unit of the Board for many years. In many cases, local entities receive grants and loans from multiple locations to enable infrastructure projects. The grant portion of the former Office of Local Government migrated to the Rural Infrastructure Authority over the past several years per statute. Recreating this natural complement between the grant and loan programs is logical.

**4.) Clarify that the State Auditor reports to SFAA.**

Justification: Sound audit practice requires that the entity conducting audits be insulated to guarantee independence. Location in the SFAA insures that insulation.

**5.) Develop a threshold level of agency deficit recognition that may be recognized by the Executive Budget Office and reported to the General Assembly.**

Justification: A review of agency deficits recognized by the Budget and Control Board from Fiscal Year 1993-94 until present reveals that the monetary levels of recognitions are bimodal. Generally speaking, amounts of deficit recognition that cause fiscal stress to the overall spending plan are caused by large cabinet agencies. In contrast, the Procurement Review Panel received deficit recognition for \$2,493 in Fiscal Year 2001-02. In that same year, the Prosecution Coordination Commission received deficit recognition for \$331,860.

Allowing the Executive Budget Office to handle deficit recognition at a level below \$1 million is practical given the fact that the General Fund recurring budget for Fiscal Year 2012-13 is \$6.087 Billion and the General Reserve Fund has a balance of \$281.6 Million. Further, these actions would still be reported to the General Assembly fostering accountability in the legislative oversight process.

**6.) Clarify that a portion of the BEA staff move to the Legislative Fiscal Office to prepare revenue impact statements. Amend §2-7-71 and assign production of Revenue Impact Statements to the Legislative Fiscal Office. Add language requiring cooperation between Board of Economic Advisors and Legislative Fiscal Office. Add the Director of the Executive Budget and Strategic Planning Office to the Board of Economic Advisors Working Group. Reassign to the Legislative Fiscal Office the current responsibility assigned to the Board of Economic Advisors related to liaison relationships with the Congressional Budget Office and evaluating the impact of federal revenues on state programs.**

Justification: Page 74 of the Judiciary Committee amendment directs that the Legislative Fiscal Office (LFO) support the General Assembly in the development of fiscal and revenue impact statements. Section 9 B.1 on that page directs that employees currently assigned to the Office of State Budget for the production of fiscal impact statements be transferred to the LFO. No such clause directs the transfer of employees of the Board of Economic Advisors who produce revenue impact statements to the LFO.

Additionally, separate sections of the Code list responsibilities assigned to the Board of Economic Advisors. The responsibility related to revenue impact statements should be conformed so that the task is assigned to the LFO.

**7.) Add Portion of S334 creating the Department of Information Security.**

Justification: On Page 31 of the Judiciary Committee amendment, existing statute is amended and the words are added to code "or resulting from an infiltration or compromise of the infrastructure and associated data system." S334 creates a new organization that would have jurisdiction over cyber security protocol versus that function being assigned to the Department of Administration. The key is that the Department of Information Security (DIS) be separate from the Division of State Information Technology of DOA since that Division is a core service entity while DIS is a process regulation entity.

**8.) Add procedure in instances where the Director of the Executive Budget Office rejects a request for interim other funds authorization, for review of the refusal to be considered by the SFAA. The SFAA may overrule the Director by a majority vote.**

Justification: Currently, when agencies request interim other funds authorization above the amount granted in the General Appropriations Act, the Director of the Office of State Budget submits the requests to the Other Funds Oversight Committee and that Joint Committee reviews and comments on the requests. The authority to approve an interim request rests solely with the Budget Director. With the creation of the SFAA, the Director of the Executive Budget Office will serve in a line of reporting directly to the Governor. Thus, requiring that other fund authorization requests that are denied are considered by the SFAA offers a procedural check and balance.