F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 2/6/18
SPONSOR Hall **LAST UPDATED** **HB** 278

SHORT TITLE General Fund Reversion Deadlines **SB**

ANALYST Romero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration

SUMMARY

Synopsis of Bill

House Bill 278 changes the reversion deadline of unexpended general fund balances of state agencies from September 30 to August 31 of each year. The bill also changes the number of days that can elapse after the release of an agency's financial audit in which the Financial Control Division (FCD) of the Department of Finance and Administration (DFA) can adjust a reversion from 45 days to 30 days. Additionally, the bill cleans up a reference to a nonexistent subsection.

FISCAL IMPLICATIONS

The Legislature received several requests from state agencies for general fund revenues to replace funding lost by over-reversions that were identified after the 45 day reversion adjustment deadline provided by current law. The Office of the State Auditor reported untimely reversions as a consistent issue among many state agencies. Shortening the time period for agencies to revert and adjust reversions may result in some lost revenue on a one-time basis.

SIGNIFICANT ISSUES

DFA provided the following:

"The purpose of the Reversion Acceleration Bill is to improve the timeliness of the State's financial reporting and issuance of the annual Comprehensive Annual Financial Report (CAFR). Reversions are accounted for as revenue. Under the modified annual basis of accounting used by the State, and Generally Accepted Accounting Principles (GAAP), revenues must be collected within 60 days of the end of each fiscal year to be used to pay that fiscal year's liabilities. Moving the reversion date up to August 31 aligns the statutory requirement with GAAP and the revenue recognition principles applied to other revenue sources."

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to DFA:

"Currently, DFA's efforts to comply with certain CAFR deadlines are hampered considerably by certain aspects of the law, such as the reversion deadline currently in place. DFA anticipates that this reality will continue in the absence of this bill's passage. DFA is confident that agencies will be able to comply with these accelerated timelines by following year-end closing instruction issued by DFA-Financial Control Division, and are already being pushed towards doing so as a result of accelerated audit deadlines."

IR/jle/al