

September 19, 2003

Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814

Attention: Ms. Tricia Knight
Initiative Coordinator

Dear Attorney General Lockyer:

Pursuant to Elections Code Section 9005, we have reviewed the proposed initiative entitled "The Fiscal Accountability in State Government Act" (File No. SA2003RF0034).

Major Provisions

This measure would result in significant changes to the way state entities record and report financial data. The measure requires that each state entity post on its Web site, at the close of each business day, any expenditures and revenues credited to that entity on that day. These postings would include relevant names, dates, and amounts of each transaction.

The measure would also require the State Controller's Office (SCO), in consultation with the State Treasurer's Office (STO) and the Department of Finance (DOF), to adopt guidelines and procedures to standardize the financial information reported by state entities on the Internet. The measure requires full implementation within 120 days of passage.

Currently, each state entity records its expenditures and revenues. The entity summarizes these fiscal transactions and enters the information into its accounting system. (These systems vary among departments.) This summary information is then transmitted to the SCO, as the state's financial record keeper.

Fiscal Effect

The measure would have the following fiscal impacts on state government.

New Data Collection System. The state's current accounting system does not allow for the recording of the level of financial detail as required by this measure, nor does it allow for the posting of financial information on the Internet. As a result, this measure

would require the development and implementation of a new data collection and reporting system. Based on other state information technology projects, the one-time costs related to the development of such a system would be major—potentially over \$200 million (spent over several years), with annual maintenance costs potentially in the low tens of millions of dollars.

Staffing at State Entities. By requiring more detail than is tracked in existing data collection systems, this measure would require an increase in state entities' data entry work. Staffing needs would vary across state entities. Some may not have significant increased needs, but other entities would experience significant new workload. Total increased staffing could result in annual costs of over \$20 million.

Guidelines Established. The measure requires the SCO, STO, and DOF to establish guidelines and procedures to standardize the financial information reported on the Internet. This activity would likely result in minor one-time costs.

Increased Fiscal Reporting. The public reporting of detailed fiscal information could result in savings related to improved fiscal resource management. The magnitude of such savings is unknown.

Summary

This measure would have the following major state fiscal effects:

- Potential one-time costs of over \$200 million and annual costs in the tens of millions of dollars for the development, implementation, maintenance, and use of a new data collection and reporting system.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

Steve Peace
Director of Finance