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Legillative	Bill Text Version: ORIGINAL								
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Proposed Amd.:									
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Dept./Agy.:Statewide

Subject: Establishes Information Technology Infrastructure Fee/Fund

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Analyst: Alan M. Boxberger

FEES/LICENSES/PERMITS OR INCREASE SD RV See Note Establishes the Information Technology Infrastructure Fee to be assessed on certain state transactions to support the state's information technology infrastructure

Proposed law provides that specified agencies receiving a payment from a payer shall impose a \$3 Information Technology Infrastructure Fee on every transaction; provides for definitions; requires that the proceeds of the fee be deposited into the state treasury to be deposited into the Information Technology Infrastructure Fund; redirects specified fees collected by the office of motor vehicles from the Office of Motor Vehicles Customer Service and Technology Fund into the new Information Technology Infrastructure Fund; and provides for the purposes of the Information Technology Infrastructure Fund. Proposed law creates the Joint Committee on State Information Technology Infrastructure; provides for duties and membership; provides with respect to staffing; provides for inclusion of infrastructure project funding recommendations in the executive budget; requires the committee to review and analyze the executive budget recommendations and report to the legislature; and provides for an effective date.

EXPENDITURES	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$1,572,330	\$0	\$0	\$0	\$0	\$1,572,330
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Local I allab	<u> </u>	<u>40</u>	90	<u>+-</u>	<u>+-</u>	

EXPENDITURE EXPLANATION

Proposed law will create one-time implementation costs of at least \$1.57 M SGF related to programming, testing and system development to modify payment plan processing and billing systems of numerous state agencies to implement the \$3 per transaction Information Technology Infrastructure Fee. The LFO assumes the implementation costs may potentially be repaid by the new fee collections, but the up front expenditures will be necessary prior to collection of the fee and result in a direct expenditure assumed to the SGF or equivalent.

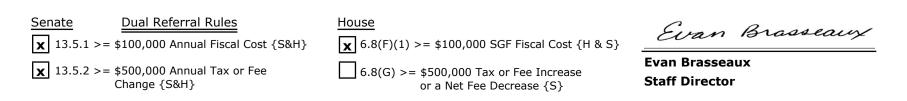
Proposed law creates the Joint Committee on State Information Technology Infrastructure and provides for duties, powers and membership (three members from each legislative body). Creation of the committee may result in increased per diem and travel reimbursement expenditures for up to six legislative members of the committee. The legislative per diem rate of \$164 and the cost of related benefits (7.65% includes FICA 6.2% and Medicare 1.45%) is approximately \$13 for a daily cost of approximately \$177/day. It would cost \$1,062 per day for 6 legislators to attend meetings plus mileage reimbursement, which is approximately \$0.545 per mile. However, the impact on expenditures is indeterminable and will depend upon mileage of the members and the number of meeting days held, and the actions taken by the Subcommittee.

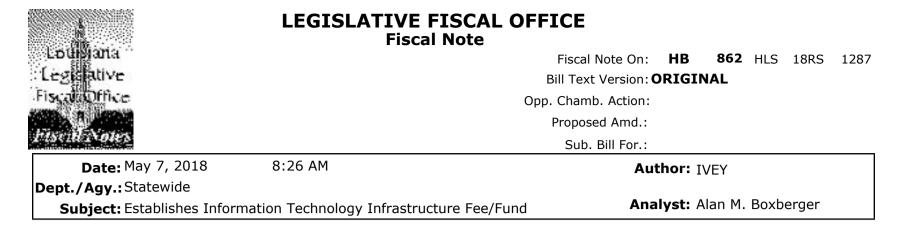
SEE EXPENDITURE IMPACT CONTINUED ON PAGE TWO

REVENUE EXPLANATION

Proposed law is anticipated to generate additional revenues of at least \$24.1 M* to be deposited into the newly created Statutory Dedication - Information Technology Infrastructure Fund. Proposed law will additionally divert existing deposits of approximately \$8.1 M annually from the Office of Motor Vehicles Customer Service and Technology Fund into the newly created Information Technology Infrastructure Fund, resulting in total combined deposits into the new fund of approximately \$32.2 M or greater. Proposed law requires numerous state agencies within the executive branch to impose a \$3 Information Technology Infrastructure Fee on credit, debit and electronic payment transactions.

*Note: This is the projected minimum revenue increase as a result of the new \$3 per transaction fee. However, not all agencies were able to provide total annual transactions as of publication of this fiscal note so the total could potentially be greater. Additionally, the LFO is unable to predict whether payer behavior may change as a result of implementing the \$3 per transaction fee. The transaction fee applies to credit, debit and electronic payments only. Payers may alter their behavior to pay by non-electronic means in an effort to circumvent the new fee, which may diminish the potential revenues by an indeterminable amount.





CONTINUED EXPLANATION from page one: EXPENDITURE IMPACT CONTINUED FROM PAGE ONE

<u>Proposed law</u> further directs that the committee shall have the authority to incur expenses as are necessary for carrying out its duties and responsibilities in accordance with established rules and from funds appropriated for the expenses of the legislature and its committees. The books and records of the committee will be audited annually by the legislative auditor, which will result in a cost for the legislative auditor (assumed to be approximately \$11,000 = 10 hours X \$110 per hour standard rate).

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<u>Proposed law</u> additionally provides that the committee shall utilize the personnel and services of the staffs of the Senate, House of Representatives and the Legislative Fiscal Office (LFO) in the conduct of its studies and proceedings. <u>Proposed law</u> requires the committee to evaluate the executive budget information technology recommendations, which are submitted to it each year no later than the first day of March. Senate, House and LFO staff have significant workloads during this time period each year related to preparing for the legislative session and other required duties. <u>To the extent that the committee</u> <u>process creates a significant workload overlapping the same time period, legislative offices may require additional budgetary</u> <u>or staff resources that could be substantial</u>. If the additional workload is nominal, the workload could potentially be <u>absorbed</u>. The workload cannot be predicted and will be dependent upon the structure of the committee and the tasks <u>undertaken</u>. The LFO assumes that potential workloads mandated by the committee outside of the legislative session and the four to six week period prior to start of the legislative session could likely be absorbed by existing staff and resources, assuming relevant expertise is available relative to evaluations of information technology products and services.

<u>Proposed law</u> creates the new Statutorily Dedicated - Information Technology Infrastructure Fund. Monies in the fund shall be appropriates solely for support of projects to enhance or upgrade the state's information technology infrastructure. To that effect, the Office of Technology Services should realize an expenditure increase of at least \$24.1 M annually related to these activities (see revenue explanation).

<u>Proposed law</u> will also divert approximately \$8.1 M in revenues currently deposited into the Office of Motor Vehicles Customer Service and Technology Fund (OMV Fund) into the newly created Information Technology Infrastructure Fund. The OMV Fund provides for the initiation and implementation of customer service programs and for the acquisition and implementation of updated and new technology. After these purposes have been met, all funds remaining are utilized for criminal compliance and traffic enforcement by public safety services. The LFO cannot predict whether Public Safety Services would retain the full \$8.1 M currently utilized by the department via future legislative appropriation. To the extent that Public Safety Services did not receive a direct appropriation back to the agency totaling existing collections, the department may realize a direct cut to the OMV resulting in lower capacity related to existing information technology maintenance and upgrades, or could require an offsetting increase of SGF expenditure authority to offset the loss of OMV Fund revenues.

Creating a new statutory dedication (Information Technology Infrastructure Fund) within the state treasury will result in a marginal additional workload for the Treasury, which can generally be absorbed with existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be material additional costs associated with the aggregate effort to administer these funds and at some threshold the agency may require additional staff resources and incur additional SGF expenditures. Additionally, <u>proposed law</u> defunds the Office of Motor Vehicle Customer Service and Technology Fund, which will partially offset the increased additional workload associated with the more expansive Information Technology Infrastructure Fund.

Note: To the extent that creation of a new \$3 fee to be imposed on each and every transaction between an agency and a payer results in behavioral changes by payers, certain agencies may realize additional workload impacts that necessitate additional budgetary and/or staff resources. For illustrative purposes, the Louisiana Department of Revenue (LDR) reports that material changes in payer behavior that results in taxpayers opting out of making electronic payments to avoid the fee could result in an increase in manual payment processing as well as taxpayer inquiries regarding the status and posting of non-electronic payments. LDR reports that it may require up to three additional Revenue Tax Analyst Specialist positions at a total cost of \$161,283 annually if the number of non-electronic payments were to grow materially.

