

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 510** HLS 18RS 277
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 26, 2018 7:33 AM **Author:** BARRAS
Dept./Agy.: Statewide **Analyst:** Alan M. Boxberger
Subject: Establishes the Louisiana Checkbook transparency website

BUDGETARY PROCEDURES EG INCREASE GF EX See Note Page 1 of 2
 Establishes the Louisiana Checkbook website to provide transparency of state fiscal information

Proposed law requires creation of an expenditure database reporting state spending of all budget units contained in the executive budget and designates the website as Louisiana Checkbook; provides feature and content requirements; provides for quarterly reporting to the JLCB; provides, subject to appropriation, for completion of LaGov implementation; directs all agencies, boards, commissions and departments of the state and its subdivisions to furnish required information without any cost or charge; authorizes inclusion of other databases or reports; provides for exclusion of certain private information; provides for requirement of inclusion of employment and salary information; provides for inclusion of certain reporting requirements for state boards and commissions; provides for establishment and maintenance of a state debt database by the treasurer; provides for inclusion of annual reports of all entities and activities supported by special funds; provides for inclusion of the La Performance Accountability System (LaPAS); provides with regard to inclusion of education spending; provides for inclusion of certain revenue and incentive forecasts; and provides for an implementation date of 7/1/19.

EXPENDITURES	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable SGF expenditure increase related to the creation of a Louisiana Checkbook (La Checkbook) expenditure transparency website and, subject to appropriation, will result in an expenditure of approximately \$29.3 M SGF over three fiscal years to fully implement the LaGov statewide enterprise resource planning (ERP) system. The website will provide a searchable expenditure database for all budget units appearing in the executive budget and will include links or an interface to a number of existing statutorily required reports from a variety of state departments, boards and commissions.

LaGov/AFS Integration

The Division of Administration (DOA), Office of Technology Services (OTS), reports that the state's existing transparency and accountability portal (LaTrac) can be modified and upgraded to incorporate the requirements of proposed law. OTS estimates implementation costs for LaGov and AFS reporting agencies would total approximately \$350,000 over three fiscal years (\$200,000 in FY 19, \$100,000 in FY 20, and \$50,000 in FY 21), with ongoing maintenance and support costs of approximately \$25,000 annually thereafter.

Alternatively, OTS acquired estimates to outsource the website as a "software as service" plus associated consulting costs. The estimates placed the first three-year total costs at approximately \$716,000 to \$785,000. First year cost estimates range from approximately \$274,000 to \$318,000. Ongoing software licensing and maintenance costs ranged from approximately \$220,000 to \$230,000 annually.

Non-LaGov/AFS Integration

In addition to agencies currently integrated into the LaGov and ISIS enterprise systems, proposed law requires inclusion of higher education institutions, the legislature and the judiciary. The estimates above included integration of LaGov and AFS reporting agencies only. The LFO assumes that each additional entity included in the executive budget that is not currently integrated into LaGov or AFS will create additional one-time expenditure obligations for deployment and integration and will likely increase the annual software licensing and maintenance cost by an unknown, but assumed proportional, amount. Departments and entities that do not utilize LaGov or AFS may have disparate data reporting capacities, depending on the complexity of corresponding accounting and financial systems.

The LSU, SU, UL and LCTS systems report that integration into a new transparency portal will result in unknown, but potentially significant one-time expenditures related to system modifications and programming costs, as well as support and maintenance cost post-implementation. The UL system currently utilizes multiple enterprise resource systems throughout its member institutions. Depending on

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

the solution selected (contracted service or in-house) the state will realize individual implementation costs for each individual enterprise system to be integrated and costs may range from approximately \$6,100 up to \$50,000 or more depending on programming needs.

Information, reports, aid, services and assistance provided by state entities are directed by proposed law to be provided without cost or charge. These requirements may create an indeterminable workload impact, which are assumed to be absorbed with existing resources and staff statewide. Multiple agencies reported a need to dedicate a portion of one position's time to data compliance and integrity. Should existing fiscal and staff resources be insufficient, the LFO assumes agencies would require offsetting expenditure reductions to accommodate additional duties in lieu of additional budget authority.

The legislature was unable to provide an accurate cost estimate at the current time. Integration of reporting requirements for the legislature will likely result in implementation and maintenance costs similar to that reported for the higher education systems.

Judiciary reports estimated implementation costs of approximately \$21.3 M for 177 distinct reporting units with no unified enterprise resource solution (creating a unified ERP). Judiciary reports ongoing maintenance costs at approximately \$4.1 M annually. The LFO assumes the majority of maintenance costs would be consistent with operating budget expenditures necessary for existing systems.

Proposed law requires the commissioner of administration, subject to legislative appropriation, to take necessary steps to complete full implementation of the LaGov ERP by no later than 10/1/21. Departments and agencies that utilize the AFS financial system will be able to provide a more limited dataset than those utilizing LaGov. Currently, only 6 agencies are fully integrated on LaGov. OTS estimates cost for completion of the remaining agencies planned for LaGov integration at approximately \$29.3 M over three fiscal years \$8.1 M in FY 19, \$7.2 M in FY 20 and \$14 M in FY 21 (some entities, such as higher education, are not currently planned). Full LaGov integration is not required to launch Louisiana Checkbook, but some functionality and data will be limited due to the source AFS legacy financial system. During presentation of the executive budget to the JLCB, the commissioner proposed using approximately \$30 M of fund balance generated from excess SGR at the La Department of Revenue to fund the multi-year costs of full LaGov implementation (this action would require supplemental appropriation during the regular session). For informational purposes, the state has expended approximately \$97.9 M to date on LaGov software acquisition, deployment, design and implementation.

Additional Components

Proposed law requires that La Checkbook shall also include a searchable contracts database. La Checkbook shall also include access to, or integrate into, information from reports on contracts required by law, including R.S. 39:1567(B)(3) and (F), R.S. 39:2007(E) and R.S. 39:2177(E). Louisiana currently has a searchable contracts database linked through LaTrac. Additional features and upgrades may result in additional one-time programming expenditures.

Proposed law requires that La Checkbook shall include a searchable employment and salaries database including certain minimal reporting requirements as well as information on the number of authorized and vacant positions within each budget unit. This functionality will require additional programming and will result in an additional, unknown but likely significant one-time expenditures. Additionally, entities not currently reporting salary information in the existing state human resource and payroll system (higher education, legislature and judiciary) would also require integration and incur additional expenditure obligations.

Proposed law requires that certain information related to state boards and commissions shall be available through La Checkbook, particularly information required by R.S. 49:1302 and R.S. 24:513.2. This data is currently reported by entity on a state website, linked through LaTrac, and viewable per individual filing, but does not currently appear in a searchable, downloadable format and the LFO is unable to determine the accuracy or frequency of filings. This functionality will require additional programming and result in an additional, unknown expenditure increase.

Proposed law requires the inclusion of a searchable state debt database, to be established and maintained by the state treasurer. The database shall include amounts and categories of state debt, including pensions, post-employment benefits and capital construction, as well as annual costs of debt service. This functionality will require additional programming and result in an additional, unknown but likely significant expenditure increase. Treasury reports that it currently does not have a searchable debt database that includes all of the required components. Treasury would need access to debt beyond what is approved by the State Bond Commission, including capital construction debt from the DOA and pension debt from the retirement systems. Treasury reports it will require outside resources to develop and maintain the searchable database and estimates creation of the database could range up to \$25,000 in the first year with annual maintenance costs up to \$20,000 annually. The department reports it may be required to dedicate at least a portion of one position's time to data compliance and integrity and if sufficient budget and staff were unavailable, additional resources would be required.

Proposed law requires that La Checkbook shall include a searchable dedicated funds database supported by appropriations from dedicated funds required by R.S. 49:308.5(B). The database shall include access to the report on special funds prepared by the state treasurer as required by R.S. 49:308.3(E). Integration of this functionality will require additional programming and result in a one-time, potentially significant expenditure increase. A link to a report containing some of the required information is currently available through LaTrac.

Proposed law requires that La Checkbook shall include the Louisiana Performance Accountability System (LaPAS) as required under R.S. 39:87.1 et seq. Linking to La Checkbook should not create a material expenditure, unless the existing site is to undergo redesign.

Proposed law requires that La Checkbook shall include or provide access to the revenue and expenditure data on federal, state, and local fiscal matters maintained by the Department of Education on its website. This database does not currently appear on the website, although it has in the past. If the prior database is still available, integration should not create a material expenditure, unless the previous site must undergo redesign or programming for additional features.

Proposed law requires that La Checkbook shall include or provide access to information related to revenues on which state expenditures are based, including the official REC estimate, the Tax Exemption Budget prepared by the Louisiana Department of Revenue (LDR) under R.S. 47:1517, the Annual Tax Collection Report prepared by LDR, monthly reports provided by LDR on net collections and distributions and severance tax collections and distributions, and a link to economic development incentives as posted to the Louisiana Department of Economic Development website. Linking these reports and sites to La Checkbook should not create a material expenditure, unless the existing sites are to undergo redesign.

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