

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 8** SLS 181ES 18
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 1, 2018 12:54 PM **Author:** WARD
Dept./Agy.: Statewide **Analyst:** Alan M. Boxberger
Subject: Provides relative to the state's fiscal transparency website

FISCAL CONTROLS OR INCREASE GF EX See Note Page 1 of 2
 Provides relative to the state's fiscal transparency website's establishment, completion, and contents. (Item #11)(7/1/18)

Proposed law requires creation and maintenance of a searchable website to post data and reports of state expenditures, contracts, incentive expenditures (as defined in R.S. 39:2), retirement system information, and other financial matters for the executive and legislative branches of government; provides feature and content requirements; provides for reporting to the JLCB; provides with regard to inclusion of education spending; provides additional reporting requirements for all state contracts with an expected expenditure value in excess of \$5 M; directs all executive branch agencies to furnish required information; requires, subject to appropriation, completion of the implementation and maintenance of the LaGov statewide enterprise resource planning system by 10/1/21; provides for reporting requirements on state debt by the treasurer; provides for requirement of inclusion of employment and salary information; provides for exclusion of confidential data; and provides for audit reporting requirements.

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>	\$0
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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable SGF expenditure increase related to the creation and maintenance of a state 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 executive and legislative branch agencies and will include links or an interface to a number of existing statutorily required reports from a variety of state governmental units.

LaGov/AFS Integration onto website

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.

OTS additionally 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 onto website

In addition to agencies currently integrated into the LaGov and AFS enterprise systems, proposed law requires inclusion of higher education institutions and the legislature. The estimates above included integration of LaGov and AFS reporting agencies only. The LFO assumes that each additional entity to be included 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 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 costs post-

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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Staff Director

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CONTINUED EXPLANATION from page one:

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

implementation. While the UL system has not replied as of this time, the LFO assumes it will be in a similar posture but with expanded expenditure needs due to the current utilization of multiple enterprise resource systems throughout its member institutions. Depending on 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 \$6,100 up to \$50,000 plus depending on the level of programming necessary.

Proposed law will require all state executive and legislative entities to submit information, reports, aid, services and assistance required to fulfill the detailed requirements. 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 or would require additional SGF appropriation authority.

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

Proposed law requires the commissioner of administration, subject to legislative appropriation, to take necessary steps to establish, fully implement and maintain the LaGov ERP 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, Commissioner Jay Dardenne 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 the website shall also include a searchable contracts database. The website shall also include access to, or integrate into, information from reports on contracts required by law, including R.S. 39:1567(B)(3) and (E), R.S. 39:2007(E) and R.S. 39:2177(E). Louisiana currently has a searchable contracts database linked through LaTrac. Proposed law additionally requires that all state contracts beginning on or after 7/1/18 and with an expenditure value in excess of \$5 M annually shall include information required of nongovernmental organizations as set forth in R.S. 39:51.1(B). Additional features and upgrades will result in additional one-time programming expenditures.

Proposed law requires that any state agency administering an incentive expenditure program, entered into on or after 7/1/18, shall report specified information on the website. Integration of this functionality will require additional data collection and programming and will result in indeterminable one-time and ongoing expenditure increases. The bill does not specify that this component be searchable. If a link to reports is sufficient, the programming costs would be mitigated.

Proposed law provides for certain requirements of the La Legislative Auditor (LLA) and state agency internal auditors. The website shall contain all audits of state agencies, including but not limited to audits of expenditures, incentive expenditures and state contracts. This information is currently available on the Legislative Auditor's website. Linking this database to the auditor's site should not create a material expenditure, unless the existing site is to undergo redesign or expand functionality. The LLA estimates an annual expenditure increase of at least \$110,000 due to the workload required by proposed law. LLA will be responsible for auditing agency compliance with the reporting requirements of proposed law for approximately 140 state agencies as well as potentially auditing individual contractors, grantees, vendors or other recipients of state funding. These audits are to be conducted periodically and unscheduled, resulting in an indeterminable increase in expenditures for the LLA. The LLA estimates periodic reviews will average 15 hours each at the LLA's hourly rate of \$110 (200 entities x 15 hours x \$110/hour = \$330,000/3 years = \$110,000 annually). The LLA anticipates a significant number of findings during the initial program implementation, and unorganized, inaccurate or incomplete data may increase required audit expenditures accordingly during the implementation phase. The LLA's cost projections assume compiling and reporting data that is organized, accurate and complete. To the extent that audit activities surrounding proposed law may not meet these criteria, the LLA may require additional fiscal resources (assumed to be SGF) to provide the required audits. To the extent that audits required under the provisions of proposed law may be incorporated into existing audit activities of state agencies, the potential costs detailed may be somewhat mitigated. Additionally, LLA reports that incentive expenditures are not currently audited by that agency.

Proposed law requires that the state retirement systems shall include specified information to be made available on the website. The requirements are primarily reporting in nature and should not create a material expenditure, unless a separate website should be required.

Proposed law requires certain reporting requirements of the state treasurer. The treasurer shall provide information regarding state debt, including: the amounts and categories of state bonded indebtedness, the amount and categories of local debt backed by the full faith and credit of the state, costs of annual debt service, detailed costs of issuance of bonds by the Bond Commission, sources of funding, per capita spending, national and interstate comparison, access to the report on special funds required by R.S. 49:308.3(E), and the Louisiana unclaimed property database. The requirements are primarily reporting in nature and should not create a material expenditure, unless a separate website or expanded functionality (i.e. searchable database) should be required.

Proposed law requires that the website 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 at additional, indeterminable expense.

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

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