

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 862** HLS 18RS 1287

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 7, 2018	8:26 AM	Author: IVEY
Dept./Agy.: Statewide		Analyst: Alan M. Boxberger
Subject: Establishes Information Technology Infrastructure Fee/Fund		

FEES/LICENSES/PERMITS OR INCREASE SD RV See Note Page 1 of 2
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	2018-19	2019-20	2020-21	2021-22	2022-23	5 -YEAR TOTAL
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>
Annual Total						

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.

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 IMPACT CONTINUED FROM PAGE ONE

Proposed law 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.

Proposed law 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.

Proposed law creates the new Statutorily Dedicated - Information Technology Infrastructure Fund. Monies in the fund shall be appropriated solely for support of projects to enhance or upgrade the state's information technology infrastructure.

Proposed law 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.

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.

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.

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