

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 13** SLS 182ES 6
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 31, 2018	9:35 AM	Author: WARD
Dept./Agy.: Statewide		
Subject: Establishes the Louisiana Checkbook transparency website		Analyst: Alan M. Boxberger

FISCAL CONTROLS RE INCREASE GF EX See Note Page 1 of 2
 Provides relative to reporting of state expenditures through the fiscal transparency website. (Item #32) (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, legislative and judicial branches of government; requires access to certain information related to boards and commissions; provides feature and content requirements; provides for reporting to the JLCB; provides with regard to inclusion of education expenditures and revenues; provides additional reporting requirements for all state contracts with an expected expenditure value in excess of \$5 M; directs all executive, legislative and judicial 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 and implementation of the website on or before 7/1/19; 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	\$0	\$0	\$0	\$0	\$0	\$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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

Proposed law will result in an indeterminable but significant SGF expenditure increase related to the creation and maintenance of a state expenditure transparency website (hereinafter referred to as "website"), modifications to enterprise resource solutions of multiple state agencies and branches of government, and subject to appropriation, will result in an expenditure of approximately \$30.5 M SGF over three fiscal years to fully implement the LaGov statewide enterprise resource planning (ERP) system. The Legislative Auditor will realize additional expenditures related to additional compliance reviews (see next page). The website will provide a searchable expenditure database for all executive, legislative and judicial branch agencies and will include links/interfaces to a number of existing statutorily required reports from a variety of state departments, boards and commissions. NOTE: Expenditures are reported in this note as SGF for simplicity, but proposed law may result in expenditures across multiple means of finance throughout state government.

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. 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. 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 will be required to standardize respective reporting capacities to that of LaGov or migrate to LaGov. This requirement will cause the legislature, judiciary and higher education systems to realize significant but indeterminable costs to update existing ERPs, purchase comparable ERPs, or migrate to LaGov.

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:

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EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

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 the solution selected (migrating to LaGov or upgrading existing systems), these agencies will realize varying but indeterminable implementation costs for each individual enterprise system to be integrated.

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 \$30.5 M over three fiscal years \$8.5 M in FY 19, \$7.6 M in FY 20 and \$14.4 M in FY 21 (some entities, such as higher education, legislature and judiciary are not currently planned and would increase costs accordingly). Full LaGov integration is not required to launch the website, but some functionality and data will be limited due to the source AFS legacy financial system. HB 1 Enrolled as approved by the Louisiana Legislature during the 2018 Regular Session included a supplemental (below-the-line) appropriation of \$30.5 M for this purpose. 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 the website shall include a searchable contracts database. The website shall include access to 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. Proposed law additionally requires that all contracts beginning on or after 7/1/18 and with an expenditure value in excess of \$5 M annually shall include information required as set forth in R.S. 39:51.1(B) for non-governmental organizations. Additional features and upgrades may result in additional one-time programming expenditures.

Proposed law requires 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 efforts and will result in an indeterminable one-time expenditure increase as well as ongoing maintenance expenditures. Proposed law does not specify that this component be searchable. The LFO assumes that if a link to reports is sufficient, programming costs may be mitigated.

Proposed law provides for certain requirements of the La Legislative Auditor (LLA) and state agency internal auditors. 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 reviewing agency compliance with the reporting requirements for approximately 140 state agencies and 60 boards and commissions, as well as potentially reviewing individual contractors, grantees, vendors or other recipients of state funding. The agency reviews are to be conducted periodically and unscheduled, resulting in an indeterminable expenditure increase for the LLA. The LLA estimates that each periodic agency review will average 15 hours 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 reports it is unable to estimate the workload required to review individual recipients of state funding, however these reviews could result in a significant expenditure requirement (assumed to be SGF or equivalent).

Proposed law requires the state retirement systems to include specified information to be made available on the website. These requirements are primarily reporting in nature and should not create a material expenditure unless expanded functionality is 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 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 the website, 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 result in an additional, unknown expenditure increase.

Proposed law requires the state treasurer to provide specified information regarding state and local debt, annual costs of debt service, funding sources, per capita costs, national comparisons, cost of issuance, certain policies, cost of investment of state funds, payments to financial and investment entities, access to a dedicated funds database and reports required by R.S. 49:308.3(E), the unclaimed property database and contracts for financial advisors. These requirements are primarily reporting in nature and should not create a material expenditure, unless a separate website or expanded functionality (searchable databases) should be required.

Proposed law requires access to 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 available, integration should not create a material expenditure unless redesign or upgraded functionality is necessary.

Proposed law requires that the website 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 and other agency websites. Linking these reports and sites to the website should not create a material expenditure, unless the existing sites are to undergo a material redesign.

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