

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 298** HLS 16RS 196
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.: **REVISED**

Date: May 16, 2016 9:13 AM	Author: IVEY
Dept./Agy.: State Treasury	Analyst: Alan M. Boxberger
Subject: Establishes the Louisiana Fiscal Transparency Website	

BUDGETARY PROCEDURES OR INCREASE OF EX See Note Page 1 of 2
 Establishes the Louisiana fiscal transparency website as a source of information for state expenditures

Proposed law requires the state treasurer to establish and maintain a Louisiana fiscal transparency website as a source of information for state expenditures named "Louisiana Checkbook." Proposed law requires state agencies to provide information to the treasurer and further requires that the costs of the website be distributed among state agencies on a pro rata share of their total appropriations in the fiscal year in which costs are incurred; provides for required contents and functionality of the fiscal transparency website; provides for reporting requirements for each expenditure by state agencies; requires the legislative auditor (LLA) to do periodic and unscheduled audits of each state agency for the purpose of determining if the agency is in compliance; provides for penalties to state agencies for negligent omissions from reports to the treasurer; and provides for withholding of 15% of any warrants drawn on the state treasury by the agency for failure to report expenditure information for three consecutive months.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$418,750	\$330,300	\$332,952	\$337,310	\$338,579	\$1,757,891
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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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 result in significant one-time and recurring SGF (and other MOF) expenditures for the Louisiana Department of the Treasury (Treasury), and will create ongoing indeterminable expenditures related to workload adjustments for statewide agencies and the Louisiana Legislative Auditor.

Louisiana Department of Treasury (Treasury) Impact

The Treasury estimates that the implementation cost of "Louisiana Checkbook" would be approximately \$418,750 in the first fiscal year and approximately \$330,300 annually thereafter. Treasury staff would be responsible for security, maintenance, assistance/support and configuration changes along with the potential process of exporting pertinent data to a 3rd party vendor. The Treasury reports that one T.O. position (IT Application Programmer/Analyst) will be required to perform these functions at an annual personal services cost of \$66,300 in FY 17 and FY 18, to be adjusted annually for a presumed 4% merit increase beginning in FY 19. The Treasury acquired a budget proposal from a potential vendor detailing potential establishment and operating costs. The proposal detailed Professional Services costs of \$350,000 in the first year to establish the website and \$264,000 thereafter to maintain and update the site. The initial cost includes a one-time expense of \$86,000 for setup and training in addition to the annual \$264,000 cost for the system, annual software fees, hosting, maintenance and feature updates. The Treasury also estimates equipment acquisitions of \$2,450 in FY 17 and \$1,600 in FY 20. The cost to support these functions would be derived from IAT transfers from state agencies on a pro-rata basis (compared to total appropriation by agency). To the extent that state agencies should be unable to reimburse for any assessed costs, the Treasury would require alternative funding (assumed to be SGF).

The Treasury will also be responsible for monitoring agency reporting compliance and is authorized to and directed to withhold 15% of any warrants drawn by the state agency for failure to report monthly information for three consecutive months until such time as the agency reports the information required.

SEE EXPENDITURE EXPLANATION CONTINUED ON PAGE 2

REVENUE EXPLANATION

The Treasury is directed to collect fees via Interagency Transfer (IAT) on a pro-rata basis (compared to total appropriation) from state agencies to provide for the costs necessary for implementing and maintaining "Louisiana Checkbook." The total assessment is estimated at \$418,750 in FY 17 and approximately \$330,300 annually thereafter. The LLA may realize an indeterminable increase in IAT funds to the extent that penalties are assessed against agencies at \$500 per omission of required reporting information, up to a maximum of \$10,000 per agency per year.

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| Senate <u>Dual Referral Rules</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | House
<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |
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CONTINUED EXPLANATION from page one:

Page 2 of 2

EXPENDITURE EXPLANATION CONTINUED FROM PAGE 1

Louisiana Legislative Auditor (LLA) Impact

LLA will be responsible for auditing agency compliance with the reporting requirements of proposed law. These audits are to be conducted periodically and unscheduled, resulting in an indeterminable increase in expenditures for the LLA. The potential expenditure impact will be dependent upon the LLA's prospective to-be-developed guidelines regarding frequency of audit and the parameters and depth of activities necessary to ensure compliance. The LLA is to report noncompliance to the Treasury and the Joint Legislative Committee on the Budget. The LLA reports that it expects additional activities required by proposed law can be absorbed within its existing staff and resources. To the extent that penalties against agencies for noncompliance (see discussion under State Agency Impact below) are insufficient to cover the expenses of the specified audits, or to the extent that audit activities surrounding proposed law may exceed the LLA's expectation, the LLA may require additional fiscal resources (assumed to be SGF) to provide the required audits.

State Agency Impact

In the event the LLA determines any expenditures were negligently omitted from monthly reporting to the Treasury, a penalty of \$500 per omission (not to exceed \$10,000 annually) must be paid by the offending agency to provide for the costs of audits required by proposed law. This will create an indeterminable expenditure impact for state agencies, potentially across multiple means of finance. For the sake of simplicity, the expenditure table at the top of this fiscal note simply reports INCREASE in the SGF row to reflect these potential expenditures, although the costs may be distributed across all means of finance.

Proposed law requires that the website will include the name, phone number, electronic mail address and physical address of an agency contact associated with each expenditure. This is likely to create a marginal workload increase for state agencies associated with responding to citizen inquiries regarding specific purchases. The volume of such inquiries is unknown and could range from negligible to significant in scope. Any potential expenditure impact is indeterminable.

Proposed law provides that the costs associated with implementation and maintenance of Louisiana Checkbook by the Treasury are to be assigned to state agencies on a pro-rata basis and transferred to the Treasury via IAT. This provision will result in an expenditure increase across all impacted agencies on a pro-rata basis and is likely to impact all eligible means of finance.

Division of Administration (DOA) Alternative

DOA reports proposed law could be implemented by modifications to its existing online portal via a one-time development cost of approximately \$250,000 and recurring expenses of approximately \$5,000 annually thereafter. Proposed law requires the Treasury to publish an updated online database called "Louisiana Checkbook." The state Office of Technology Services currently operates and maintains an online database called "LaTrac", which is available to the public and contains some, but not all, of the functional requirements of proposed law. Proposed law requires the public to be able to view state expenditures by vendor, payment date, expenditure category and amount. LaTrac currently aggregates vendor and payment data in a way that will not allow reporting in the manner required by proposed law. To that end, modifications could be required to LaTrac and certain state agencies would be required to report the full data set (Higher Education for example may not currently include vendor names and other data). DOA points out that a separate data system housed with the Treasury may not pull data from the state's core accounting system, but rather directly from agencies via a to-be-determined media. DOA reports that proposed law may result in a duplication of effort and reporting differences may create two data separate data sources that aggregate information in a different way, which may create confusion among public users.

Senate Dual Referral Rules House

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| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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