

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 1** HLS 181ES 27
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 20, 2018 8:56 AM **Author:** IVEY
Dept./Agy.: Statewide **Analyst:** Alan M. Boxberger
Subject: Establishes the Louisiana Fiscal Transparency Website

BUDGETARY CONTROLS OR INCREASE GF EX See Note Page 1 of 2
 Establishes the Louisiana Fiscal Transparency Website as a source of information for state expenditures (Item #11)

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. Proposed law shall be effective July 1, 2019.

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	\$783,200	\$552,290	\$533,861	\$535,462	\$537,066	\$2,941,879
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	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. The Division of Administration presented an alternative means to convey the required information, included on page 2 of this note.

Louisiana Department of Treasury (Treasury) Impact

The Treasury estimates that the implementation cost of "Louisiana Checkbook" would be approximately \$783,200 in the first fiscal year and approximately \$315,000 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 (Project Manager) will be required to perform these functions at an annual personal services cost of \$77,000 (assume 2% annual growth). The Treasury acquired a proposal from a potential vendor detailing establishment and operating costs. The proposal detailed Professional Services costs of approximately \$703,750 in the first year to establish the website and \$233,750 annually thereafter to maintain and update the site. The initial cost includes a one-time expense of between \$470,000 for setup and training in addition to the annual cost for the system, annual software fees, hosting, maintenance and feature updates. The Treasury also estimates one-time equipment acquisitions of \$2,450 in FY 19. 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.

Louisiana Legislative Auditor (LLA) Impact

The LLA estimates an annual expenditure increase of \$110,000 due to the workload required by proposed law. LLA will be responsible for

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 \$783,200 in FY 18 and approximately \$315,000 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.

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

auditing agency compliance with the reporting requirements of proposed law for approximately 140 state agencies and 60 boards and commissions. 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). Penalties against agencies for noncompliance (see discussion under State Agency Impact below) are not expected to cover the full expenses of the specified audits. 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, the potential costs detailed may be somewhat mitigated.

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. Additionally, the LFO assumes the LLA will recoup added expenditure obligations by increasing pro-rata charges to state agencies. These factors 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 financial transactions. 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) and DOA Alternative

Proposed law requires the Treasury to publish an updated online database called "Louisiana Checkbook." The Office of Technology Services (OTS) reports that in addition to costs enumerated by Treasury above, OTS will be required to develop data interfaces from the LaGov and AFS financial systems to the Treasury at a cost of \$50,000 in FY 19, \$30,000 in FY 20 and \$10,000 annually thereafter for ongoing support and maintenance. This cost would be optional, as proposed law allows agencies to submit data in a form and manner prescribed by the treasurer and may not require a direct interface.

Additionally, DOA reports that to provide the most robust level of detailed expenditure transparency, information should be sourced from the LaGov system instead of the legacy AFS financial system. Currently, only 6 agencies are fully integrated on LaGov. Cost for completion the remaining agencies planned for LaGov integration totals approximately \$29.6 M over three fiscal years (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 at the January 22, 2018, meeting of 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).

Alternative

DOA reports proposed law could be implemented by modifications to its existing online portal at reduced cost and with minimal ongoing maintenance expenditures. OTS 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 reports that proposed law may result in a duplication of effort and reporting differences may create two separate data sources that aggregate information in a different way, which may create confusion among public users.

OTS has been developing enhancements to the existing LaTrac system since the close of last year's legislative session utilizing existing staff and budgetary resources. Expanded expenditure detail will be available for LaGov integrated agencies (such as means of finance utilized for specific expenditures), and additional enhanced capabilities will apply to both LaGov and AFS agencies. Some of the new features will roll out during the upcoming Regular Session of the Louisiana Legislature.

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