

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3487-02  
Bill No.: SB 1082  
Subject: Boards, Committees, Commissions, Councils, Education, State Agencies, Higher Education, Colleges and Universities  
Type: Original  
Date: February 9, 2004

---

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue Fund	(\$533,038)	(\$594,692)	(\$609,459)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$533,038)</b>	<b>(\$594,692)</b>	<b>(\$609,459)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Telecommunications Network Efficiency Account	Unknown	Unknown	Unknown
State Communications Trust Fund	Unknown	Unknown	Unknown
Various Other State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds *</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

\* net impact expected to be minimal.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

**FISCAL ANALYSIS**

## ASSUMPTIONS

Officials from the **Office of the Governor**, the **Missouri House of Representatives**, the **Department of Public Safety, State Water Patrol and State Emergency Management Agency**, and the **Office of Administration, Office of Deputy Commissioner and Administrative Hearing Commission**, assume this proposal would have no impact on their organization.

Officials from the **Department of Health and Human Services** stated they were unable to estimate the impact this proposal would have on their organization.

Officials from the **Missouri Senate**, the **Office of State Courts Administrator**, the **Department of Mental Health**, the **Department of Social Services**, the **Department of Agriculture**, and **Lincoln University** did not respond to our request for information.

Officials from the **Office of the Secretary of State** assume this proposal would create a State Communications Commission. This bill would result in the Office of Administration promulgating rules to implement this legislation. Those rules would be published in the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the Office of Administration could require as many as 12 pages in the Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.  $((12 \times \$27) + (18 \times \$23) = \$738)$

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTIONS (continued)

Officials from the **Office of Administration, Division of Information Services**, (OA/DIS) assume this proposal would transfer agency and university appropriations related to communications to the State Communications Trust Fund. This would then seem to impact the operation of the current Telecommunications Network, and its related Telecommunications Cost Allocation Plan and Revolving Fund moneys. Currently, telecommunications rates are established through the Cost Allocation Plan created by the Division of Information Services. Agencies are charged and billed by OA/DIS. The operation of the State Telecommunications Network would seem to be transferred by this legislation. All communication moneys for public governmental agencies would be deposited into the Communications Trust Fund and overseen by the new Commission. The moneys would be used to provide public entity access to a more consolidated network.

OA/DIS stated it was not possible to determine whether there would be a need for additional capital improvements or rental space, and their estimated costs excluded those potential costs.

OA/DIS has a Revolving Fund core appropriation for operation of the State's Telecommunication Network. It charges agencies back for voice and data network usage based upon an annual Cost Allocation Plan. It is being assumed that these moneys would be transferred to the Division of Network Efficiency along with moneys from other agencies. The attached estimate only includes moneys in the Telecommunications Cost Allocation Plan. It does not include other agency budgets, nor does it include certain network and security costs contained in the State Data Center Cost Allocation Plan required for the State Data Center's separate operation.

This estimate also does not include any expense for moving circuits from the State Data Center. Currently the State Data Center is the termination point for 63 data circuits and a cost would be incurred at \$500 per circuit if the new commission would decide to locate to a new location where data circuits terminate.

OA/DIS provided an estimate of additional cost for network operations as follows:

	FY 2005 (10 months)	FY 2006	FY 2007
Salaries (30.5 FTE)	\$934,560	\$1,149,509	\$1,178,246
Benefits	\$386,908	\$475,897	\$487,794

ASSUMPTIONS (continued)

OA/DIS estimated additional network costs to be rebilled to agencies as follows:

	FY 2005 (10 months)	FY 2006	FY 2007
Network Costs	\$25,706,428	\$31,773, 145	\$32,726,340

OA/DIS estimated the cost of creating a new division as follows:

	FY 2005 (10 months)	FY 2006	FY 2007
Salaries (10 FTE)	\$385,861	\$474,609	\$486,475
Benefits	\$159,746	\$196,488	\$201,401
Expense and equipment	\$107,858	\$44,406	\$45,511

Officials from the **University of Missouri, MOREnet** (MOREnet) assume the proposal would transfer to the newly-created state organization approximately \$6.5 million of current annual appropriations from MOREnet for network connectivity it provides to local elementary and secondary schools and to local public libraries without an accompanying means of providing those services. In addition, MOREnet assumes that federal E-rate funding from the Universal Service charge program would not be available to the state network since it does not provide service to the eligible local government organizations. MOREnet receives this E-rate funding as an agent for the eligible local governments, which are estimated at approximately \$6.2 million per year.

MOREnet assumes there would be additional cost to the state and to local governments due to the loss of educational discounts on equipment purchases, and for content licenses. MOREnet currently purchases statewide licenses for online content services.

ASSUMPTIONS (continued)

Under the provisions in the proposal, MOREnet assumes the local government agencies would be required to file for the E-rate benefits individually. MOREnet assumes the local government agencies would also be required to develop or hire network expertise it currently provides. Finally, MOREnet assumes the local organizations would not be able to negotiate individual service rates as favorable as MOREnet's bulk purchases from telecommunications providers. MOREnet calculated an additional telecommunications cost to the local government agencies of \$4.5 million per year based on the carriers' published tariff rates.

**Oversight** has, for fiscal note purposes only, changed the starting salary for the positions in the new Division of Network Efficiency (OA/DNE) to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the estimated expense and equipment costs for OA/DNE in accordance with state budget guidelines.

Oversight assumes that current state appropriations allocated to MOREnet and to the Office of Administration for information, network, and telecommunications would be transferred to the new organization and used to provide services similar to those currently provided to state agencies and higher education institutions. Oversight also assumes that current OA/DIS services billed to state agencies would be billed by the new organization along with any additional institutions which would be transferred into the system by this proposal.

Oversight assumes the new organization could contract with MOREnet for substantially the same services that MOREnet currently provides to the organizations included in the proposal, and that MOREnet could continue to provide those services and its current services to elementary and secondary schools and to libraries. Such an operating arrangement would make additional OA/DIS staff unnecessary and would appear to eliminate the potential lost revenues and additional cost to the state and local governments included in the OA/DIS and MOREnet estimates. In the event OA/DIS would choose to provide those services currently provided by MOREnet, Oversight assumes there would be significant but unknown additional cost to OA/DIS for staff and expenses but some offsetting savings due to the incorporation of current MOREnet appropriations into the new organization.

ASSUMPTIONS (continued)

Further, Oversight assumes that the cost of telecommunications services purchased by OA.DIS could be more or less than the cost of those services currently purchased by MOREnet. There could also be additional costs for content licenses, but we are not able to estimate the net impact, if any, from that change. Oversight has not shown any additional cost or savings for equipment, telecommunications, or content license costs.

Oversight assumes the new Division of Network Efficiency (OA/DNE) would be an administrative agency funded from the state General Revenue Fund and would not be included in network costs billed to state agencies and higher education institutions. Oversight assumes the revenues and expenditures which this proposal would be redirect into the newly-created Telecommunications Network Efficiency account and State Communications Trust Fund would currently be deposited and expended from various other state funds.

	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>FISCAL IMPACT - State Government</u>			
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Office of Administration -</u>			
OA/DNE			
Personal Service (10 FTE)	(\$334,680)	(\$411,656)	(\$421,948)
Fringe Benefits	(\$138,558)	(\$170,426)	(\$174,686)
Expense and Equipment	<u>(\$59,800)</u>	<u>(\$12,610)</u>	<u>(\$12,825)</u>
Total	<u>(\$533,038)</u>	<u>(\$594,692)</u>	<u>(\$609,459)</u>
<b>ESTIMATED NET EFFECT ON</b>			
<b>GENERAL REVENUE FUND</b>	<b><u>(\$533,038)</u></b>	<b><u>(\$594,692)</u></b>	<b><u>(\$609,459)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>TELECOMMUNICATIONS NETWORK EFFICIENCY ACCOUNT</b>			
<u>Revenues</u> - OA/DNE	Unknown	Unknown	Unknown
<u>Expenditures</u> - OA/DNE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON TELECOMMUNICATIONS NETWORK EFFICIENCY ACCOUNT</b>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>STATE COMMUNICATIONS TRUST FUND</b>			
<u>Revenues</u> - State Communications Commission	Unknown	Unknown	Unknown
<u>Expenditures</u> - State Communications Commission	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON STATE COMMUNICATIONS TRUST FUND</b>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>VARIOUS OTHER STATE FUNDS</b>			
<u>Revenues</u> - State Communications Commission	(Unknown)	(Unknown)	(Unknown)
<u>Revenues</u> - OA/DNE	(Unknown)	(Unknown)	(Unknown)
<u>Expenditures</u> - OA/DNE	Unknown	Unknown	Unknown
<u>Expenditures</u> - State Communications Commission	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON VARIOUS OTHER STATE FUNDS *</b> * net impact expected to be minimal.	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>	<b><u>Unknown to (Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would create a Division of Network Efficiency within the Office of Administration; a Telecommunications Network Efficiency Account and a State Communications Trust Fund within the state treasury; and a State Communications Commission of twelve members appointed by the Governor with the advice and consent of the Senate.

DESCRIPTION (continued)

The Division of Network Efficiency would, prior to FY 2006, conduct an analysis of existing state network capabilities, and determine the most efficient long-term network configuration and network security. A telecommunications network plan would be implemented for FY 2006 to provide telecommunications services for all public governmental bodies. Public governmental bodies would be defined to include state government and any department, division, branch, bureau, board, commission, institute, or office, college, or university of the state of Missouri.

In FY 2006 and thereafter, the Division would provide network access to all public governmental bodies. The Division would periodically evaluate the network plan, and would conduct an annual analysis of network efficiency.

The State Communications Commission would coordinate and implement communication infrastructure for the state, and submit an annual report to the Governor and the General Assembly.

All moneys provided by the federal government or from any other source, for communications initiatives, would be placed into the Communications Trust Fund, and all state communications funds for all public governmental bodies would be appropriated to the fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri House of Representatives  
Office of the Secretary of State  
Office of the Governor  
Office of Administration  
    Office of the Deputy Commissioner  
    Administrative Hearing Commission  
    Division of Information Services  
Department of Health and Senior Services  
Department of Public safety  
    State Emergency Management Agency  
    State Water Patrol  
    Office of the Adjutant General  
University of Missouri  
    MOREnet

NOT RESPONDING

**Missouri Senate**  
**Office of State Courts Administrator**  
**Department of Mental Health**  
**Department of Social Services**  
**Department of Agriculture**  
**Lincoln University**



Mickey Wilson, CPA  
Director  
February 9, 2004