

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 4420-01  
BILL NO.: SB 994  
SUBJECT: Technology; Office of Administration  
TYPE: Original  
DATE: March 6, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$1,898,720) to (Unknown)*	\$0	\$0
Various	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$1,898,720) to (Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Could exceed \$1 million.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
<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 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$1,540,000</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 10 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Information Technology** assume that assisted by a consultant, their agency would coordinate the development of a centralized technology master plan with the Office of Administration and the departments outlined in the proposal. It is assumed the technology master plan would require approximately 2,000 hours, plus reasonable expenses, such as travel and training, to complete. Professional consulting services are estimated at the rate of \$100 per hour (2,000 hours x \$100 = \$200,000), plus \$50,000 in other expenses, for a total of \$250,000 in FY 01. The result of the technology master plan would likely require a substantial appropriation to fund agency-wide implementation.

Officials from the **Office of Administration - Division of Purchasing and Materials Management (DPM)** assume Section 105.1225.2 requires the Office of Administration to “design and implement a purchasing system for supplies, as defined in section 34.010 RSMo, which may be used through OA’s Internet website connection”. The legislation does not indicate what functionality should be included in the “purchasing system”. The DPM currently provides a list of bidding opportunities, official solicitation documents and other procurement information through the Internet. Also, an enhancement to the current Internet website is scheduled to be implemented in March, 2000. This enhancement will provide vendors the opportunity to register on-line, receive email notification of bidding opportunities, submit bid responses on-line and research historical purchasing information. The DPM assumes the current purchasing system with the planned future enhancements will meet the requirements of the pilot project identified in this legislation. Therefore, there is no fiscal impact to implement an on-line purchasing system.

Section 105.1225.1 requires the Office of Administration to give a preference to Missouri-based companies when contracting for information technology consulting services and other services necessary to conduct a study to identify methods of improving the delivery and efficiency of services to the public. In general, preference laws result in reduced competition and increased prices. However, this legislation does not define what the preference should be or how to apply it. Therefore, the DPM would not be able to implement this preference.

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### ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the proposal would result in additional programming costs and one additional FTE in FY 02 and FY 03.

### ADMINISTRATIVE IMPACT

#### DIVISION OF MOTOR VEHICLE AND DRIVER LICENSING

##### Motor Vehicle Bureau

The Motor Vehicle Bureau will require the services of one Clerk Typist II in order to process the information received from the Internet. The FTE requested on this fiscal note is based on the one year pilot only, therefore, .5 FTE is needed for both FY02 and FY03.

##### Information Technology Management Bureau

In order to create Internet programs and modify mainframe systems to accommodate the requirements of this proposal, an estimated \$700,000 in programming costs will be required.

##### State Data Center

The State Data Center Costs are estimated to be **\$200,000** for the MV/DL requirements.

#### DIVISION OF TAXATION AND COLLECTION

##### Customer Assistance Bureau

The filing of taxes on the Internet will increase the phone calls to field offices seeking assistance on completing the Internet filing. The Customer Assistance Bureau will need one Taxpayer Services Representative I in the Tax Assistance Centers for every 4,600 additional calls received annually and one Tax Processing Tech I for every 2,500 calls received in the Telephone Section of the central office. The number of phone calls generated by this proposal is **UNKNOWN**.

##### Business Tax Bureau

The Business Tax Bureau will require one Tax Processing Tech I in order to process the information received through the Internet. The FTE requested on this fiscal note is based on the one year pilot only, therefore, .5 FTE is needed for both FY02 and FY03.

##### Information Technology Bureau

The Information Technology Bureau will be required to modify the division's three mainframe tax systems and create a new system in order to track the 4-year carryover for each taxpayer.

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ASSUMPTION (continued)

An estimated 1,038 hours of contracted programming at a cost of \$31,213 will be required in order to make the necessary modifications to the individual income tax system (MINITS). Another 1,038 hours of contracted programming and a cost of \$31,213 will be necessary to modify the business tax system (COINS). Finally, the sales/use-tax system (MITS) will require substantial program modifications. An estimated 31,140 contracted programming hours at a cost of \$936,380 will be required for these modifications.

Total contracted programming hours = 33,216 hours  
Total programming cost = \$998,806

HIGHWAY RECIPROCITY COMMISSION

The Highway Reciprocity Commission will require substantial programming costs in order to implement the requirements of this proposal. An estimated \$500,000 of programming will be required in order to make renewal transactions available via the Internet.

State Data Center

The State Data Center costs associated with this proposal are estimated to be **\$216,160** for the division of taxation requirements of this proposal.

**Oversight** assumes total programming hours could be extensive, but until formal cost estimates are compiled, has indicated costs as Unknown, but could exceed \$1 million. Also, Oversight assumes the proposal could result in a decrease in workload for DOR clerical staff and therefore, has not included associated costs.

Officials from the **Department of Elementary and Secondary Education (DES)** assume DOR, OA and DED will likely incur some costs associated with complying with the provisions of this bill. All other agencies required to develop a technology master plan will also experience some costs.

Grant program: Program distributions estimate

DES estimates that program distributions on the order \$1,540,000 would be needed to adequately fund the grant program to provide moneys for school districts to purchase computer software designed for the reactive acquisition of vocabulary elements. This amount assumes an average cost for unlimited access software of \$700 per school building multiplied by 2,200 school buildings in Missouri:

$\$700 \text{ average software cost} \times 2,200 \text{ school buildings} = \$1,540,000.$

Note: amount appropriated may differ.

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ASSUMPTION (continued)

Grant program: Administrative costs  
No additional staff are needed.  
There will be an IT cost to this estimated to be \$108,720

Officials from the **Department of Transportation (DHT)** assume this bill requires DHT to develop a Technology master Plan including one Internet pilot project. The DHT currently creates an annual Information Systems capacity planning study and IS business plan. We also have several current projects that may qualify for pilot projects under this bill. Therefore, if OA accepts our current plan and projects, there should be no impact.

However, if DHT is required to create a new Technology Master Plan with another pilot project, we estimate up to an additional \$35,000 for consulting fees and expenses.

Officials from the **Department of Public Safety (DPS)** assume the proposal would require the DPS to develop a technology plan. The DPS assumes they would need to hire a consulting firm for assistance, since they do not have the expertise in-house and the cost is unknown. Also, the DPS is unable to estimate the cost of implementing the pilot project as required by this proposal. It would depend on the type of project.

Officials from the **Department of Agriculture (AGR)** assume that since this is an emerging technology, they would likely outsource the development of the project required by the proposal. Since the project and its scope have yet to be identified, vendor could only provide "rough" cost estimates. In addition, consultants could be utilized for feasibility studies of the proposed project. This may be accomplished by the Office of Information Technology and the costs distributed to the agencies or it could be done on an agency by agency basis.

Officials from the **Coordinating Board for Higher Education (CBH)** the CBH is currently actively engaged in exploring ways of using the Internet to improve service and accessibility to agency information and activities. However, while the requirements of this bill are not a significant departure from current practice, the CBH does not currently have the staff necessary to develop a technology master plan and a specialized pilot project. Rather than hire a permanent FTE the CBH would contract for a technology specialist for one year in order to implement the provisions of this bill. Costs for such a contract are estimated at \$70,000.

Officials from the **Department of Labor and Industrial Relations (DOL)** assume the creation of a master plan would not require any additional staff or additional funds for consultants. However, the DOL would experience an unknown increase in costs to all funds when carrying out the requirement to make all department services Internet accessible. The costs would include

ASSUMPTION (continued)

staff for development and maintenance of Internet sites and services. (The DOL is currently expending \$500,000 to develop an Internet UI Claims site. The cost for the Internet UI Claims site does not include on-going support and maintenance). **Oversight** assumes the proposal would not require the DOL to make all department services Internet accessible and has not included associated costs in the fiscal impact specifications below.

Officials from the **Department of Economic Development (DED)** assume the proposed legislation could have fiscal impact, but such costs can not be predicted without some clarification. For example, the proposal states that the Office of Administration may contract for information technology consulting services and other services deemed necessary to conduct the study, provided that preference shall be given to Missouri-based companies. However, the DED is unable to determine if the contract for services that OA is authorized to execute would include development of a plan for all agencies or if this contract is just to coordinate the plans prepared, submitted, and paid for by each individual agency.

Additional clarification is also necessary for the component of the proposal which would require DED to develop a special project as part of the technology master plan and to develop a program to provide contract consulting services to minority entrepreneurs through the agency's Internet web site connections. The DED is unclear as to what is meant by "contract consulting services". If the proposal is intended to require DED to let a bid to acquire the services of an outside vendor to be available to provide consulting services to minority entrepreneurs, there could be considerable cost involved for the consulting services contract, plus development costs for a separate web site. The cost to establish this web site on a dedicated server could run as much as \$250,000. An "on call" contractor for consulting service could also be quite expensive.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal could have fiscal impact to MDC funds because of considerable redirection of staff time for developing a technology master plan. The extent of fiscal impact is unknown.

Officials from the **Department of Natural Resources (DNR)** assume the proposed legislation requires the department to develop a technology master plan to study methods of improving the delivery and efficiency of services to members of the public. Each technology master plan shall include the description of at least one pilot project which will allow easier access and availability of agency services through the Internet web site connections and other technologies. The plans must be submitted to OA by December 31, 2000.

The department assumes the Information Strategic Plan (ISP) could meet the requirements of this proposal. However, if the technology master plan needs to contain more detail than the ISP

ASSUMPTION (continued)

contains, then the department may need to request additional resources to prepare the plan.

The department has completed one pilot project (One Stop) with a federal grant and is working on another pilot project in the Air Program (MoES) with existing program funding that may meet the requirements of this proposal. However, if it is determined that these projects do not fulfil the intent of the provisions outlined in this bill, the department may need to request additional resources to fund a pilot project as outlined in this proposal.

Officials from the **Department of Mental Health (DMH), Department of Insurance (INS), Department of Social Services (DOS), Department of Health (DOH), Department of Public Safety-Missouri Veterans' Commission (VET), Department of Public Safety-Division of Highway Safety (DHS), Department of Public Safety-Office of the Adjutant General** and the **Department of Public Safety-Division of Liquor Control** assume the proposed legislation would have either no or minimal fiscal impact on their agencies that could be absorbed with existing resources.

**Oversight** assumes the development of a centralized technology master plan by the Office of Administration (COA) would meet the requirements of this proposal and therefore, has included such costs that the COA would incur. Oversight also assumes various departments could incur costs associated with coordination efforts with the COA and the consultant in the development of the statewide centralized technology master plan. Therefore, such costs are reflected as Unknown under the Various State Funds section in the fiscal impact specifications below, and costs submitted for the individual departments associated with development of individual departmental technology master plans have not been included.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

<u>Costs - Office of Administration (COA)</u>			
Expense	(\$250,000)	\$0	\$0

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<b>GENERAL REVENUE FUND</b>			
<u>Costs - Department of Revenue (DOR)</u>			
Expense	(Unknown)*	\$0	\$0

\* Could exceed \$1 million.

<u>Costs - Department of Elementary and Secondary Education (DES)</u>			
Grant Fund Distributions	(\$1,540,000)	\$0	\$0
Expense	(108,720)	0	0
Total <u>Costs</u> - DES	(\$1,648,720)	\$0	\$0

<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>(\$1,898,720) to (Unknown)*</u></b>	<b>\$0</b>	<b>\$0</b>
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\* Could exceed \$1 million.

**VARIOUS STATE FUNDS**

<u>Costs-Tech. Master Plan Development</u>	<b><u>(\$Unknown)</u></b>	<b><u>(\$Unknown)</u></b>	<b><u>(\$Unknown)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>Income-Grant funds to school districts</u>	<b><u>\$1,540,000</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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FISCAL IMPACT - Small Business

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

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### DESCRIPTION

This act allows citizens to register their vehicles, pay taxes, and access various agency services via the Internet.

This act requires the Department of Revenue to establish a system, in counties where personal property taxes are accessible by computer, where citizens can register their vehicles by the Internet. The online license renewal system shall be available by January 1, 2002.

The Department of Revenue must also establish a system to allow citizens to file and pay their state taxes by the Internet. This system must be established by January 1, 2002.

This act requires various agencies to develop a technology master plan to study ways to improve services to the public. The technology master plan shall include at least one pilot project which would make the agency's services available through the Internet. Each agency must submit a copy of its technology master plan to the Office of Administration by December 31, 2000.

This act also requires the Office of Administration to implement a system in which the purchasing of supplies can be accomplished by the Internet. The online purchasing system must be available by January 1, 2002.

This act requires the Department of Elementary and Secondary Education to establish a grant program to provide funds for school districts to purchase computer software designed for the reactive acquisition of vocabulary elements.

This act requires the Department of Economic Development to establish a program to provide contract consulting services to minority entrepreneurs by the Internet. This online program must be available by January 1, 2002.

This legislation is not federally mandated and would not require additional capital improvements or rental space. However, the DED assumes a portion of this proposal could duplicate another program, since the DED administers an Office of Minority Business Development.

This proposal would not affect Total State Revenues.

### SOURCES OF INFORMATION

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Office of Information Technology  
Office of Administration - Division of Purchasing and Materials Management  
Department of Revenue  
Department of Elementary and Secondary Education  
Department of Transportation  
Department of Public Safety  
Department of Agriculture  
Coordinating Board for Higher Education  
Department of Labor and Industrial Relations  
Department of Economic Development  
Missouri Department of Conservation  
Department of Natural Resources  
Department of Mental Health  
Department of Insurance  
Department of Social Services  
Department of Health  
Department of Public Safety-Missouri Veterans' Commission  
Department of Public Safety-Division of Highway Safety  
Department of Public Safety-Office of the Adjutant General  
Department of Public Safety-Division of Liquor Control



Jeanne Jarrett, CPA  
Director  
March 6, 2000