

FISCAL NOTE

Bill #: HB0577

Title: Funding for information technology systems for Department of Justice

Primary Sponsor: Matt McCann

Status: Second Reading, As Amended by House Appropriations Committee

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

2003 Biennium Difference

Expenditures:

State Special Revenue	960,000
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Revenue:

State Special Revenue	967,679
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Net Impact on General Fund Balance: \$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
X		Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce - Board of Investments

1. HB 577 increases the debt levels for the Board of Investments under the Municipal Finance Consolidation Act, and authorizes the Department of Justice to obtain loans from the Board of Investments for the purposes of financing information technology systems for the Motor Vehicle Division and the Gambling Control Division.
2. The Department of Justice would borrow up to \$1.12 million for the acquisition of a video gaming accounting and reporting system and up to \$4.5 million for a motor vehicle title and registration and drivers license records system. These loans would be made under the Board of Investments INTERCAP

program, a program through which the board sells tax-exempt bonds and lends the proceeds to eligible government units. Currently all local governments and the university system are eligible for the program, as well as state agencies that are specifically authorized to borrow in state law.

3. The INTERCAP bond issuance authority is increased by \$5 million in HB 577 to fund the loans.

Department of Justice - Motor Vehicle Division

4. A clearly developed plan with definite timelines and cost projections will be developed as plans are finalized to develop and implement the most cost effective, efficient changes in motor vehicle titling system.
5. A loan of \$4.5 million from the State Board of Investments would finance the motor vehicle titling information technology system. The proceeds of the loan would be expended during the FY 2003 biennium to implement a new, improved motor vehicle titling system. The loan would be repaid from the lien filing revenues distributed to the motor vehicle information technology system account established by section 4 of this bill.
6. Approximately 157,324 liens were filed during FY 2000 generating general fund revenues of \$629,294. This bill provides that the lien filing fee increases from \$4 to \$8 with \$4 of the fee distributed to the general fund and \$4 to the motor vehicle information technology system account effective January 1, 2002. This would generate approximately \$319,366 in FY 2002 and approximately \$648,313 in FY 2003 for a total of approximately \$967,679 during the 2003 biennium. Total special motor vehicle information technology revenues for the 2003 biennium are estimated to be \$967,679. This projection is based on 157,324 lien filings in FY 2000 and projecting the 1.5 percent annual growth continues.
7. As the project planning is developed, contractual commitments would be completed with the State Board of Investments for repayment with the loan repayment schedule to not exceed the revenues of the special motor vehicle information technology revenue account. A temporary repayment schedule indicates that the annual repayment schedule would be between \$600,000 and \$648,000. Based upon this repayment schedule, it is estimated that the repayment expenditures during the 2003 biennium would be approximately \$960,000 (\$640,000 x 1.5 years).
8. Authorization will be added in HB 2 by the Free Conference Committee for the DOJ to repay the indebtedness authorized by this bill.

Department of Justice – Gambling Control Division

9. The Legislature will continue to support the general fund commitment to the Automated Accounting and Reporting System currently appropriated in HB2 (\$380,000 a year).
10. The general fund commitment in the coming biennium will be sufficient to cover payments to system provider required under the contract and payments on the loan.
11. Interest rates charged by the Board of Investments to state agencies will remain favorable.

FISCAL IMPACT:

<u>Expenditures:</u>	<u>Biennium Difference</u>
Operating Expenses (loan repayment)	\$960,000
<u>Funding:</u>	
State Special Revenue (02)	\$960,000
<u>Revenues:</u>	
State Special Revenue (02)	\$967,679

Net Impact to Fund Balance (Revenue minus Expenditure):

State Special Revenue (02)

\$7,679

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Through increased efficiencies, the new motor vehicle system will save counties increased expenses in the future in providing customer services for the public. The impact for the counties cannot be identified until the final motor vehicle system has been developed and implemented.

TECHNICAL NOTES:

1. The revenues to fund the repayment of the motor vehicle title system loan are distributed to the motor vehicle information technology system account as provided in Section 4. However, because a portion of the House Appropriations Committee amendment was mistakenly entered in Section 2, this section indicates that the loans are payable from the Department of Justice's annual appropriation from the general fund. Section 2(2)(b) needs to be amended.
2. The dollar amount for the motor vehicle system is correct in Section 2 (\$4.5 million) and needs to be amended in Section 5, which still states \$20 million as in the introduced version.
3. The effective dates and termination dates in section 3 and section 9 are unclear.

LONG-RANGE IMPACTS:

Motor Vehicle Division

Increased operating expenses following post implementation of the new motor vehicle system will support a more effective, efficient motor vehicle system that will benefit every citizen in Montana and will result in safer roadways. E-government provision of these services will be possible in the future.

Gambling Control Division

The loan will enable the department to implement/install the video gambling machine automated accounting and reporting system in each voluntary location in the next biennium. Without the loan it would take four or five years to install the system in all of the voluntary locations. In addition, and because the system is more popular than was estimated when the system was approved in the 1999 session, the department is also asking for the ability to borrow and to pay for installation of the system in another 300 volunteer locations. There should be no impact on the general fund over the next four years as a result of passage of this bill. However, because the system is being installed in an additional 300 locations, there will be a need to extend the base budget general fund into FY 2006 and FY 2007, although at a reduced amount.

DEDICATION OF REVENUE:

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay?

No.

- b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

The revenue stream is dedicated to retiring the debt borrowed (not to exceed \$20 million) with the Board of Investments. If the revenue stream was allocated to the general fund, the funds may become redirected to other needs of the State.

- c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? ☒ Yes ☐ No

- d) Does the need for this state special revenue provision still exist? ☒ Yes ☐ No

The state special account segregates the revenue stream that is used to retire the debt issued for the Motor Vehicle System.

- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

No. The revenue will be separated in a new account and only used for the purposes in HB577.

- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need?

Yes. The Legislature recognizes the need to revise the current motor vehicle title and registration records and driver's license records system.

- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?

The dedicated provision segregates the revenue stream so that revenues and debt payments can be easily analyzed. If put in the general fund, the risk exists that the revenue stream may be redirected to other needs of the State.