



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0118

Title: Revising administrative requirements for State Fund

Primary Sponsor: Ricci, Vince

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other - Proprietary - MSF	\$1,421,886	(\$482,629)	(\$482,629)	(\$482,629)
Other - Proprietary - DOA	\$687,125	\$916,166	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other - Proprietary - MSF	\$1,421,886	(\$482,629)	(\$482,629)	(\$482,629)
Other - Proprietary - DOA	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: Montana State Fund (MSF) will be exempt from the Montana Information Technology Act (MITA) creating one-time costs to establish services currently provided by the Department of Administration's State Information Technology Services Division (SITSD) and then reduced costs in subsequent years. This has a fiscal impact on the Department of Administration, due to decreases in fees currently charged to MSF for information technology services.

MSF will be exempt from the Montana Procurement Act. MSF's fiscal impact is not expected to be significant though it is unknown what the cost will be after renegotiating contracts that MSF currently shares with the state. This fiscal impact to the Department of Administration will vary, depending on MSF's use of the agency programs.

FISCAL ANALYSIS

Assumptions:

Department of Administration – State Information Technology Services Division

1. Section 2 of the bill exempts the State Compensation Insurance Fund (Montana State Fund) from the central computer and telecommunications network services provided by the State Information and Technology Services (SITSD).
2. If MSF is no longer under the governance of the Montana Information Technology Act (MITA), they will not be allowed to utilize the State network for security reasons.
3. Montana State Fund (MSF) is currently budgeted for approximately \$916,166 annually in the 2023 biennium to procure different services from SITSD. Since this bill is effective October 1, 2021, the amount of revenue reduction for FY 2022 has been prorated for nine months (\$687,125).
4. Because these costs have been already contracted, SITSD would have to absorb these costs, or try to spread the costs to other state agencies if the MSF chooses to not procure services from SITSD. SITSD does not have capacity in their 2023 biennium to absorb these costs. Therefore, if the MSF chooses to withdraw from SITSD during the 2023 biennium, costs will need to be shifted to other agencies and these agencies would not be budgeted for the increased costs. If the MSF withdraws prior to the 2025 biennium, the costs would be allocated to other agencies during the fixed cost development process.

Department of Administration – Procurement

5. State Procurement only handles a small number of solicitations per year for the MSF that are above their delegated authority. There will be no significant impact to the division.

Department of Administration – General Services Division

6. HB 118 would exempt the MSF from the requirement to utilize the Surplus Property program for the disposal of supplies. Although MSF might negotiate different arrangements in the future, there are no immediate plans to discontinue participating in the Surplus Property program.
7. HB 118 would exempt the MSF from the requirement to use the services provided by State Print and Mail. Although MSF might negotiate different arrangements in the future, there are no immediate plans to discontinue participating in the State Print and Mail program.

Montana State Fund

8. MSF's fiscal year is on a calendar year (CY) basis as established in law, 39-71-2375(4), MCA. Therefore, the fiscal note template FY 2022 reflects MSF's CY 2021 starting January 1, 2021 and so on.
9. MSF will be exempt from MITA and the Procurement Act effective October 1, 2021.
10. The exemptions do not preclude MSF from use or participation of the systems and services as of the effective date of the act. MSF may coordinate with Department of Administration regarding services until such time as replacements are procured. Use and participation may be established through mutually agreeable Memorandum of Understanding (MOU) terms or other arrangements.
11. MSF assumes continued use of SABHRS for financial and payroll processing.
12. For CY 2020 MSF expects to pay approximately \$735,500 for SITSD services. For CY 2021 the anticipated service costs, based on SITSD's published service costs, are \$1,030,241. (Note: the numbers in this assumption do not directly correlate to the numbers listed above as the numbers reflected in assumption 3 are based on a July 1 – June 30 fiscal year and the MSF numbers are based on a calendar year fiscal year.)
13. CY 2021 fiscal impact reflects MSF estimated cost to replace SITSD services is \$1,421,886 in the first year and includes:
 - a. \$1,305,330 in one-time only cost for alternative services and licensing
 - b. \$116,556 in first year and on-going personal services expense of 1.00 FTE Systems Administrator II to support Exchange (email) Administrator. The personal services estimate is based on expected position duties, alignment within MSF's pay plans, and includes employee taxes and benefits.

14. CY 2022 – 2024 fiscal impact reflects reduced cost of \$482,629 per year. MSF’s ongoing network support is estimated to be \$547,612 per year which is less than the 2021 budgeted SITSD expense of \$1,030,241.

15. The cost of procurement and contract changes are unknown. However, the cost is not expected to be significant since MSF would follow the procurement guidelines adopted by the MSF Board of Directors.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services - MSF	\$116,556	\$116,556	\$116,556	\$116,556
Operating Expenses - MSF	\$1,305,330	(\$599,185)	(\$599,185)	(\$599,185)
Operating Expenses - SITSD	\$687,125	\$916,166	\$0	\$0
TOTAL Expenditures	\$2,109,011	\$433,537	(\$482,629)	(\$482,629)
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Prop (06) - MSF	\$1,421,886	(\$482,629)	(\$482,629)	(\$482,629)
Other - Prop (06) - SITSD	\$687,125	\$916,166	\$0	\$0
TOTAL Funding of Exp.	\$2,109,011	\$433,537	(\$482,629)	(\$482,629)
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Prop (06) - MSF	\$1,421,886	(\$482,629)	(\$482,629)	(\$482,629)
Other - Prop (06) - SITSD	\$0	\$0	\$0	\$0
TOTAL Revenues	\$1,421,886	(\$482,629)	(\$482,629)	(\$482,629)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other - Prop (06) - MSF	\$0	\$0	\$0	\$0
Other - Prop (06) - SITSD	(\$687,125)	(\$916,166)	\$0	\$0


 Sponsor's Initials

1-14-21
 Date


 Budget Director's Initials

1/12/21
 Date