

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 708

STATE OF NEW JERSEY 214th LEGISLATURE

DATED: MAY 25, 2010

SUMMARY

- Synopsis:** “Transparency in Government Act;” provides for establishment of State public finance website; requires certain public entities receiving State funds to establish similar website.
- Type of Impact:** A recurring expenditure increase to the State General Fund, and certain independent State and local authorities, counties, municipalities, and school districts.
- Agencies Affected:** Department of the Treasury; Office of Information Technology; and counties, municipalities, school districts, independent State and local authorities receiving funds from the State.

Office of Legislative Services Estimate

Fiscal Impact	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>
State Cost	Indeterminate — See comments below		
Local Cost	Indeterminate — See comments below		

- The Office of Legislative Services (OLS) cannot quantify the bill’s cost to the State, which has four components: 1) the one-time capital outlay for the creation of the State public finance website, 2) any recurring cost for the site’s upkeep, 3) the recurring expenses of the Public Finance Transparency Committee, and 4) the one-time capital outlay for the creation of a template of a public finance website for use by counties, municipalities, school districts, and any State and local independent authority or other instrumentality receiving funds from the State.
- The OLS’ inability to generate a cost estimate stems from a lack of the technology expertise necessary to assess the ease of designing a process through which a searchable internet portal could meaningfully tap data stored in the State’s antiquated central accounting and payroll systems. In general, the experiences of other states suggest that the capital cost of developing a fiscal accountability site fluctuates depending on a State’s information technology infrastructure and a site’s intended features.

- The OLS notes that Executive Order #8 of 2010 requires the creation of a website whose content would somewhat overlap the information required to be shown on the website to be designed in accordance with this bill. As the website required by Executive Order #8 is not yet operational, it is unclear to which extent the State could leverage that website or the State's existing transparency website, the NJ Online Checkbook, to create the website required by this legislation.
- The OLS cannot determine the cost to local subdivisions of State government and independent State authorities of establishing transparency websites. Their cost would be comprised of 1) the one-time capital outlay for the creation of a public finance site, which may be mitigated by the availability of a template to be created by the Department of the Treasury, and 2) any recurring cost of the site's upkeep.
- It is not clear to what extent the template the Department of the Treasury is required to produce would assist local subdivisions of State government in building and maintaining their own public finance websites. Governmental entities run a variety of financial management systems, and it is improbable that any template could meaningfully interface with all of them. As a result, some governmental entities are likely to bear the costs related to the establishment of websites. Moreover, regardless of whether a particular entity can use the template, it appears that all governmental entities are responsible for the cost of maintaining their websites in perpetuity.

BILL DESCRIPTION

Senate Bill No. 708 (2R) of 2010 requires the creation of a single, searchable website through which the public can obtain information on State revenues and expenditures, compensation paid to State employees, and the State's bonded indebtedness from fiscal year 2000 onwards. The requirement only covers data available in the State's central accounting and payroll systems.

The bill also establishes the Public Finance Transparency Committee in the Department of the Treasury. Its 13 members do not receive compensation for their service but may be reimbursed for expenses necessary to perform their duties.

Lastly, the bill also requires counties, municipalities, school districts, and any State and local independent authority or other instrumentality receiving funds from the State to create a single, searchable website through which the public can obtain information on those entities' revenues, expenditures and bonded indebtedness. If an acceptable website is not operational within the timeframe specified in the legislation, then the Treasurer may withhold State funding from the concerned entity. The Treasurer is also directed to develop a template for a public entity to use to display financial information on its website.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot quantify the bill's cost to the State, which has four components: 1) the one-time capital outlay for the creation of the State public finance website, 2) any recurring cost for the State site's upkeep, 3) the recurring expenses of the Public Finance Transparency Committee, and 4) the one-time capital outlay for the creation of a template of a public finance website for use by counties, municipalities, school districts, and any State and local independent authority or other instrumentality receiving funds from the State.

The office's inability to generate a cost estimate stems from a lack of the technology expertise necessary to assess the ease of designing a process through which a searchable internet portal could meaningfully tap data stored in the State's antiquated central accounting and payroll systems. In general, the experiences of other states suggest that the capital cost of developing a fiscal accountability site fluctuates depending on a State's information technology infrastructure and a site's intended features.

Furthermore, the OLS notes that Executive Order #8 of 2010 requires the creation of a website whose content would somewhat overlap the information required to be shown on the website to be constructed in accordance with this bill. As the website required by Executive Order #8 is not yet operational, it is unclear to which extent the State could leverage that website or the State's existing transparency website, the NJ Online Checkbook (<http://www.state.nj.us/transparency/>), to create the website required by this legislation.

The OLS cannot determine the cost to local subdivisions of State government and independent State authorities of establishing and operating transparency websites. Their cost would be comprised of 1) the one-time capital outlay for the creation of a public finance site, which may be mitigated by the availability of a template to be created by the Department of the Treasury, and 2) any recurring cost for the site's upkeep.

It is not clear to what extent the template the Department of the Treasury is required to produce would assist local subdivisions of State government and independent State authorities in creating their websites. Governmental entities run a variety of financial management systems, and it is unlikely that any template could meaningfully interface with all of them. As a result, some governmental entities are likely to bear the costs related to the establishment of websites. Moreover, regardless of whether a particular entity can use the template, it appears that all governmental entities are responsible for the cost of maintaining their websites in perpetuity.

Fiscal Accountability Site for the State of New Jersey: The OLS cannot determine the scale of the financial and engineering efforts that a fiscal accountability website would require. It is unclear whether data in the State's dated financial management systems could be easily retrieved by and meaningfully displayed on a comprehensive searchable website. Much of the coding in the State Payroll System, for example, dates from the late 1960s. The State's central accounting system, the New Jersey Comprehensive Financial System, on the other hand, was first fully implemented for fiscal year 1994. The existing transparency website, the NJ Online Checkbook, does not provide a definite answer to the question whether data in the State's financial management systems can be easily retrieved by and meaningfully displayed on a comprehensive searchable website.

Furthermore, the OLS notes that Executive Order #8 of 2010 requires the creation of a website whose content would somewhat overlap the information required to be shown on the website to be constructed in accordance with this bill. As the website required by Executive Order #8 is not yet operational, it is unclear to which extent the State could leverage that website or the State's existing transparency website, the NJ Online Checkbook (<http://www.state.nj.us/transparency/>), to create the website required by this legislation. The

State may create a website from scratch in addition to the website required under Executive Order #8, expand the website required by Executive Order #8 to meet the requirements of this bill, create a new website that interfaces with the website required under Executive Order #8 or just abandon the website required under Executive Order #8 in favor of the website required under this bill. In short, the OLS is not in a position to determine which course the Executive would choose to implement the respective requirements of this legislation and Executive Order #8.

The bill also imposes upon the Department of the Treasury the responsibility for creating a template of a transparency website for use by counties, municipalities, school districts, and any State and local independent authority or other instrumentality receiving funds from the State. The OLS cannot assess the cost of that undertaking, in part because it is unclear with which financial management systems that template would be designed to interface.

Lastly, the OLS expects the cost of the Public Finance Transparency Committee to be minimal. Its 13 members do not receive compensation for their service but may be reimbursed for expenses incurred in performing their duties. The specific cost of the committee will depend on the frequency of its meetings, the costs of travel to Trenton for the eight committee members who are not *ex officio* for purposes of reimbursements, and whether lunch or refreshments will be served at the committee meetings.

Fiscal Accountability Site for Local Subdivisions of the State of New Jersey: The OLS has no information enabling it to estimate the cost to local subdivisions of State government of creating and operating a public finance website. Each entity's cost may vary widely depending on the financial management systems it uses and their ability to interface with a transparency website. While the bill requires the Department of the Treasury to develop a template for local subdivisions of State government to use, it remains to be seen to which extent these entities could actually use the template, considering that the template may be created assuming the use of certain financial management systems that a particular local subdivision of State government may or may not be running. As a result, some governmental entities are likely to bear the costs related to the establishment of websites. Moreover, regardless of whether a particular entity can use the template, it appears that all governmental entities are responsible for the cost of maintaining their websites in perpetuity.

Fiscal Accountability Sites in Other States: The OLS contacted three states that are already operating accountability sites: Missouri, Texas, and Alaska. All of these states constructed their websites for under \$400,000. However, the states have recently made significant investments in information technology, which enabled them to develop their websites relatively inexpensively. Given that the cost of creating such sites hinges on a State's information technology infrastructure and the site's features, the OLS cautions that the three states surveyed may not be representative of the cost of developing an accountability site in New Jersey.

The Missouri Office of Administration runs the "Missouri Accountability Portal", which enables the public to access up-to-the-minute information on state agency expenditures, vendors, the compensation of specific state employees, tax credits issued, and businesses that had their sales tax licenses revoked for failure to remit sales taxes collected or income taxes withheld from the compensation paid to employees. The Missouri Office of Administration indicated that it spent about \$390,000 on the portal's development. This number, however, does not include the value of the hours worked by all State employees and the office notes that because of the terms of the contract with its consultants, it paid about \$40,000 less than other states would likely have to pay for the same work. The office also stressed the importance of having a centralized Enterprise Resource Planning system in place to keep the cost of the project manageable.

The Texas Comptroller of Public Accounts operates the “Where the Money Goes” website, which allows the public to access up-to-the-minute information on state agency expenditures and contractors (but not on compensation paid to individual State employees). The Texas Comptroller of Public Accounts related that it leveraged a larger technology project to develop the website, which limited the capital cost to \$310,000; and that the site’s maintenance cost an estimated \$36,000 per year.

The Alaska Department of Administration manages the “Checkbook Online” website, which allows the public to access information on state agency expenditures and contractors (but not on compensation paid to individual State employees). Information is updated monthly. The department stated that the site cost less than \$5,000 in staff time to develop, largely because of the acquisition of a new data warehouse of expenditure transactions. The department estimated that maintaining the site costs some accountant and webmaster time each month.

Kansas is working on an accountability website similar to the “Missouri Accountability Portal”. It projects spending \$40 million over three years on technology updates that include a new accounting and financial management system, a centralized Enterprise Resource Planning system, and a fiscal accountability website, called “KanView”.

Section: Revenue, Finance and Appropriations

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This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).