

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4751-01  
Bill No.: HB 1432  
Subject: Office of Administration; State Departments  
Type: Original  
Date: February 21, 2018

Bill Summary: This proposal changes the law regarding the Office of Administration and the Missouri data exchange.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	Could exceed (\$28,102,744)	Could exceed (\$15,656,570)	Could exceed (\$15,370,975)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$28,102,744)</b>	<b>Could exceed (\$15,656,570)</b>	<b>Could exceed (\$15,370,975)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Other State Funds	(Greater than \$1,096,672) or (Greater than \$69,096,672)	(Greater than \$565,419) or (Greater than \$68,565,419)	(Greater than \$96,015) or (Greater than \$68,096,015)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Greater than \$1,096,672) or (Greater than \$69,096,672)</b>	<b>(Greater than \$565,419) or (Greater than \$68,565,419)</b>	<b>(Greater than \$96,015) or (Greater than \$68,096,015)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 24 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Federal Funds	\$0 or (\$49,000,000)	(\$538,308) or (\$49,538,308)	\$0 or (\$49,000,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0 or (\$49,000,000)</b>	<b>(\$538,308) or (\$49,538,308)</b>	<b>\$0 or (\$49,000,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
General Revenue	1 FTE	1 FTE	1 FTE
Other State Funds	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD)** assume the following:

#### State Data Center Consolidation

Section 37.110 would require all state-owned data centers to be consolidated to the ITSD data center by October 1, 2019. ITSD would direct and assist in the consolidation efforts.

#### Statewide Video Project

Section 37.1051 would require the Office of Administration to implement a statewide video project in all departments in an effort to reduce state travel costs. This would allow ITSD to expand the current video conferencing footprint in the state. This effort would be funded from current travel costs of the agencies.

#### Replacement of SAM II

Section 37.1052. 1 would require the Commissioner of Administration and the State Treasurer to begin a review process to replace the SAM II. The Commissioner of Administration would be required to release a request for proposal (RFP) before January 1, 2019. It is anticipated that ITSD would assist in the development and evaluation of the RFP and in the implementation of a new system.

#### Information Technology Contract requirements

Section 37.1053 would require the Commissioner of Administration to maintain a contract for the purchase of all computer hardware, software, and services. In addition, the vendor would be required to maintain a physical facility within the state of Missouri to allow for the testing of hardware and software on a computing environment duplicate to the state of Missouri.

#### Big Data Services

Section 37.1054 requires state agencies to utilize big data services to assist state departments in improving business operations and make data-driven decisions.

#### Desktop Computer Rates

Section 37.1055 requires the Commissioner of Administration and the Chief Innovation Officer to determine whether a state employee receives a traditional desktop or a virtual desktop for their work. ITSD would need to develop a rate for desktop computers and perform monthly billings.

ASSUMPTION (continued)

Video Security

Section 37.1056 requires the Commissioner of Administration and the Chief Innovation Officer to develop a statewide enterprise plan related to video security cameras. The plan would be implemented by the Director of Facilities Management.

Negotiations on Request for Proposal (RFP) and Request for Information (RFI) and the acceptance of Alternative Methods

Section 37.1057 allows the Commissioner of Administration to enter into verbal discussion and negotiations with potential bidders during the RFP and RFI process for technology purchases. In addition, the Commissioner may also accept alternative methods to achieve the results and goals of the RFP or RFI that otherwise may have been considered a non-responsive proposal. It is assumed that ITSD would be involved in reviewing alternative methods.

Internet Based Services

Section 37.1058 requires the Commissioner of Administration to utilize products and services that are internet based and provide shared processing resources and data to computers and other devices on demand. There is also a requirement that this be done in the most cost-effective method and assure the security of data. It is assumed that ITSD would be involved in the evaluation of internet based services to determine cost-effectiveness and security of data.

Political Subdivisions Utilizing the State Data Center

Section 37.1059 requires the Commissioner of Administration to establish a program that allows political subdivisions to store or host their data in the state's data center. The political subdivision would be charged for such services. It is assumed that ITSD would be involved in developing and implementing the program to store and host data, in addition to providing monthly billing to local subdivisions.

Chief Innovation Officer

Section 37.1060 would create within the Office of Administration a Chief Innovation Officer. This officer would work closely with the Commissioner of Administration to originate new ideas and recognize innovative ideas generated by other people.

State Data Center Consolidation

Section 37.110. ITSD assumes that all state-owned operating data centers would migrate to the State Data Center (SDC) to use SDC services like co-location, virtual servers, storage, etc. ITSD may need to consolidate some of the department's IT FTE into ITSD. Any savings would be realized by the agencies utilizing SDC services. ITSD is not aware of any state agency currently operating a mainframe outside the SDC.

ASSUMPTION (continued)

ITSD assumes there would be no fiscal impact to ITSD because ITSD would recover additional costs for additional services in the rates charged for services.

Statewide Video Project

Section 37.1051. Below are OA B&P estimates related to section 37.1051

	GR	Federal Funds	Other Funds	Total
5% of Total	\$595,526	\$536,340	\$662,862	\$1,794,728

Personal Service Amounts, Fringe Amounts, At-Least Language

The above figures are minimum-range estimates, as the items (6)-(8) are unknown but will increase the total estimate. In addition, the bill outlines that "at least" five percent of the estimated expenditures are to shift to the Video Project Fund, so the total could be more, as five percent is assumed. B&P will show the total estimated costs as a minimum, at least, amount.

ITSD estimates that it will take at least one FTE to support the expanded video conferencing footprint in the state. It is anticipated 1.0 FTE position of Information Tech Spec II would be hired and the remaining funds would be spent on hardware, software and implementation costs along with support cost for the FTE position. It is also assumed that video conferencing would include the capability to video conference from desktops and mobile devices and not solely from static locations. Expenditures would be funded from the Statewide Video Purchase Fund that would be created by this proposed legislation.

Replacement of SAM II

Section 37.1052. 1. It is assumed that ITSD, along with other agency staff will be involved in the development of the RFP. It is assumed that staffing costs can be absorbed, unless the time to develop the RFP takes longer than expected. It is assumed that a software as a service (SaaS) would be the preferred method of acquisition and cost would be spread over 10 years. Depending on the SaaS solution selected, annual cost could range from \$12 million to \$20 million. The subscription costs are ongoing into perpetuity.

Information Technology Contract requirements

Section 37.1053. It is assumed that ITSD, along with other agency staff will be involved in the development of the RFP. It is assumed that staffing cost can be absorbed, unless the time to develop the RFP takes longer than expected.

ASSUMPTION (continued)

Big Data Services

Section 37.1054 ITSD currently utilizes some big data services when it is deemed appropriate. The term "Big data services" is not statutorily defined and it is unclear what services would be covered, so cost are unknown at this time.

Desktop Computer Rates

Section 37.1055. It is assumed that ITSD would develop a rate to replace devices and to perform Tier II support. ITSD assumes that "traditional desktop computer" would include desktops, laptops, tablets, monitors and required asset tagging. ITSD assumes we would replace on average the following number of devices per year:

1,642 Personal Computers (\$711 each)  
1,308 Laptops (\$956 each)  
250 Tablets (\$1,827 each)  
3,200 Total Devices

**Note:** Replacing 3,200 devices a year puts ITSD's replacement schedule at over 8 years. If the replacement schedule were at the industry standard of 5 years, an additional 2,400 devices would need to be purchased annually. This would result in expenditures of \$1.7 million for personal computers (2,400 \* \$711) and approximately \$1.7 million for up to 24 FTE to manage the additional purchases.

Currently ITSD provides end user support from direct charges from various appropriations in ITSD budget. This includes personal service and expense and equipment costs. The cost for fringe benefits is not in the ITSD budget. It is assumed that when a rate is developed that these costs will be initially paid from the Missouri Revolving Information Technology Trust Fund and reimbursed from monthly billings as a computer service cost. This will require that current appropriations for personal services, fringe benefits, and expense and equipment be transferred to a computer services expense to pay the desktop support monthly billings. In addition, appropriation for personal services, fringe benefits, and expense and equipment must be made to the Missouri Revolving Information Technology Trust Fund to pay for the original expenses. This would operate in the same fashion as the current cost allocation plans of the State Data Center and Networks and Telecommunications, where expenses are paid first and reimbursed after a monthly billing. This would require an initial injection of \$848,936 to provide cash flow for 60 days of operations until such time the Missouri Revolving Information Technology Trust Fund builds up adequate fund balance. Since the majority of desktop support costs are in ITSD's budget, it is assumed that most of the monthly billings would be paid by ITSD.

ASSUMPTION (continued)

Video Security

Section 37.1056. ITSD assumes that the Division of Facilities Management, Design and Construction will develop the estimated fiscal impact of this section.

Negotiations on RFP and RFI and the acceptance of Alternative Methods

Section 37.1057. It is assumed that ITSD staff would be needed to assess if alternative methods are responsive to a RFP or RFI. It is assumed that staffing cost can be absorbed, unless the number and time to review alternative methods takes longer than expected.

Internet Based Services

Section 37.1058. ITSD currently utilizes internet based services when it is deemed cost-effective and that the data is secured based upon current data classification standards.

Political Subdivisions Utilizing the State Data Center

Section 37.1059. It is unknown as to how many political subdivisions would choose to use state's data center services. Political subdivision would be charged for such services. It is assumed that ITSD would be involved in developing the program to store and host data in addition to providing monthly billing to local subdivisions. These costs are currently unknown, and would be recovered via monthly billings similar to what is already in place for cost allocation plans. Additional appropriation authority would be required to accommodate these costs.

Chief Innovation Officer

Section 37.1060. It is assume ITSD would need to provide computer equipment and support for the Chief Innovation Officer.

In summary, OA-ITSD assumes a range of cost of \$982,744 -\$989,490 in FY 2019, \$12,458,479 - \$20,466,571 in FY 2021 and \$12,767,529 - \$20,775,613 in FY 2021 to provide for the implementation of the changes in this proposal. OA-ITSD also assumes a savings to Various state funds of \$3,328 in FY 2019, \$3,989 in FY 2020 and \$3,985 in FY 2021.

Officials from the **Office of Administration - Budget and Planning (B&P)** is providing a statewide response for provisions in Section 37.1051 of the bill related to state agency travel, PS, and Fringe Benefit expenditures. B&P defers to OA for specific statewide impacts on all other provisions of the bill.

ASSUMPTION (continued)

Section 37.1051 requires OA to implement a statewide Video Project funded with existing department travel budgets using Fiscal Year 2018 figures. It is unclear whether this section applies to all agencies, statewide or just those in the Executive Branch - there is no definition for the word "department". Since Section 37.110 consolidates data functions for all executive, legislative, and judicial branch agencies, B&P assumes Section 37.1051 is statewide in its scope.

Since FY 2018 expenditures continue through June 30, 2018, they cannot be used for this estimate. Therefore, we use the appropriated amounts for FY 2018 in our assumptions. The bill defines travel expenditures to include 8 items (found in subsection 1, subdivisions (1)-(8):

- B&P's estimate (table below) includes items in subdivisions (1) through (4).
- Subdivision (5), location rentals, is estimated in the table below; however, the estimate includes a broader array of expenditures than just meeting room space.
- Subdivision (6) and (7) items are related to Personal Service and Fringe Benefit expenditures; B&P could find no way to extract this information out of the statewide accounting or budgeting system. The expenditures related to (6) and (7) could be significant but are unknown and are not included in the estimates below. To include (6) and (7) related expenditures redirects current funding from employee salaries; employees will continue to be employed after the funding is transferred, creating a core reduction and potential funding shortfall in the appropriations for staff salaries.
- Subdivision (7), Statewide fringe benefits, funded through House Bill 5, are calculated on statewide personal service costs. Transferring funds out of this appropriation to fund future EE expenditures will negatively impact the calculation and create a potential funding shortfall for state employee health care and retirement benefits.
- Subdivision (8) - B&P has no way to estimate other direct or indirect costs related to holding meetings in person.

**Estimate for Fiscal Year 2018 Appropriated Amounts**

*In-State Travel & Out-of-State Travel Budget Object Codes (subsection 1, subdivisions 1-4)*

	GR	Federal Funds	Other Funds	Total
Statewide Total	\$11,910,517	\$10,726,806	\$13,257,239	\$35,894,562

*Sub-total - Assumption - 5% of estimated travel expenditures*

	GR	Federal Funds	Other Funds	Total
5% of Total	\$595,526	\$536,340	\$662,862	\$1,794,728



ASSUMPTION (continued)

**Estimate for Fiscal Year 2017 Expended Amounts  
 Object Code 2910 - Meeting Room / Exhibit Space Rentals**

*Note - this object code also includes other expenditures including conferences, workshops, recruitment booths, show exhibits, etc. Meeting room rental expenditures cannot be extrapolated from the larger number; therefore, B&P assumes 25% of these expenditures may go to meeting room rentals.*

	GR	Federal Funds	Other Funds	Total
Statewide Total	\$16,734	\$39,361	\$130,928	\$187,023

*Sub-total - Assumption - 5% of estimated travel expenditures*

	GR	Federal Funds	Other Funds	Total
5% of Total	\$837	\$1,968	\$6,546	\$9,351

**TOTAL E&E ESTIMATE**

	GR	Federal Funds	Other Funds	Total
5% of Total	\$596,363	\$538,308	\$669,408	\$1,804,079

**Personal Service Amounts, Fringe Amounts, At-Least Language**

The above figures are minimum-range estimates, as the items (6)-(8) are unknown but will increase the total estimate. In addition, the bill outlines that "at least" five percent of the estimated expenditures are to shift to the Video Project Fund, so the total could be more, as five percent is assumed. B&P will show the total estimated costs as a minimum, at least, amount.

**Oversight** will reflect a one time cost in FY 2020 to the General Revenue Fund, Federal Funds and Other Funds using OA - B&P estimates listed above.

ASSUMPTION (continued)

Officials from the **Office of Administration - Facilities Management Design and Construction (FMDC)** assumes section 37.1056 would require the Commissioner of Administration and the "Chief Innovation Officer" to develop a statewide plan for the "installation, usage and support" of video security cameras in state facilities, and would require FMDC to utilize such plan. It is unclear whether this is intended to require a video security system in all state facilities or only those deemed necessary by the Commissioner and the CIO. Without knowing what type of video security equipment that would be required or the number of state facilities where video security equipment would be installed, FMDC is unable to accurately calculate the fiscal impact of this bill.

The Capitol Improvement budget request for FY19 currently includes a project to upgrade the video security cameras/equipment at the Capitol Complex, which is estimated to cost \$1,420,000. This includes new hardware, software and fiber infrastructure for video cameras in approximately eight facilities in the Capitol Complex. Based on this, FMDC estimates that the cost to install security cameras per building would be \$177,500. The cost to install cameras in other facilities could potentially be higher, however, depending upon the construction of a facility, the number and type of cameras and fiber needed for a particular facility. Some facilities may require more or less cameras and fiber infrastructure due to the nature of the services provided or the layout of the building.

This bill would also result in increased costs to maintain the security cameras installed pursuant to the plan developed by the Commissioner and the CIO. FMDC currently has a contract to provide maintenance and parts for systems at six buildings in the Capitol Complex and the Governor's Mansion. The cost of this contract is currently \$2,555 per month.

In order to be successful, the effort to install video security cameras in state facilities must be a collaboration between the Commissioner, the CIO, FMDC and the Department of Public Safety/Capitol Police. This currently does not take into account the role of FMDC and the Department of Public Safety/Capitol Police in this process.

**Oversight** will reflect a one time cost of greater than \$1,450,660 ( $\$1,420,000 + \$30,660$  ( $\$2,555 \times 12$ )) in FY 2019 for installation of new security cameras and equipment and a cost of \$30,660 in FY 2020 and FY 2021 for maintenance to the General Revenue Fund.

Officials from the **Department of Public Safety - Missouri Highway Patrol (MSHP)** state that there is a substantial amount of ambiguity in the language of this bill that makes it difficult to quantify the costs (both financial and operational) that the passage of the bill would incur upon the Patrol. Four primary factors impact this cost substantially.

ASSUMPTION (continued)

1. Is the intent of the bill to only consolidate hardware and software in the MSHP data center or would this extend to IT operations and personnel?
2. In its current configuration, there is no path to physically move the data center in the timeline proposed while maintaining 99.9% uptime and regulatory compliance requiring physical or logical segmentation of MSHP infrastructure.
3. The MSHP has an aggressive plan to leverage commercial and dedicated government cloud service offerings. This plan will likely drop data center operational costs well below what could be achieved through the data center consolidation efforts. Under the terms of this bill, will the MSHP reserve the authority and latitude to continue with such plans even if "on-premises" operations have moved to the state data center?
4. While some costs savings may be realized, the cost associated with the MSHP providing adequate cybersecurity and required compliance efforts will rise exponentially as any, and all security and compliance efforts will be indirect rather than integrated the way they are today with IT operations.

Below are cost estimates, both initial and on-going to the MSHP in the event of consolidation. This is based on our interpretation of the answers to the questions posed above and does not factor in some intangibles to include the effect on our law enforcement partners and MSHP operations.

In its current configuration, data center consolidation would require some infrastructure moves that would most certainly result in significant downtime which is unacceptable in a mission-critical infrastructure scenario. The costs below are estimated to build a fully redundant stack supporting mission critical application only within the state data center to allow for a "hot" fail-over to maintain the desired up-time. The second two \$500,000 line items are related to the costs associated with construction, policy (both operational and logical), audits and vetting that would be required to certify the state data center as compliant with applicable state and federal law and regulatory cybersecurity requirements.

The Patrol has also included on-going annual costs likely to incur through charge-backs for consuming our own services from OA-ITSD. Without an exact cost estimate from OA, this is difficult to estimate. However, previous consolidation efforts have shown that these charge-backs are the model for consuming services from state IT. The second ongoing costs are for the MSHP to ensure continuous compliance by OA-ITSD with applicable state and federal cybersecurity and privacy requirements as they relate to criminal justice data and for the MSHP to maintain adequate cybersecurity and network segmentations protections of its data in a multi-tenant environment.

ASSUMPTION (continued)

One-Time Estimated Costs to implement Sections 37.110 through 37.1060

Redundant Server Infrastructure for Mission Critical Applications	\$ 2,000,000
Redundant Network Infrastructure for Mission Critical Applications	\$ 2,500,000.
Compliance/Information Assurance Costs to maintain regulatory compliance	\$ 500,000
Misc. costs associated with infrastructure segmentation	<u>\$ 500,000</u>
<b>Total</b>	<b>\$ 5,500,000</b>

On-Going Annual Costs To MSHP

OA ITSD Charge Backs	\$ 10,000,000
Compliance and Information Security Efforts	\$ 2,500,000
<b>Total</b>	<b>\$ 12,500,000</b>

**Oversight** will not reflect the \$10,000,000 expense MHP projected as OA ITSD charge backs as either an MHP expense or a ITSD transfer in.

Officials from the **Office of the State Courts Administrator (OSCA)** assume the proposed legislation changes the laws regarding the Office of Administration and the Missouri data exchange.

Statute 37.110

Article II, section I of the Missouri Constitution provides for the separation of powers between the legislative, executive and judicial branches of government. Article V, section 1 of the Missouri Constitution vests power over the judicial branch with the Missouri Supreme Court, and Article V, section 4 places the power of administration of the courts with the Supreme Court. Accordingly, this fiscal note response is provided without acknowledgment that the provisions of this bill would apply to the judiciary.

The definition of judicial data center we assume is as follows:

Any designated location within a circuit court, appellate court, juvenile office, the Supreme Court, Office of State Courts Administrator, Missouri Board of Law Examiners, Office of Chief Disciplinary Counsel, Fine Collection Center, Commission on Retirement Removal and Discipline, or a location that is contracted by the judiciary, which house servers that support judicial operations.

ASSUMPTION (continued)

To be in compliance with Court Operating Rule 1, all judicial computer equipment shall be handled on computer equipment managed and controlled by the courts and the Office of State Courts Administrator. Therefore, we assume any judicial computer equipment will be maintained independently from all other computer equipment located at the state data center.

The judiciary utilizes database technology to support the specific needs of the judiciary's case management system. Currently, these technologies are not available at the state data center and, therefore, would require implementation prior to relocating application services.

OSCA assumes the proposal will transfer all equipment to the state data center in such a way that the courts do not experience outages that affect their ability to conduct work. OSCA also assume all judicial equipment will be maintained independently from all other equipment at the state data center. In order to accomplish this, installation of all equipment, all databases and services are necessary before disconnecting existing court resources. OSCA assumes the state data center will handle expenses and proper installation for physical security, fire suppression, generator, battery backup, and space expansion when necessary.

The estimate below includes funding requirements to relocate all judicial data centers throughout the state e.g. data center located in Jefferson City, our primary data center located in Marshfield, Missouri, judicial data centers located at appellate courts and judicial data centers located at circuit courts. Please note we did not include any estimates to relocate data centers operated by municipal courts. We also assume our current staff will continue to support existing operations and not be assigned to conduct relocation activities. In order to move the Judiciary Data Center to the state data center we will need to purchase new equipment and copy the data to new servers in order to reduce downtime to an absolute minimum rather than physically moving legacy equipment.

ASSUMPTION (continued)

The estimated costs are based on list prices quoted from vendors and/or staff estimates

Network Charges for increased bandwidth to courts (ongoing)	\$ 171,300
Network Equipment/Configuration	\$ 1,389,774
Exadata Hardware and Software/Oracle database	\$ 3,605,672
Servers	\$ 8,910,208
Relocation Consulting Services (Two consultants @ \$1,000/day for 40 days)	\$ 80,000
Applications modifications	\$ 270,000
Subtotal	\$14,426,954
County IT Staff (40 FTE @ \$50,820)	\$ 2,032,800
Fringe Benefits	\$ 1,057,158
<b>Total</b>	<b>\$17,516,912</b>

There will be an unknown reduction in utility bills for the judiciary due to the move which should help offset the cost increase for the Office of Administration. Also, there would be a reduction for leased space for the judicial data center located in Marshfield, approximately \$50,000 annually that may or may not offset the cost that OA Information Technology may charge the judiciary for housing the data center.

Statute 488.5320.2

This section of the statute is removed and will now include St. Louis County and St. Louis City in charging for services rendered. In FY 2016 there were 3,406 guilty pleas in St. Louis County and 55 guilty pleas in St. Louis City, resulting a total of \$34,610 (3,406 x \$10 = \$34,060 and 55 x \$10 = \$550). In FY 2015 there were 4,078 guilty pleas in St. Louis County and 8 guilty pleas in St. Louis City, resulting in a total of \$40,860 (4,078 x \$10 = \$40,780 and 8 x \$10 = \$80). The average for the two years is \$37,735.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume this bill adds a new section 37.1054 which would require all state agencies to transfer data to a vendor that would house the data so that it may be shared by other state agencies. If a state agency determines that its data may be subject to data mining, the state agency shall redact the data. After such a decision by the state Unemployment Compensation (UC) agency, the Commissioner of Administration or the Attorney General may review this decision and, taking "the broadest view possible" in favor of data sharing, may overrule a state agency decision.

ASSUMPTION (continued)

Review of this bill by the United States Department of Labor (USDOL) has identified an issue that will affect certification of Missouri's unemployment insurance (UI) program.

Section 303(a)(1) of the Social Security Act requires states to have, "...such methods of administration... that are reasonably calculated to ensure the full payment of UC when due." The USDOL has long interpreted this section to mean that states must keep confidential any UC information which reveals the name or any identifying data about any individual or any past or present employer, or employing unit. (See 20 CFR Part 603, as published at 71 Fed. Reg. 56830 (September 27, 2006).)

Section 603.4(b) of the regulation specifies, "...that 'methods of administration' ... must include provision for maintaining the confidentiality of any UC information which reveals the name or any identifying particular about any individual or any past or present employer or employing unit, or which could foreseeably be combined with other publicly available information to reveal any such particulars, and must include provision for barring the disclosure of any such information..." Section 603.4© requires that, "Each State law must contain provisions that are interpreted and applied consistently with the interpretation in paragraph (b) of this section and with this subpart, and must provide penalties for any disclosure of confidential UC information that is inconsistent with any provision of this subpart." Except as authorized in Federal UC law or regulation, UC information must be kept confidential by state UC agencies, and may not be disclosed to others.

Section 603.5(e) does permit disclosure of confidential information to another state agency for performance of official duties. Section 603.5(e)(1) defines performance of official duties to mean, "...administration or enforcement of law or the execution of the official responsibilities of a Federal, State, or local elected official. Administration of law includes research related to the law administered by the public official. Execution of official responsibilities does not include solicitation of contributions or expenditures to or on behalf of a candidate for public or political office or a political party." The department notes, however, for any disclosure that all applicable requirements set forth in 20 CFR Part 603 regarding safeguards (See 603.9), agreements (See 603.10), and reimbursement for costs (See 603.10) must be met.

This bill would allow access to confidential UC information by other state agencies, and does not limit such disclosure to state agencies for a specific purpose authorized by Federal law or regulation. Further, to the extent that the Commissioner of Administration or the Attorney General may override the confidentiality provisions in Missouri's UC law regarding the confidentiality of UC information, Missouri's UC law would not be in conformity with Section 303(a)(1), SSA.

ASSUMPTION (continued)

Non-conformity with federal law jeopardizes the certification of Missouri's UI program. If the program fails to be certified, Missouri would lose approximately \$37 million in federal funds the state receives each year to administer the UI program. Additionally, Missouri would lose the approximately \$12 million in federal funds each year the Department of Economic Development, Division of Workforce Development uses for Wagner-Peyser reemployment services.

The Federal Unemployment Tax Act (FUTA) imposes a 6.0% percent payroll tax on employers. Most employers never actually pay the total 6.0% percent because they receive credits for the payment of state unemployment taxes and for paying reduced rates under an approved experience-rating plan. FUTA allows employers tax credits up to a maximum of 5.4% percent if the state UI law is approved by the Secretary of Labor. However, if this bill causes Missouri's program to be out of compliance or out of conformity, Missouri employers would pay the full 6.0% percent, or an estimated additional \$990 million per year.

**Oversight** will range the fiscal impact from \$0 (this legislation does not put Missouri out of compliance or out of conformity) to a loss of \$49,000,000 (12 million + 37 million above) (this legislation puts Missouri out of compliance or out of conformity).

Officials from the **Missouri Lottery Commission (LOT)** states that this bill requires all state-owned executive department data centers to become consolidated to the information technology services division state data center by October 1, 2019. The Missouri Lottery is required contractually to have separate IT systems that are independent from other networks to protect the integrity of national lottery games. Our multi-state agreements preclude us from giving access to our network to anyone other than identified Missouri Lottery employees. In the event of an imbalance in data between our vendor and our independent Internal Control System (ICS) on Draw Nights we are obligated to implement certain steps that could not be completed by OA personnel in a consolidated environment. The Lottery also conducts draws for our in-state games with unique processes and procedures that from an auditing perspective could not be completed by OA. Consolidation of Missouri Lottery's IT system under this legislation may exclude us from selling Powerball, Mega Millions, and Lucky for Life.

LOT assumes that although it is possible the consolidated environment may be adaptable to meet MUSL requirements, it is equally possible that it will not and the state could lose \$68 million per year in funding to education. Actual FY 16 profitability figures were used in arriving at the state fiscal impact. Annual amounts will vary based on sales. Actual FY 15 and FY 14 profitability figures were slightly lower at \$47 million and \$56 million, respectively. Actual FY 14 figures approximate a 3-year average.



ASSUMPTION (continued)

**Oversight** will range the fiscal impact from \$0 (the consolidation does not put the Missouri Lottery out of compliance to a loss of \$68,000,000 (the consolidation does put the Missouri Lottery out of compliance).

Officials from the **Missouri Gaming Commission (MGC)** state that the MGC is unique in the fact MGC regulates a 24 hour- a- day, 7 day- a- week industry. The casino industry, unlike the State of Missouri, has more resources to advance technology. It is part of our regulatory function to stay equal to, if not ahead of casino IT developments. The State of Missouri receives roughly 90% of its casino revenue from slot machines, or electronic gaming devices. In this area alone, come major developments in technology at rapid speed. The Missouri Gaming Commission secures the Missouri riverboat gaming casino industry's proprietary information and keeps it separated. This proprietary information is worth billions of competitive dollars. It is imperative we can maintain these systems and have up-to-the second IT support available to accommodate casino's advancing technology, not only for regulation but for revenues.

As part of our regulatory function the MGC provides 24/7 IT support to the Missouri State Highway Patrol on each riverboat gaming casino. In addition to confidential criminal data, we have confidential data from criminal investigations, and background and licensing investigations done by Missouri Gaming Commission background and financial investigators which must remain closed due to both proprietary and criminal concerns under 313.847. Our systems and the privacy thereof are regulated by the Federal Bureau of Investigation's Criminal Justice Information System or CJIS policy.

Changing technology has made our job both simpler and more complex at the same time. We maintain a confidential list of over 16,000 persons who believe they are problem gamblers. It is called the DAP list or Disassociated Persons List. This program is important, and is one of the reasons riverboat gambling came to fruition in Missouri. We mandate each casino download this list weekly and we discipline casinos regularly for violations regarding an inaccurate list, which enables problem gamblers to go unnoticed on casino gaming floors. There is an expectation of privacy by each of these 16,000 persons. Our expectation is they will be caught by agents on board of each of the State's riverboat casinos with an accurate list. The IT processes and programming of this list are a chief concern.

Finally, our function of monitoring collections of both AGR taxes and admission fees by the casinos are critical. We maintain and utilize daily our own accounting systems. Our tax audit group and compliance staff depends on this system for updated figures which we audit against. We reconcile bank transfers with this system. It is not uncommon to access these numbers at odd times of the day and night. We mete out discipline to the riverboat casinos for incorrect

ASSUMPTION (continued)

admissions numbers, which in-turn directly correspond to tax revenues for both the home dock cities and worthy causes such as Veterans, the Missouri National Guard, etc. Our dependency on accurate data at any and all times of the day is crucial.

Finally, and most importantly, we are concerned this legislation would place the Missouri Gaming Commission out of compliance with the Federal Bureau of Investigation and other criminal databases such as CJIS.

The estimated cost for implementing this legislation will be \$1,000,000 for the Missouri Gaming Commission. This cost would include purchasing servers, networking equipment, storage and duplication of network connections. The Missouri Gaming Commission estimates that the Office of Administration will have a cost associated with the consolidation as well that may be reallocated back to our agency.

The Missouri Gaming Commission defers comments on travel costs to OA.

Officials from the **Missouri Department of Conservation (MDC)** assume an unknown negative fiscal impact to the MDC but significantly greater than \$100,000 based upon the cost of the Department's data center components, video conferencing investments, fees to be paid for travel savings and virtual desktop costs.

Officials from the **State Auditor's Office (SAO)** currently consolidates its IT as much as feasible and as much as permitted under government auditing standards. Any further consolidation imposed by this proposal will not create any savings for the office, and the cost of such consolidation is unknown at this time. Should this proposal be adopted, government auditing standards would still require the SAO to maintain independence for certain IT functions.

Officials from the **Department of Transportation** assume an unknown negative fiscal impact to their organization.

Officials from the **Attorney General's Office (AGO)** assumes section 37.1050 would result in the reduction of the AGO travel budget by 5 percent or \$31,814.45. AGO may request an increase of this amount.

Officials from the **Department of Natural Resources** assumes the office of administration will request funding for the creation of the CIO within OA and defers to OA.

ASSUMPTION (continued)

Officials from the **State Tax Commission, Office of Prosecution Services, Joint Committee on Administrative Rules, Missouri Consolidated Health Care Plan, Department of Revenue, Office of the Secretary of State, Office of the Governor, Missouri Senate, Missouri State Employee's Retirement System, Office of Administration (Administrative Hearing Commission, Division of Purchasing and Division of Accounting), Office of the State Treasurer, Department of Public Safety (Missouri Division of Alcohol and Tobacco Control and Capitol Police), Missouri Ethics Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Elementary and Secondary Education, Department of Agriculture, Department of Insurance, Financial Institutions and Professional Registration, Department of Public Safety (Division of Fire Safety, Directors Office, Missouri Veterans Commission) Department of Economic Development, Department of Higher Education, Department of Corrections, Department of Health and Senior Services, Department of Mental Health and Department of Social Services** each defer to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Savings - OA-ITSD</u>	\$3,328	\$3,989	\$3,985
<u>Savings OA - ITSD</u>			
Personal Service (-10 FTE nets)	\$379,067	\$459,429	\$464,023
Fringe Benefits	\$202,483	\$244,330	\$245,695
Desktop Equipment	\$769,033	\$945,911	\$969,559
Loss of Desktop Support	<u>(\$1,346,887)</u>	<u>(\$1,645,238)</u>	<u>(\$1,674,848)</u>
Total Savings OA - ITSD	\$3,696	\$4,432	\$4,429
<u>Cost - OA - ITSD</u>			
Personal Service (1 FTE CIO)	(\$95,833)	(\$116,150)	(\$117,312)
Fringe Benefits	(\$37,453)	(\$45,284)	(\$45,630)
Equipment	(\$3,014)	\$0	\$0
Expense	(\$84,120)	(\$1,477)	(\$1,517)
2 months of cash flow	(\$848,936)	\$0	\$0
Replacement of SAM II	\$0	<u>(\$12,300,000)</u>	<u>(\$12,607,500)</u>
Total Costs - ITSD	(\$1,069,356)	(\$12,462,911)	(\$12,771,959)
Costs - B&P	\$0	(\$596,363)	\$0
Costs - FMDC	(Greater than \$1,450,000)	(\$30,600)	(\$30,660)
Costs - OSCA p. 14	(\$17,516,912)	\$0	\$0
Cost - MHP p. 12	<u>(\$8,073,500)</u>	<u>(\$2,575,117)</u>	<u>(\$2,576,770)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>Could exceed (\$28,102,744)</u></b>	<b><u>Could exceed (\$15,656,570)</u></b>	<b><u>Could exceed (\$15,370,975)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>OTHER STATE FUNDS</b>			
<u>Costs - OA - ITSD</u>			
Personal Service (32 FTE nets)	(\$1,213,013)	(\$1,470,172)	(\$1,484,874)
Fringe Benefits	(\$647,945)	(\$781,857)	(\$786,224)
Desktop Equipment	(\$2,395,550)	(\$2,946,527)	(\$3,020,190)
Billing for Desktop Support	<u>\$4,256,508</u>	<u>\$5,198,556</u>	<u>\$5,291,288</u>
Total Costs OA - ITSD	\$0	\$0	\$0
<u>Costs - OA - ITSD - Statewide Video</u>			
Personal Service (1 FTE)	(\$48,040)	(\$58,224)	(\$58,807)
Fringe Benefits	(\$23,258)	(\$28,081)	(\$28,254)
Video Conferencing	(\$1,667,573)	(\$1,659,533)	(\$1,658,736)
Expense & Equipment	(\$8,372)	(\$1,477)	(\$1,517)
Transfer In from Agencies	<u>\$1,747,243</u>	<u>\$1,747,315</u>	<u>\$1,747,314</u>
Total Costs OA - ITSD	\$0	\$0	\$0
<u>Savings OA - ITSD Various Other</u>			
Personal Service (-9 FTE nets )	\$341,160	\$413,486	\$417,621
Fringe Benefits	\$182,235	\$219,897	\$221,125
Desktop Equipment	\$682,712	\$839,735	\$860,729
Loss of Desktop Support	<u>(\$1,202,779)</u>	<u>(\$1,469,129)</u>	<u>(\$1,495,490)</u>
Total Savings OA - ITSD	\$3,328	\$3,989	\$3,985
Costs - B&P	\$0	(\$669,408)	\$0
Costs - Missouri Department of Conservation	(Greater than \$100,000)	(Greater than \$100,000)	(Greater than \$100,000)
Lottery - potential loss of ability to sell tickets	\$0 or (\$68,000,000)	\$0 or (\$68,000,000)	\$0 or (\$68,000,000)
Cost - Missouri Gaming Commission	(\$1,000,000)	\$0	\$0
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b>(Greater than \$1,096,672) or (Greater than <u>\$69,096,672</u>)</b>	<b>(Greater than \$565,419) or (Greater than <u>\$68,565,419</u>)</b>	<b>(Greater than \$96,015) or (Greater than <u>\$68,096,015</u>)</b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>FEDERAL FUNDS</b>			
Savings OA - ITSD			
Personal Service (-13 FTE nets)	\$492,787	\$597,257	\$603,230
Fringe Benefits	\$263,228	\$317,629	\$319,403
Desktop Equipment	\$943,805	\$1,160,880	\$1,189,902
Loss of Desktop Support	(\$1,699,820)	<u>(\$2,075,766)</u>	<u>(\$2,112,535)</u>
Total Savings OA - ITSD	\$0	\$0	\$0
Costs - OA B&P	\$0	(\$538,308)	\$0
Cost - DOLIR - Potential Loss of Federal Funding due to being out of compliance	\$0 or <u>(\$49,000,000)</u>	\$0 or <u>(\$49,000,000)</u>	\$0 or <u>(\$49,000,000)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>	<b>\$0 or <u>(\$49,000,000)</u></b>	<b>(\$538,308) or <u>(\$49,538,308)</u></b>	<b>\$0 or <u>(\$49,000,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal changes the law regarding the Office of Administration and the Missouri data exchange.

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

Attorney General's Office  
Department of Agriculture  
Department of Economic Development  
    Public Service Commission  
    Office of the Public Council  
    Division of Energy  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Health and Senior Services  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Mental Health  
Department of Natural Resources  
Department of Corrections  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Public Safety  
    Office of the Director  
    Division of Alcohol and Tobacco Control  
    Capitol Police  
    Fire Safety  
    Missouri Gaming Commission  
    Missouri Highway Patrol  
    Missouri National Guard  
    State Emergency Management Agency  
    Veterans Commission  
Department of Social Services  
Office of the Governor  
Joint Committee on Administrative Rules  
Missouri Lottery Commission  
Missouri Consolidated Health Care Plan  
Missouri Department of Conservation  
Missouri Ethics Commission  
Missouri House of Representatives  
Office of the Lieutenant Governor  
Department of Transportation  
Office of Prosecution Services  
Missouri State Employee's Retirement System  
Office of Administration

SOURCES OF INFORMATION (continued)

Administrative Hearing Commission  
Budget and Planning  
Office of the State Courts Administrator  
Office of the State Auditor  
Missouri Senate  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
State Tax Commission

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director  
February 21, 2018