

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2234-02
Bill No.: SB 527
Subject: Roads and Highways; Transportation; Transportation Department
Type: Original
Date: March 9, 2009

Bill Summary: This proposal directs federal highway funds currently credited to the State Road Fund by statute to a newly created fund known as the "Federal Highways and Bridge Fund".

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$575,280)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$575,280)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
State Road Fund	(\$277,514)	(\$168,129)	(\$173,173)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$277,514)	(\$168,129)	(\$173,173)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Dept. of Transportation	4 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	4 FTE	2 FTE	2 FTE

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the State Treasurer** and the **Office of Administration's Division of Accounting** assume that there is no fiscal impact from this proposal.

Officials at the **Missouri Department of Transportation (MoDOT)** assume having the legislature appropriate federal funds would create a fiscal impact to MoDOT. The billing process to the Federal Highway Administration (FHWA) and the accounting for billing in SAMII is via an interface. The expenditures created in the contractor payments database are via an interface. The interfaces are designed for the existing funds. The dollars associated with interface changes would be significant. OA will be able to provide an estimate on the cost to upgrade SAMII to handle the changes needed. To utilize the funds, would require manual intervention of the interfaces and because of the complexity of the billing system and volume of transactions, each expenditure, as well as each cash receipt have to be monitored and manually coded to ensure all payments made are properly reimbursed. This will also ensure that the fund doesn't go into a negative cash balance.

Both the accounting and the funds management for the newly created fund will be complex and time consuming. In order to implement this proposal, MoDOT would need an additional 1 FTE to assist in developing the system and ensuring all processes are being completed as needed in the department's controller's division. MoDOT would also need an additional 4 FTE in the department's information systems division to work with OA to make needed changes to the system.

MoDOT receives federal monies on a reimbursement basis. MoDOT spends money from the State Road Fund and then deposits the reimbursements from the federal government directly into the State Road Fund. To deposit it into another fund, would require a transfer to the State Road Fund in a timely manner to ensure MoDOT did not experience cash flow issues. MoDOT will be unable to process any federally participating disbursements from this fund until the Statewide Financial System is changed.

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

Road and Building projects draw downs are made on a reimbursement basis; therefore a reimbursement cannot take place until after the money has been spent. Payments and payroll expenses are currently deducted from the State Road Fund (Fund 0320), which has a sufficient

ASSUMPTION (continued)

balance to cover these expenditures until the money has been drawn down and put back into it. If only money from the federal government is to be deposited into this new account and no payments or transfers can take place except for the specific conditions listed in the section, then the new Fund will never have a cash balance to cover prepayment of payroll or other expenditures. SAM II does not allow a fund balance to go negative nor will it cut a check/eft if the fund's cash balance is insufficient. Therefore, the payment will not take place and the reimbursement process will not be triggered.

Section 226.215.1. Since this is a reimbursement process, there will never be funds in the new account for the Treasurer to invest.

The SAM II project billing process requires the agency to set up a record showing the funding source percentages for each project. For example, a project may receive 97% federal funding with a maximum disbursement of \$300,000 and the remaining 3% of the project funding would be non-reimbursable. Ideally, the percentage and limit will never change but it happens frequently. MoDOT uses Fund 0320 on their payment documents and once a week a batch process runs which reviews all payments that may be chargeable to the project and calculates the billable amounts. Unbilled amounts are held and sent back through the billing process in case the limits or reimbursement percentages are increased. Since payment documents are frequently entered with several projects specified, the batch process is the more efficient method to use to calculate the billable amounts. Payroll calculations add another level of difficulty since employees can record time to projects down to 15 minute increments.

Adding a new fund impacts this process because MoDOT will need to enter two accounting lines on their payment voucher, journal voucher, or project charge documents and calculate the exact billable amount to put on the new fund line. This will ensure that only the billable amounts allowed are charged as a disbursement from the new fund. In essence, the complicated weekly batch process must be performed manually for each transaction as they are entered into the system.

MoDOT has reviewed the effort and determined that it would be nearly impossible to take on this manual task without adding a considerable number of staff. They've requested that SAM II be modified to perform the same type of process online, in real time and to populate the billable amount on the payment document lines for them. A similar process would need to be added to the HR system. Adding complex edits and calculations at the document level online poses the question of whether this is feasible and whether this type of complicated process would lock up or slow down SAM II online and nightly cycle processing. In addition, the currently weekly draw down jobs would need to be modified so that they no longer calculate the billable amount,

JH:LR:OD

ASSUMPTION (continued)

but instead bill exactly the amount that staff has manually calculated.

OA-ITSD would need to contract with the SAM II software development company, CGI, to perform a study to determine if the project billing process can be rewritten and to estimate any impacts those changes may have on online processing response time. It is estimated that the study would cover changes to both the Financial and HR systems and would take approximately 6 weeks for a knowledgeable consultant to complete. An accurate project time estimate will difficult to determine until after the study has been performed. However, a typical project of this size and impact would range from 8 to 14 months. The estimates provided are based on an 8 month project. State and contractor staff would comprise the project team. The estimates included cover the cost for consultant time for a feasibility study and proposed project time. Costs may be higher based on the results of the study.

Oversight assumes that the new employees could work with the existing MoDOT comptroller's division employees to create the modifications for the system and therefore MoDOT does not need a Financial Services Administrator. Additionally, since most upgrades for the system would occur in FY 2010, MoDOT would only need one Lead Information Systems Technician and one Senior Lead Information System Technician in future years for maintenance and future modifications.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Cost- Office of Administration</u>			
SamII feasibility study	<u>(\$575,280)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$575,280)</u>	<u>\$0</u>	<u>\$0</u>
STATE ROAD FUND			
<u>Cost - Dept. of Transportation</u>			
Personal Services	(\$167,396)	(\$103,450)	(\$106,554)
Fringe Benefits	(\$102,798)	(\$63,259)	(\$65,435)
Expense and Equipment	<u>(\$7,320)</u>	<u>(\$1,150)</u>	<u>(\$1,184)</u>
<u>Total Cost - Dept. of Transportation</u>	<u>(\$277,514)</u>	<u>(\$168,129)</u>	<u>(\$173,173)</u>
FTE Change - MoDOT	4 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>(\$277,514)</u>	<u>(\$168,129)</u>	<u>(\$173,173)</u>
Estimated Net FTE Change on State Road Fund	4 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2010 (10 Mo.)	 FY 2011	 FY 2012
	<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

Under this act, federal funds intended for highway or bridge purposes which are currently credited to the State Road Fund under Section 226.220, RSMo, are credited to a newly created fund within the state treasury known as the "Federal Highways and Bridge Fund." Moneys in the

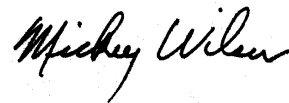
FISCAL DESCRIPTION (continued)

fund shall be available to be used by the State Highways and Transportation Commission for highway and bridge purposes upon appropriation. No payments or transfers shall ever be made from the newly created fund except for expenditures made pursuant to a lawful appropriation from the General Assembly, under the supervision of the commission, and for appropriate highway purposes.

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

Office of the State Treasurer
Missouri Department of Transportation
Office of Administration
 Division of Accounting
 Information Technology Services Division



Mickey Wilson, CPA
Director
March 9, 2009