

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1544 – SB 2547**

February 3, 2016

**SUMMARY OF BILL:** Requires the Commissioner of Finance and Administration (F&A) to manage the state's portal. Authorizes the Commissioner to assess additional charges on e-commerce payment activity to recover the costs of delivering e-commerce services, accepting electronic payments online, or both, and develop and administrate policy guidelines governing such charges. Prohibits such charges from exceeding the actual costs incurred to deliver e-commerce services and accept electronic payments online. Requires guidelines be consistent with federal laws and regulations. Requires the Commissioner to review the Chief Information Officer's annual report concerning the operation of the state's portal. Establishes that an online payment through the state portal does not discharge an obligation to the state until the state receives actual final payment.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue – Net Impact –**

**\$4,418,300/FY16-17/Internal Service Fund**

**\$2,871,900/FY17-18 and Subsequent Years/  
Internal Service Fund**

**Increase State Expenditures – Net Impact –**

**\$1,518,300/FY16-17/Internal Service Fund**

**Decrease State Expenditures – Net Impact –**

**\$28,100/FY17-18 and Subsequent Years/  
Internal Service Fund**

**Any expenditures incurred by the state in management and administration of the state's portal pursuant to this bill will be offset by an increase in state revenue derived from customer option fees. Such fees will be adjusted accordingly on an annual basis to cover any expenditures incurred.**

**The Governor's proposed budget for FY16-17, on page A-40, recognizes a recurring increase in state revenue to the Internal Service Fund in the amount of \$4,918,300.**

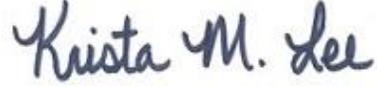
Assumptions:

- The state's portal is currently operated through a third party vendor.
- The vendor receives payment from the state for services rendered relative to application development and to any modifications which are required by the state.
- In addition, the vendor imposes customer option fees to help offset expenses incurred for maintenance of the portal.
- According to F&A, approximately \$4,200,000 is collected annually through such customer option fees. Out of that amount, approximately \$500,000 is paid by the vendor to the state for portal administrative fees and rebates.
- Such state funds are deposited in the Internal Service Fund and used to pay for the state's administration of the contract and to help fund any upgrades and modifications to the portal environment. The remaining \$3,700,000 (\$4,200,000 - \$500,000) is retained by the vendor.
- In addition, it is estimated that the state paid the vendor approximately \$3,400,000 out of the Internal Service Fund for application development and modifications performed by the vendor.
- Therefore, total annual state revenue to the Internal Service Fund under current law is estimated to be \$500,000. Total annual state expenditures from the Internal Services Fund under current law are estimated to be \$3,400,000.
- Pursuant to the proposed legislation, F&A will take over the management and administration of the state's portal.
- The total expenditures incurred by the state that will be paid from the Internal Service Fund in FY16-17 to manage and administer the portal are estimated to be \$4,918,300 (\$1,546,400 in transition costs + \$2,006,000 in new application development costs + \$1,365,900 in ongoing support costs).
- The total expenditures incurred by the state that will be paid from the Internal Service Fund in FY17-18 and subsequent years to manage and administer the portal are estimated to be \$3,371,900 (\$2,006,000 in new application development costs + \$1,365,900 in ongoing support costs).
- Pursuant to provisions of the bill, the state will assess customer option fees sufficient to offset any expenditures incurred in delivering e-commerce services, accepting electronic payments online, or both.
- As a result, state revenue to the Internal Service Fund derived from such customer option fees is estimated to be \$4,918,300 in FY16-17 and \$3,371,900 in FY17-18 and subsequent years.
- The net increase in state revenue to the Internal Service Fund as a result of this bill is estimated to be \$4,418,300 in FY16-17 (\$4,918,300 under provisions of the bill - \$500,000 under current law), and \$2,871,900 in FY17-18 and subsequent years (\$3,371,900 under provisions of the bill - \$500,000 under current law).
- The net increase in state expenditures from the Internal Service Fund as a result of this bill is estimated to be \$1,518,300 in FY16-17 (\$4,918,300 under provisions of the bill - \$3,400,000 under current law).
- The net decrease in state expenditures from the Internal Service Fund as a result of this bill is estimated to be \$28,100 in FY17-18 and subsequent years (\$3,400,000 under current law - \$3,371,900 under provisions of the bill).

- In the Governor's Recommended Budget for FY16-17, on page A-40, recurring revenue of \$4,918,300 is recognized to the Internal Service Fund.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/tdb