

Department of Planning and Budget 2001 Fiscal Impact Statement

1. Bill Number SB1336

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Puller

3. Committee General Laws

4. Title Telecommuting Incentive Act created; Chief Info. Officer to report.

5. Summary/Purpose:

This legislation directs the Secretary of Technology to formulate information technology policies and guidelines concerning telecommuting by employees of public bodies and to annually report to the General Assembly on the status of telecommuting in the Commonwealth. The Department of Human Resources Management (DHRM) is to establish and administer an incentive program to encourage state employees to telecommute. The head of each public body is to establish a telecommuting policy. The Department of Technology Planning (DTP) is to develop a comprehensive statewide telecommuting plan for public bodies, assist private sectors in developing and administering programs, and to develop incentives to encourage private sectors to telecommute. Also, DTP is to report utilization of telecommuting in both the public and private sectors to the Secretary of Technology.

6. Fiscal Impact Estimates are: Indeterminate.

7. Budget amendment necessary: No.

8. Fiscal implications:

The Secretary of Technology, DHRM, DTP, and affected public bodies may incur costs developing guidelines and policies. However, DHRM has indicated that state agencies are currently using telecommuting work arrangements where they have determined it is feasible or in their business interests to do so. Moreover, DHRM already has established, and has in place for use, a program for telecommuting ([Telecommuting Policy](#) {1.61}) which authorizes agencies to allow employees to work in locations other than state offices using telecommuting technology.

There is no requirement for the state to provide any hardware or connectivity for telecommuting employees. DTP's role in this legislation is to develop plans and provide assistance to public bodies, private sectors, and to provide researched data to the Secretary of Technology. The fiscal impact upon DTP will depend entirely upon the degree to which DTP must provide these services to comply with the open nature of this legislation's language.

DTP has estimated the resources required to successfully implement a telecommuting plan for the legislation as it is currently written. [Those figures are incorporated below.](#)

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions (DTP only)</i>	<i>Fund</i>
2000-01	0	0	
2001-02	633,700	1.00	GF
2002-03	6,830,000	3.00	GF
2002-03	5,500,000	0	NGF

There are three major elements in the estimated total cost of the program. The first is the cost to implement the program in the public sector. The second is the cost to implement the program in the private sector. The third is the cost to market and administer the program.

Public Sector

The dollar amounts for the public sector were calculated using the following assumptions:

- That five percent of the full time equivalents (FTEs) of the state's workforce would telecommute at least one day per week. Therefore, from an estimated 55,000 general fund employees and 55,000 nongeneral fund employees: 2,750 GF employees and 2,750 NGF employees respectively will participate,*
- That the approximate number of state employees would remain the same, and*
- That it would cost the state \$2,000 annually per telecommuter.*
(\$2,000 x 2,750 GF employees = \$5,500,000)
(\$2,000 x 2,750 NGF employees = \$5,500,000)

The \$2,000 includes the estimated costs of the personal computer, modem, any necessary software to be able to telecommute and the installation and the monthly fees for a phone line.

The cost for State agencies could be higher than \$2,000 per telecommuter. Other costs that may need to be factored in, which were not included in the \$2,000, are additional servers to allow employees to dial in, additional firewalls to ensure data remains secure and training for both the telecommuters and the managers. These costs may increase the estimate an additional \$1,000 per telecommuter annually.

Private Sector

The costs for the private sector incentives cannot be determined until a telecommuting plan is developed. A study pertaining to telecommuting in the private sector is currently being done under the guidance of the Secretaries of Transportation, Technology, and Finance. The plan is scheduled for completion in November of 2001. After the results of the study have been published, the information can be used as a basis to start calculating costs to implement a plan to the private sector.

Oversight and Marketing

The third cost included is for the planning, administration and marketing of the public and private sector programs by DTP and DHRM.

Oversight, Department of Technology Planning

Initially, DTP will need to hire one employee to start the process to develop a telecommuting plan and prepare to implement it. It is estimated that it will take six months to flesh out and document a plan. The employee hired by DTP will be responsible for the formulation and promulgation of policies, standards, specifications, and guidelines of the program.

After the initial start up phase, it is estimated that it will require a total of three employees in DTP to administer the program, which includes working with businesses and agencies statewide to help them develop plans and market the program internally. DTP will also be responsible for evaluating the status, effectiveness, and utilization of employee telecommuting, in both public and private sectors, and report its findings to the Secretary of Technology, who in turn is directed to annually report such findings to the General Assembly.

The estimated annual cost of salaries and benefits for the three employees is \$240,000. The estimated annual non-personal costs for an employee is \$4,700. An additional \$7,350 is included in the year the employee is hired for one-time expenses, such as the cost of a computer, modular furniture, and a telephone.

Oversight, Department of Human Resources Management

The following costs for DHRM assume the department will supplant the current telecommuting policy in place with a telecommute policy as provided under the legislation.

Based on information provided by the DHRM it will cost approximately \$646,045 to train the 16,500 supervisors within the state. Included in the above figure is the cost of developing computer-based training instructions. Training could also be provided through a combination of instructor led and videoconference-broadcasting. This approximate cost would be \$100 per hour per site and a transmission cost of \$1,200 per course per site.

DHRM did not include any costs to develop an incentive plan. DHRM felt they could internally absorb the costs of an incentive plan for state employees.

Marketing costs

Based on input from the State Lottery Department it would cost between \$750,000 and \$1,000,000 to market the program in the private sector, which includes developing a marketing concept and plan, creating the ad work and running radio advertisements for a minimum of three weeks. The figure does not

include a sales force beyond the three full-time staff to actually go out and call on the private companies to gain their support, which may be needed.

Summary Table of Statewide Costs under DTP's Proposal

	FY 2001	FY 2002	FY 2003	
statewide equipment costs			\$ 5,500,000	GF
statewide equipment costs			\$ 5,500,000	NGF
DTP personnel costs		\$ 49,700	\$ 268,800	GF
DHRM course development		\$ 84,000		
DHRM statewide training			\$ 562,045	GF
advertising		\$ 500,000	\$ 500,000	GF
total		\$ 633,700	\$12,330,845	

The following **assumptions** were made to calculate the annual costs:

- One person would be hired by DTP to work for six months in fiscal year FY 2002; two additional employees would be hired the following year.
- DHRM would incur the costs to develop the training instructions in FY 2002; the remaining DHRM costs would be incurred the following year.
- \$500,000 in Marketing costs would be incurred in FY 2002 and \$500,000 the following year.
- No telecommuting costs for state employees would be incurred until FY 2003.

9. Specific agency or political subdivisions affected:

Directly impacts the Department of Technology Planning, the Department of Human Resource Management, and the Secretary of Technology. Indirectly impacts both public and private entities statewide.

10. Technical amendment necessary: No.

11. Other comments: Same as HB 1713.

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cc: Secretary of Technology
Secretary of Administration

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