

Commission on Local Government

Estimate of Local Fiscal Impact

2016 General Assembly Session

Bill: SB 500

Patron: Sturtevant

Date: 1/26/2016

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Register of funds expended; required posting by state agencies, localities, and school divisions. Requires every locality and school division located within the locality to post on the public government website of the locality a register of all funds expended, showing vendor name, date of payment, amount, and a description of the type of expense, including credit card purchases with the same information. The bill also provides for the Commonwealth Data Point website administered by the Auditor of Public Accounts to include the same information for each state agency and institution, including each independent agency. Currently, the website includes such information for major state agencies.

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**Executive Summary:**

SB 500 requires all localities, school divisions and state agencies and institutions to publish a register of all funds expended with other required information, as described in the bill, on their website.

Localities have evaluated a negative fiscal impact of \$0.01 - \$100,000.00. The provisions of the bill will impact all local governments in some way. Localities noted that compliance with this legislation requires additional effort that would require additional staff, automation of the process of redacting confidential information, obtaining credit card details from banks and additional programming in the existing software. Localities also noted that they may rely on outside vendors to comply with this regulation which could require purchase of new software or additional monthly maintenance fees if software is already in use.

Other localities noted that there is no provision in this bill regarding the report format, the frequency the data would need to be updated, the searchable and filtering capability of the data, and the number of years of historical data localities would be required to keep on the website.

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**Local Analysis:**

**Locality:** City of Chesapeake

**Estimated Fiscal Impact:** \$100,000.00

TENTATIVE!!

We are aware of other localities that provide online check registers. There are vendors who will also provide solutions that automate the publication of check registers. Our financial system provides check registers, however, the current register includes confidential information that cannot be disclosed (e.g., the names of recipients receiving public assistance). The proposed legislation would require that we scrub each check register to redact such confidential information. Compliance with the proposed legislation would require staff time to rewrite reports and convert information into files that can be read online. That process is fairly simple and inexpensive. However, we are not certain that we can automate the process of redacting confidential information within our current system. That may require the review and manual redaction of every report. Currently the city processes approximately 65,000 vendor vouchers every year (on average, 1,250 each week). The effort to read and manually redact would be enormous. Further, the proposed legislation requires disclosure of all payments, presumably to include employee payroll. Unless payroll is exempted, the register would also require the inclusion of payments from a different system. Additional effort would be required to accomplish that task.

We have made limited inquiry of the cost to automate the process. We are aware of open government software that automates the process. That requires a significant investment of funds and staff time to complete implementation. Such an investment is not in the City's five year capital improvement plan. If the proposed legislation is approved, localities should be given several years to implement the requirements. The estimate includes the cost to acquire and implement software that would extract data from the financial system and automatically publish reports on the locality's web site.

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Locality: City of Danville

Estimated Fiscal Impact: \$28,000.00

The City of Danville already posts financial and expenditure information using an Open Data Portal (www.data.danvilleva.gov). The Open Expenditures ("Spending") tool allows users to find out all this information. This platform had an initial cost of about \$40,000 to cover the an Expenditures application, Budget Application, and Performance application. (Vendor: Socrata)

Danville Public Schools does not utilize this application and does not currently post expenditure information. Should they want to use a similar Open Data Portal, the estimate above includes the launch of a similar application that meets the requirements stated in the bill.

This does not include the ongoing monthly maintenance fees (Around \$2000)

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**Locality:** City of Harrisonburg

**Estimated Fiscal Impact:** \$0.01

The City would be able to do this fairly easily if only a simple list is required. Providing this type of information for credit card purchases would be a bit problematic at this time in that we do not track vendor names for individual credit card purchases in our accounting software. To comply with the credit card purchases requirement we would likely need to do some type of modification to our accounting software to interface with information provided by the credit card company. There would be costs involved with the modifications mentioned and just the routine upkeep of creating and posting on our website. The legislation does not mention how often this information would need to be updated.

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Locality: City of Lynchburg

Estimated Fiscal Impact: \$10,000.00

A wild guess is exactly what this is. So much depends on functional requirements. Since we have no requirements, I'll make some assumptions:

- The data could be in a report format (not a database to be queried).
- It would be published monthly, after the financial close.
- Confidential payment info (e.g., adoption payments) would have to be redacted in some way.

Given the above, a small or moderate programming effort would be required to create the report. Maybe a couple of weeks effort. The process of publishing to the website should be a minor thing. Once you get the web page set up, it would just be a matter of a pagemaster somewhere publishing the report.

Locality: City of Norfolk

Estimated Fiscal Impact: \$40,000.00

Preliminary analysis. The cost of the bill as proposed is estimated to be \$40,000 in additional personnel costs. For the City of Norfolk, a register of all funds expended is readily retrievable. However, details from credit card purchases will need to be obtained from the bank and will require manual processing to extract vendor-level information. In addition, there are a significant number of wire payments made annually which would require manual tracking to provide vendor information. This may require additional personnel for implementation, tracking, updates, and on-going maintenance. The cost listed above reflects the additional annual cost of personnel. Additional costs for programming are not included at this time.

There are a few issues not specified in the bill which may increase the cost to the locality: the format of the report; how often the data needs to be updated; does the data need to be searchable or include filters; and the number of years of historical data.

Locality: City of Roanoke

Estimated Fiscal Impact: \$18,000.00

Complying with this requirement would involve the services of a third party vendor to manage the data presentation. There would be additional staff time involved to ensure that privacy requirements were adhered to with respect to beneficiary data. The estimated monthly cost is \$1500.

Locality: City of Winchester

Estimated Fiscal Impact: \$0.01

The City of Winchester recently paid \$10,600 for software to accomplish the posting of our expenditures, so we would not need to purchase any new software only pay the annual approximate \$8,000 annual fee

Locality: Fairfax County

Estimated Fiscal Impact: \$75,000.00

The expense will be between \$25,000 and \$75,000 and represents the staff time necessary to extract, compile and validate the data.

Locality: Henrico County

Estimated Fiscal Impact: \$60,000.00

The impact reflected in this analysis considers the minimum cost of acquiring a system from an outside vendor. This cost would go up depending on the size of the locality and popularity of the site with the public.

Henrico County has developed a system with internal resources that would provide most of the information required by this legislation. Significant additional resources would have to be allocated to provide the additional data, though it may slow the response time of the current tool developed.

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**Locality:** Mecklenburg County

**Estimated Fiscal Impact:** \$50,000.00

Currently, Mecklenburg County can do part of what the bill requires. As to certain parts we are unable to complete them without IT upgrades that are unknown at this time. These costs are therefore unknown. A code for expenditures wouldn't help a constituent and we are somewhat lost as to the motive of the bill. Is the legislation going to cover the General Assembly by legislator so that we can see what each of them spends? I put a number in since it is unknown what upgrades to the website etc. that are needed.

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Locality: Powhatan County

Estimated Fiscal Impact: \$282.00

The cost of providing this information is only staff time to prepare check registers to be posted to the County website. Currently our County already provides this information and therefore it would be no additional cost to us.

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**Locality:** Rappahannock County

**Estimated Fiscal Impact:** \$20,000.00

Our existing software does not apparently have this functionality-the main rub is apparently in providing descriptive information sufficient to be transparent. The payee info and those who review accounts are sufficiently aware of the coding to know, but a "man in the street" translation would require either a software fix or separate entries on spreadsheets for posting

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Locality: Spotsylvania County

Estimated Fiscal Impact: \$15,000.00

Staff time to complete the initial implementation equates to a minimum cost of \$15,000. This does not include costs associated with addressing credit card expenditures as credit card costs are not currently automated. After the initial implementation and roll-out are complete, roughly one hour of staff time per week would be required to provide routine update and maintenance of files.

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**Locality:** Town of Boones Mill

**Estimated Fiscal Impact:** \$2,500.00

This would be a new practice for a small town. It would be time-consuming for the town clerk but could prove valuable to staff and to the public.

The Town of Boones Mill currently does not participate with Commonwealth Data Point. At present, annual budget and financial report are posted online, but no other financial transaction records are posted. At monthly meetings, Town Council reviews printed statements of bills paid, including copies of credit card receipts.

Compliance would require a new business practice. Lacking any specialized software, the town clerk would probably use QuickBooks and existing Excel sheets to make a new Excel sheet of transactions, organized with the relevant fields.

Compliance could probably be achieved with 10 hours' labor monthly. The labor cost here is approximately \$2500. The total Town budget is approximately \$375,000.

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