

# FISCAL NOTE

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Bill/Resolution No.: SB 2043 Amendment to: N/A

Requested by Legislative Council Date of Request: November 1998

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

**Narrative:** (Additional narrative and supporting financial data is provided in the Inteliant “Telecommunications Study Fiscal Note Analysis.”)

The purpose of Senate Bill No. 2043 is as follows:

- Establish the Information Technology Department (ITD) as an enhanced Information Services Division (ISD) with a cabinet-level Chief Information Officer position and additional technology planning personnel.
- Establish a statewide telecommunications network for state agencies, higher education, schools, cities, counties, and other not-for-profit organizations.

**Financial Impact**

In 1998, the state of North Dakota spent approximately \$19.3 million on telecommunications services for state agencies, universities, public schools, counties, and municipalities. Conservatively, this spending is expected to increase 20% a year resulting in telecommunications spending \$57.6 million annually by fiscal year 2006. The 20% is an estimate based on industry input. Actual growth for North Dakota entities will depend on the prioritization and allocation of budget dollars.

The projected costs for creating an enhanced ISD is \$1.8 million for the 1999-2001 biennium. The projected capital expenditures for the proposed network is \$3.5 million over two bienniums (\$1 million in the 1999-2001 biennium and \$2.5 million in the 2001-03 biennium).

The consultant estimates that the expected financial benefit of implementing an enhanced ISD and establishing statewide telecommunications services is a 3% reduction in spending growth. This translates into savings of \$6.7 million over the next six years.

2. **State** fiscal effect in dollar amounts:

	1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	0	0	0	0	0	1.0m
Expenditures	0	0	2.8m	0	3.5m	1.0m

3. What, if any, is the effect of this measure on the budget for your agency or department:
  - a. For rest of 1997-99 biennium: No effect.
  - b. For the 1999-2001 biennium: The amounts detailed above are in addition to the Governor’s budget recommendations for ISD.
  - c. For the 2001-03 biennium: The amounts detailed above are in addition to normal budget projections for the existing ISD.

4. County, city, and school district fiscal effect in dollar amounts:

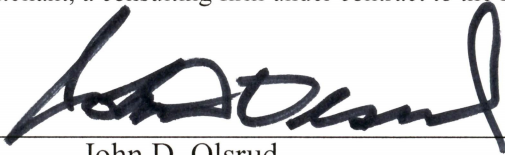
1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

The financial effect on counties, cities, and schools will not be uniform. The consultant recommends that the network services should be on a fee basis that does not penalize those customers that are farther away from our larger cities. The net effect is that the customers that now have a geographic advantage could end up paying a higher rate but the overall impact would still provide significant savings to the state as a whole.

Currently, there are some organizations that receive reduced fee or free Internet access. Obviously, a state network cannot justify charging some customers and giving that same service to others. The consultant recommends that time allowances be provided to enable these entities to make the necessary budget adjustments.

Entity	Funding Source (%)			
	Local	Special	General Fund	Federal
K-12	50		43	
NDUS - Voice		40	60	
NDUS - Video		8	92	
NDUS - Data			100	
Counties	50+	20	20	10
Cities	55-60		35-40	5
Human Services			52	48
DOT		90+		
JSND			1	99+
Sec. of State	Combination	100% - State	Local and user fees	

Information in this fiscal note was prepared by personnel from Inteliant, a consulting firm under contract to the Legislative Council.

Signed:   
 Typed Name: John D. Olsrud  
 Department: Legislative Council  
 Phone Number: 328-2916  
 Date Prepared: 1/25/99