

2613

XI. Department of Administration -- Mark Wahl, Administrator, Division of Technology Management.

This item was submitted to the committee under s. 16.515 on July 10, 1996; the committee chose to schedule it for review at the September meeting under s. 13.10.

The Department of Administration requests approval of \$132,500 SEG in 1996-97 from the Information Technology Investment Fund for administration of the fund.



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 2

Staff Recommendation:

Alternative #2

S

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Information Technology Investment Fund Administration -- Agenda Item XI

INTRODUCTION

The Department of Administration requests the transfer of \$132,500 SEG in 1996-97 from the information technology investment fund (ITIF) to DOA's appropriation for ITIF administration to pay for the costs of collection and administration of the bidders list registration fee.

BACKGROUND

The ITIF was created in 1995 Act 27 to be administered by DOA to provide grants to state agencies for information technology projects. On April 16, 1996, the Committee deferred action on a request from DOA for the transfer of \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 for ITIF administration because rules related to the revenue source for the fund had not yet been approved. On July 8, 1996, rules establishing a \$125 annual bidders list registration fee were approved by the Legislature. Under the rule, any vendor on the list will be notified of requests for bids or competitive sealed proposals if the bid or proposal is for a product or service the vendor can provide. Fee revenues will be used to support grants from the ITIF and for fund administrative costs.

On July 10, 1996, DOA submitted a s. 16.515 request to the Committee for program revenue increases in 1996-97 for ITIF awards in 27 agencies and PR increases in seven additional agencies for other information technology projects. However, administrative costs for the ITIF are paid from a SEG appropriation and therefore, increases in that appropriation must be approved in a s. 13.10 meeting of the Committee. As a result, in the July 10 request, DOA

indicated that, with the Committee's concurrence, it would proceed to incur initial costs of fee collection and administration in 1996-97 consistent with the s. 13.10 request from April, 1996, until the Committee could meet to address ITIF administration funding. On July 15, 1996, the Co-chairs indicated that DOA's request for a SEG funding increase in 1996-97 would be addressed at the September, 1996, meeting of the Committee under s. 13.10, but that DOA could proceed to incur initial administrative costs consistent with the original request. As of September 9, 1996, DOA has incurred costs of \$8,300 related to the hiring of one limited-term employe, telephone installation, and the printing of envelopes and supplies.

SUMMARY OF REQUEST

The Department's request would support: (1) mailings to prospective vendors; (2) collection of fees from a lock box and recording of vendor information received with the fee; (3) financial administration of the fee and payment of fund assessments for DOA overhead costs; (4) assistance to vendors who inquire about the status of the fee payment and the State Bureau of Procurement; and (5) computer data base support. Funding would be divided as follows:

	<u>1996-97</u>
Vendor Mailing Costs	\$50,000
Fee Collection and Management Costs	50,000
LTEs -- Administration	5,000
LTEs -- Vendor Help Desk	22,500
Miscellaneous Administrative Expenses	<u>5,000</u>
Total	\$132,500

ANALYSIS

Fee Revenue

In 1995 Act 351, DOA was authorized to maintain a bidders list which would include the names and addresses of all persons who request to be notified of competitive bids or competitive sealed proposals for contracts for materials, supplies, equipment or contractual services. The Department may charge a fee to vendors for being placed on the list. Under current law, any state procurement contract that is in excess of \$25,000 must be made under competitive sealed bid or proposal, unless these requirements are waived by the Governor or Secretary of DOA. Procurement contracts under \$25,000 follow a simplified process specified by DOA and do not require formal competitive bids or proposals.

The Department will notify any vendors on the list of relevant contracts over \$25,000 that are being sought by state agencies. Most vendors requesting to be placed on the list will pay an annual \$125 fee; minority vendors and sheltered work centers will pay a reduced fee of \$65. In addition to the bidders list registration fee, DOA is also authorized to charge an additional \$100 subscription service fee for electronic access to procurement information. This subscription fee only applies to vendors wanting electronic access from more than one location (access from one location is included in the bidders list registration fee).

The Department has estimated that the bidders list registration fee and the subscription service fee for electronic access to procurement information will generate \$4,300,000 annually. These revenues will be deposited in the ITIF. No estimate of revenue has been made regarding the subscription service fee because payment of the subscription service fee is included in the registration fee for one location and it is unknown how many vendors will want access to the vendor information service from more than one location. The revenue projection is based on the assumption that approximately 35,000 vendors will pay the \$125 fee. The number of vendors is based on DOA Bureau of Procurement vendor files and information from the state accounting system.

ITIF Condition Statement

Table 1 provides a fund condition statement for the information technology investment fund, based on expenditures for ITIF grants approved by the Committee on July 29, 1996, and DOA's current request for ITIF administration funding and using the estimated revenue figures from DOA's rule. As the table indicates, the fund balance at the end of 1996-97 is estimated at \$1,289,600.

TABLE 1

Information Technology Investment Fund Condition Statement

	<u>1996-97</u>
Revenue	
Opening Balance	\$0
Bidders List Registration Fee	<u>4,300,000</u>
Total	\$4,300,000
Expenditures	
Administration*	\$132,500
ITIF Awards**	
One-Time Grants	910,300
Three-Year Grants (Master Lease Payments)	775,500
VendorNet	552,100
Infrastructure Support	<u>640,000</u>
Total	\$3,010,400
Ending Balance	\$1,289,600

* Funding authorization contained in this request.

** On July 29, 1996, the Committee approved DOA's 1996-97 ITIF grant awards, as modified at the Committee's request, totalling \$2,877,900.

Appropriation Request

To implement the bidders list registration fee, mailing information to prospective vendors regarding the bidders' list and required fee, funding for fee collection and general administrative costs is necessary. The Department's request for vendor mailing costs is based on an estimate that mailings will be made to a total of 50,000 vendors at a cost of \$1 per mailing. In addition, DOA has requested \$5,000 SEG for limited-term employee (LTE) assistance with the mailings. Further, estimated costs for fee collection and management are based on information provided by a bank that provides these services to the state and assumes that the bank would be doing some data entry and vendor verification for the state. General administration costs include telephone, internet access, software and hardware maintenance fees and DOA overhead costs. Costs related to notification, fee collection and general administration appear to be reasonable.

Funding for two, limited-term employees is requested for a vendor help desk. These LTEs would answer questions from vendors regarding: the registration fee in general; the status of an

individual vendor's fee; and the procurement process. The actual number of requests that DOA may receive from vendors, however, is unknown and funding for LTEs is not based on a workload estimate. Therefore, if the Committee wishes, it could choose to provide a lower level of staffing at this time until experience with the fee has been gained. If funding for only one LTE was provided, the request could be reduced by \$11,200 SEG in 1996-97.

ALTERNATIVES

1. Approve the Department's request to transfer \$132,500 SEG in 1996-97 from the ITIF (s. 20.870(1)(q)) to DOA's appropriation for ITIF administration (s. 20.505(1)(r)) to support the costs of collection and administration of the bidders list registration fee.

2. Approve a transfer of \$121,300 SEG in 1996-97 from the ITIF (s.20.870(1)(q)) to DOA's appropriation for ITIF administration (s. 20.505(1)(r)). [NOTE: This would modify the Department's request by deleting \$11,200 SEG in 1996-97 associated with funding for one limited-term employe at DOA's proposed vendor help desk.]

Prepared by: Jere Bauer

MO# Alt. 2

BURKE	(Y)	N	A
ANDREA	(Y)	N	A
GEORGE	Y	N	(A)
DECKER	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
WEEDEN	(Y)	N	A
COWLES	Y	N	(A)
2 BRANCEL	(Y)	N	A
FOTI	(Y)	N	A
SCHNEIDERS	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
PORTER	(Y)	N	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

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STATE OF WISCONSIN



SENATE CHAIR
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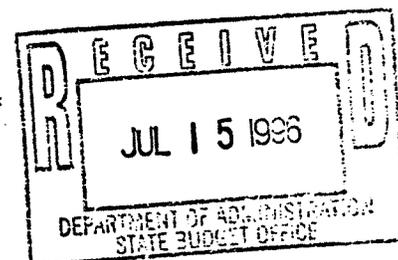
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JOINT COMMITTEE ON FINANCE

July 15, 1996

Secretary James R. Klauser
Department of Administration
101 East Wilson Street, 10th Floor
Madison, WI 53707



Dear Secretary Klauser:

On July 10, 1996, we received a s. 16.515 request from you for approval of funding releases to agencies for 1996-97 ITIF project awards and for increases in certain agencies program revenue appropriations. These requests are currently under review by the Committee under a 14-day passive review process.

However, as a part of the request presentation to the State Budget Office, you also indicated the need to be able to proceed immediately with certain administrative expenditures associated with collection of the bidders list registration fee. That fee is now the principal revenue source that has been established to provide monies to the information technology investment fund (ITIF). As you noted in that part of the request, in April of this year, in addition to the ITIF grants award request that was before the Committee at that time, there was also a separate request on the agenda to transfer \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 from the ITIF to DOA's appropriation for administration of the ITIF. Action on that request, as well as the ITIF grants funding request, was deferred at that meeting because the administrative rule to provide revenues to the fund had not yet been approved by the Legislature.

The revised ITIF request was not formally conveyed to the Committee until the July 10, 1996, meeting of the Committee. Consequently, there was not sufficient time to add the 13.10 request for transfer of funding to the ITIF administrative appropriation to the agenda

James Klauser, Secretary

June 15, 1996

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for that meeting. However, the Co-chairs will schedule the request for 1996-97 funding of \$132,500 SEG for consideration at the Committee's September 13.10 meeting. In the meantime, the Committee does not object to your proposal to proceed to incur initial costs associated with that fee collection and other related administrative activities so long as they are consistent the original request for 1996-97 funding and with the understanding that any such costs incurred will ultimately be paid from the \$132,500 SEG requested for the administrative appropriation for 1996-97.



BRIAN BURKE
Senate Chair

Sincerely,



BEN BRANCEL
Assembly Chair

cc: Members, Joint Committee on Finance
Linda Nelson, DOA

STATE OF WISCONSIN

SENATE CHAIR
BRIAN BURKE

100 North Hamilton
P.O. Box 7882
Madison, WI 53707-7882
Phone: 266-8535



JOINT COMMITTEE ON FINANCE

*approved with
modifications*

August 13, 1996

James R. Klauser, Secretary
Department of Administration
101 E. Wilson, Street, 10th Floor
Madison, WI 53703

Dear Secretary Klauser:

We received yesterday your letter dated August 8, 1996, regarding the Committee's action on the Department of Administration's s. 16.515 request for release of funding from the Information Technology Investment Fund (ITIF) for fiscal year 1996-97. In that letter, you requested a two-week extension in the time deadline indicated in our July 29, 1996, letter to you as to whether the Committee's proposed modifications to the request as submitted were acceptable or whether instead you wished to have the Committee meet under s. 13.10 of the statutes to consider the request.

It has been indicated to us that the principal concern of the Department regarding the modifications proposed by the Committee concern the funding items which would not be approved at this time. We continue to view those specific funding requests identified in our July 29, 1996, letter as needing additional documentation and/or justification to warrant approval by the Committee. Because we believe the majority of the request needs to move forward expeditiously and not be further delayed, we therefore cannot concur in your request for an extension of the action deadline by an additional two weeks. However, to accommodate the Department's concern, we will proceed with the understanding that, at least for the fiscal year 1997 grant cycle, additional requests for funding from the ITIF (for either one or more of the funding items outlined in our July 29, 1996, memo or for other initiatives) may be submitted later in this fiscal year. Such requests would be considered under the standard 14-day passive review process and reviewed by the Committee on the basis of the justifications presented in any such subsequent requests.

Secretary James R. Klauser

August 13, 1996

Page 2

It is our understanding that the Committee's approval of the request as specified in our July 29, 1996, letter is acceptable to the Department with the clarifications indicated in the above paragraph regarding consideration by the Committee in this fiscal year of any additional funding requests that may be submitted by the Department under s. 16.515.

Sincerely,



BRIAN BURKE
Senate Chair



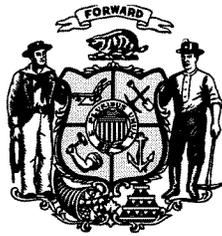
BEN BRANCEL
Assembly Chair

BB/BB/al

cc: Members, Joint Committee on Finance
Linda Nelson, DOA

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
SECRETARY



Mailing address:
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Madison, WI 53707-7864

TDD : 608-267-9629

August 8, 1996

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
37 South
State Capitol Building
Madison, WI 53703

The Honorable Ben Brancel, Co-Chair
Joint Committee on Finance
107 South
State Capitol Building
Madison, WI 53703

Dear Senator Burke and Representative Brancel:

I received your July 29 letter granting approval of the s.16.515 on the release of FY97 funding from the Information Technology Investment Fund and providing additional expenditure authority for program revenue operations to invest in information technology infrastructure.

The letter indicated that the recommendations were approved contingent on our acceptance of several modifications. Further, your correspondence stated that if you did not receive a response by August 9 on those modifications, you would consider no response as our acceptance of the changes.

Given the fact that we have not been able to thoroughly examine the impact of the modifications, I am requesting a two week extension in responding to your letter.

I appreciate your interest in this important issue and your willingness to allow some additional time to fully analyze the issues involved.

Sincerely,

James R. Klauser
Secretary

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
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Mailing address:
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August 8, 1996

The Honorable Brian Burke, Co-Chair
Joint Committee on Finance
37 South
State Capitol Building
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I appreciate your interest in this important issue and your willingness to allow some additional time to fully analyze the issues involved.

Sincerely,

A handwritten signature in cursive script, appearing to read 'James R. Klauser'.

James R. Klauser
Secretary

STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin



Mailing address:
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TOMMY G. THOMPSON
GOVERNOR
JAMES R. KLAUSER
SECRETARY

TO: Brian Burke
FAX: 7-0274

FROM: GEORGE LIGHTBOURN
PHONE: (608) 266-1741
FAX: (608) 267-3842

DATE: 8/9/96

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STATE OF WISCONSIN

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ASSEMBLY CHAIR
BEN BRANCEL

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JOINT COMMITTEE ON FINANCE

July 29, 1996

James R. Klauser, Secretary
Department of Administration
101 E. Wilson, Street, 10th Floor
Madison, WI 53703

Dear Secretary Klauser:

On July 9, 1996, a s. 16.515 request related to information technology infrastructure projects in the Department of Administration and other state agencies was forwarded to the Joint Committee on Finance for approval. The request would provide funding for the 1996-97 information technology investment fund (ITIF) grants.

No objections, except as noted, have been raised. Therefore, the request is approved with the following modifications:

1. The elimination of \$250,000 from the VendorNet recommendation associated with possible future system needs.
2. The elimination of \$442,000 in order to support five consultants, instead of ten, to provide initial technical assistance and help desk services.
3. The release of funds directly to the distinct ITIF appropriations of fourteen small agencies for basic infrastructure projects. Funds released to the agencies would be placed in unallotted reserve for expenditure only with DOA's approval.
4. The elimination of \$3,400 from the Department of Agriculture, Trade and Consumer Protection request for interactive voice response and complaint tracking system, associated with part-time positions.

Secretary James R. Klauser

July 29, 1996

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5. The deferral of action on \$585,750 provided for the large agency basic infrastructure projects which have been master leased until information is provided on how funding will be utilized. Once information is received related to these projects, the Committee will consider the request under a 14-day passive review process.

Unless you notify us by August 9, 1996, that you wish to meet on this request, we will consider the request approved as modified.

Sincerely,



BEN BRANCEL
Assembly Chair



BRIAN BURKE
Senate Chair

BB/BB/nb

cc: Members, Joint Committee on Finance
Linda Nelson, DOA



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

July 24, 1996

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Information Technology Investment Fund s. 16.515 Request for 1996-97

On July 9, 1996, the Department of Administration submitted a request under s. 16.515 related to information technology funding in various agencies and making the initial grants from the information technology investment fund (ITIF). Under the request, DOA is seeking total increases of \$4,598,892 PR in 1996-97. Unless the Committee schedules the request for a meeting under s. 13.10, it will be approved on July 30, 1996.

This memorandum provides information related to the request and a summary of DOA's recommendations. The Department's request is a modification of an earlier proposal submitted to the Committee in March, 1996, which proposed increased PR expenditure authorizations for both fiscal years 1995-96 and 1996-97. The current request proposes modifications or deletions to that original list of projects, adds some new items for which funding was not previously requested and indicates that the first year of requested funding is for fiscal year 1996-97. While some of the projects will, as in the original proposal, result in additional expenditure commitments from the ITIF in the following two fiscal years (1997-98 and 1998-99), this revised request addresses increase expenditure authorizations only for the current fiscal year.

BACKGROUND

1. Prior Legislative and Committee Actions

On March 1, 1996, DOA submitted a request for increased expenditure authority of \$4,487,402 PR in 1995-96 and \$2,148,356 PR in 1996-97 for information technology projects. Concerns were raised by a number of legislators regarding that request, including the fact that at that time the fee source to provide revenues to the ITIF had not yet been approved by the Legislature. Therefore, the Co-chairs of the Committee scheduled that request for consideration at the Committee's April 16, 1996, s. 13.10 meeting. At that meeting, the Department's request

was deferred until administrative rules related to a vendor's fee to provide revenue for the ITIF had been approved by the Legislature.

During the May, 1996, floorperiod, statutory provisions created by 1995 Act 27 establishing vendor fees as the principal source of revenue for ITIF were repealed and, instead, Act 351 authorized DOA to charge a bidders list registration fee to provide revenues for the ITIF. A revised rule establishing the registration fee was submitted by DOA to the appropriate standing committees of the Legislature and this revised rule was approved on July 8, 1996. The rule has been filed with the Revisor's Office, will be published in the August, 1996, Administrative Register and become effective on September 1, 1996.

2. ITIF Award Process

The information technology investment fund was created in 1995 Act 27 to provide a specific source of revenue for the initiation and development of information technology in state agencies. Revenue for the fund is to be generated from a bidders list registration fee. In Act 27, an annual grant award process, beginning in 1996-97, was created. Under this process, DOA is required to distribute awards on an annual grant cycle basis. The Department is required to submit grant criteria to the Joint Committee on Information Policy by September 15 of each year for its approval. Subsequent to approval of the criteria, DOA is required to distribute grant applications to state agencies by January 1 of the following year. State agencies then are required to submit any requests for funding from the ITIF to DOA and DOA is to then make awards by May 15, for the following fiscal year. Increases in expenditure authority for individual agency information technology development project appropriations are to then be submitted to the Joint Committee on Finance by the Secretary of DOA under s. 16.515 following completion of the annual award process.

3. 1996-97 Request

The request before the Committee would provide \$4,159,063 PR from the ITIF for grants to 27 agencies and increase expenditure authority by \$439,829 PR from agency PR appropriations for projects in an additional seven agencies. (The Department of Military Affairs would receive both an increase in PR expenditure authority and an ITIF award.)

Twenty-three of the agencies would receive grants in 1996-97 to make first payments on projects financed over a three-year period under the state's master lease program. The master lease is a \$50 million revolving line of credit the state has with a lender for state agencies' purchases of capital equipment such as computer hardware, software and distance education services. The program is administered by DOA. Terms of monies borrowed vary but are less than seven years, with a 90-day adjustable interest rate. Payments under the program are made annually by DOA in February and August.

It is important to note that while funding for 1997-98 and 1998-99 cannot be a part of this authorization, the implication of approving projects in the 1996-97 cycle that will be financed

through master lease financing is that a draw down from the fund is being made for not only 1996-97 but also for 1997-98 and 1998-99. While the use of master lease financing spreads costs over a period of three years, some of the fund revenue in 1997-98 and 1998-99 is committed and would not be available for grants for 1997-98 or 1998-99.

4. IT Standards for State Agencies

On December 4, 1995, DOA recommended computer hardware and software standards for all executive branch agencies. The Department specified that agencies should meet these standards within four years (by the end of 1998-99). In order to achieve these standards, DOA has required that each state agency submit a plan (termed a migration plan) on how these standards will be reached. A number of the grant recommendations in DOA's request are related to allowing agencies to meet these basic infrastructure standards.

5. Bidders List Registration Fee

In 1995 Act 351, DOA was authorized to maintain a bidders list which would include the names and addresses of all persons who request to be notified of competitive bids or competitive sealed proposals for contracts for materials, supplies, equipment or contractual services. Under current law, any state procurement contract that is in excess of \$25,000 must be made under competitive sealed bid or proposal, unless these requirements are waived by the Governor or Secretary of the Department of Administration. Procurement contracts under \$25,000 follow a simplified process specified by DOA and do not require formal competitive bids or proposals. Under Act 351, DOA or any agency is required to notify each person on the bidders list of requests for bids or competitive sealed proposals if the bid or proposal is for a product or service the vendor can provide. Individuals may be removed from the list for cause by DOA or any agency. Act 351 requires DOA to charge a fee to vendors for being placed on the list.

A vendor placed on the bidders list will automatically receive notification of any competitive bid or proposal that will be made by the state related to that vendor's product or service instead of being required to monitor official procurement announcements in state newspapers and other publications. The list will also be shared with all state agencies that are making purchases. As a result, agencies will be made aware of vendors who want to do business with the state. While agencies are not required to use the competitive bid or competitive sealed proposal process for purchases under \$25,000, agencies may use the list to identify potential vendors. It should be noted that, while individual agencies currently maintain bidders lists and may continue to do so, there is no uniform bidders list available. The bidders list created in Act 351 will establish a unified list so that vendors will have to apply only once to be on a list, and agencies will have one list to refer to when making purchases.

Under the recently approved rule, DOA will develop a bidders list of vendors interested in providing products or services to the state and will notify vendors on the list if contracts over \$25,000 are sought by state agencies. Vendors requesting to be placed on the list will pay an annual \$125 fee. Minority vendors and sheltered work centers will pay an annual \$65 fee to be

placed on the bidders list. In addition to the bidders list registration fee, DOA is also authorized to charge an additional \$100 subscription service fee for electronic access to procurement information. The subscription fee only applies to vendors wanting electronic access from more than one location (access from one location is included in the bidders list registration fee).

It should be noted that the interpretation of the rule related to the charging of a fee to vendors with contracts under \$25,000 is not clear. The Department of Administration has indicated that its intent is to charge anyone requesting to be placed on the list a fee. The rule, however, states: "Every vendor who requests to be placed on a bidders list . . . *and* [emphasis added] who is placed on such a list for any portion of that fiscal year in connection with transactions in excess of the amount indicated in s. 16.75(1)(c), Stats., [the section specifying the \$25,000 threshold below which competitive sealed bids are not required], shall pay a bidders list registration fee as provided in s. Adm. 9.05 [the \$125 or \$65 fee]." This language implies that vendors requesting to be placed on the list in connection with contracts under \$25,000 are not required to pay a fee.

This interpretation of the rule could require DOA to verify a vendor's intent to not bid on contracts over \$25,000 and monitor all vendors activities to ascertain that no bids over \$25,000 are sought. The result would be a fee that would be difficult for DOA to administer and one that may not accomplish the statutory purpose for which it was adopted. Legislative Council staff have suggested that the rule could be clarified by removing the phrase "in connection with transactions in excess of the amount indicated in s. 16.75(1)(c), Stats.," from the rule. The resulting language would clearly require every vendor to pay the fee for any portion of a fiscal year for which they are placed on the bidders list.

The Department of Administration has estimated that the bidders list registration fee and the subscription service fee for electronic access to procurement information will generate \$4,300,000 annually. No separate estimate is made regarding the subscription service fee, because, under the administrative rule, payment of the subscription service fee is included in the registration fee for one location. It is unknown how many vendors will want access to the vendor information service from more than one location. The revenue projection is based on the assumption that almost all of the identified 35,000 vendors will pay the \$125 fee. The number of vendors is based on DOA Bureau of Procurement vendor files and information from the state accounting system, and represents an estimate of all vendors. The Department believes that the benefits provided to vendors from being on the list will encourage a high degree of participation.

It should be noted that DOA's revenue estimates do not include revenue generated from the \$65 fee charged to minority businesses and sheltered work centers. There are approximately 700 certified minority businesses and work centers in the state. If all of these businesses pay the \$65 fee and other businesses pay the \$125 fee, annual revenue of \$4,420,500 will be generated from the bidders list registration fee.

Two factors will influence the amount of revenue generated from the bidders list registration fee: (1) its voluntary nature; and (2) the potential exclusion from paying the fee of

vendors placed on the list in connection with contracts under \$25,000. At this time, participation rates are unknown. According to the National Association of State Purchasing Officials, ten other states charge some type of vendor participation fee. Fees in other states range from \$10 biennially to \$100 annually. No information, however, is available on the participation rate in these states. In addition, it is not known how many of the identified 35,700 vendors could be placed on the list in connection with contracts under \$25,000. Therefore, a precise estimate of revenues generated from the fee cannot be determined until participation rates are known. If revenue generated is insufficient to cover anticipated expenditures, DOA would be required to submit a plan to the Joint Committee on Finance to assure that sufficient monies are made available to meet projected expenditures.

6. ITIF Condition Statement

Table 1 provides a fund condition statement for the information technology investment fund, based on expenditures proposed in the request and revenue figures from DOA's rules. As the table indicates, the fund would have a balance at the end of 1996-97 of \$8,400. As noted above, actual revenue could vary depending on the number of vendors who are charged the fee and the number of vendors who decide to participate. Projected continuing costs from this request are shown for 1997-98 and 1998-99 to identify on-going fund commitments for the second and third years of master lease funding for projects approved for 1996-97 and for expected on-going DOA administrative costs. While additional revenue from the subscription fee is anticipated, no estimate is included because it is unknown how many vendors will participate.

TABLE 1
Information Technology Investment Fund Condition Statement

	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>
Revenue			
Opening Balance	\$0	\$8,437	\$2,561,274
Bidders List Registration Fee	<u>4,300,000</u>	<u>4,300,000</u>	<u>4,300,000</u>
Total	\$4,300,000	\$4,308,437	\$6,861,274
Expenditures			
Administration*	\$132,500	\$132,500	\$132,500
ITIF One-Time Grants	910,300	0	0
ITIF Three-Year Grants (Master Lease Payments)	1,364,663	1,364,663	1,364,663
VendorNet**	802,100	250,000	250,000
Infrastructure Support**	<u>1,082,000</u>	<u>0</u>	<u>0</u>
Total	\$4,291,563	\$1,747,163	\$1,747,163
Ending Balance	\$8,437	\$2,561,274	\$5,114,111

* Funding for DOA administration is not part of the current request before the Committee because it requires action under s. 13.10.

** DOA indicates that infrastructure support after 1996-97 is expected to be funded from direct charges to state agencies and no longer be a part of fund expenses.

SUMMARY OF REQUEST

The request from DOA contains two components: (1) increases in ITIF program revenue appropriations in various agencies to reflect the funds released for various agency projects which are intended to be expended in 1996-97; and (2) increases in program revenue appropriations for seven agencies for various information technology projects including basic infrastructure improvements.

The requested funding amounts are indicated in Table 2. The cost of grants from the information technology investment fund are indicated in the columns headed "ITIF." Funding for projects that are to come from existing agency PR appropriations is shown in columns headed "non-ITIF."

TABLE 2

Requested Funding Increases -- Information Technology

<u>Agency</u>	<u>ITIF</u> <u>1996-97</u>	<u>Non-ITIF</u> <u>1996-97</u>
Administration	\$1,884,100	\$0
Adolescent Pregnancy Prevention and Services Board	3,728	0
Board on Aging and Long Term Care	8,662	0
Agriculture, Trade and Consumer Protection	59,630	0
Arts Board	12,780	0
Board of Commissioners of Public Lands*	0	33,450
Child Abuse and Neglect Board	10,018	0
Commerce	103,000	0
Corrections	240,150	0
Division of Hearings and Appeals**	118,247	0
Elections Board	97,250	0
Employment Relations	25,300	0
Employment Relations Commission	51,006	0
Ethics Board	34,583	0
Financial Institutions	0	200,628
Health and Family Services	377,500	0
Insurance	0	129,526
Joint Survey Committee on Retirement Systems	6,603	0
Land Information Board**	0	3,000
Lieutenant Governor	15,911	0
Military Affairs	86,400	18,125
Minnesota-Wisconsin Boundary Area Commission	8,591	0
Natural Resources	342,198	0
Office of Justice Assistance**	25,993	0
Personnel Commission	20,384	0
Public Instruction	44,375	0
Public Service Commission	0	50,000
Revenue	104,750	0
Tax Appeals Commission**	3,621	0
University of Wisconsin	400,000	0
Waste Facilities Siting Board**	0	5,100
Wisconsin Conservation Corps	25,283	0
Wisconsin Technical College System Board	<u>49,000</u>	<u>0</u>
Total	<u>\$4,159,063</u>	<u>\$439,829</u>

NOTE: *This entity is attached to Office of the State Treasurer for administrative purposes.

**These separate entities are attached to the Department of Administration for administrative purposes.

Attachment 1 to this memorandum summarizes the ITIF grants that DOA has authorized under this s. 16.515 request. The attachment identifies each agency for which funding is recommended, the purpose for the grant, and the appropriation for which increased funding is recommended and the amount of the increase. Attachment 2 summarizes the increases in non-ITIF agency appropriations which DOA has included as a part of this s. 16.515 request.

The following portions of this summary include both ITIF and non-ITIF requested funding increases. In some instances, an alternative to the DOA recommendation is identified *in italics*.

1. VendorNet

Provide \$802,100 in 1996-97 from the ITIF to DOA for the development of a statewide vendor information system, called VendorNet, that will provide information on state procurement practices via the Internet to vendors who do business with the State of Wisconsin. In addition to vendor information, VendorNet will also enable DOA to electronically administer the bidders list registration fee and to maintain a central database of vendors. The recommendation includes funding to provide Internet access to agencies which do not currently have it available.

Funding in 1996-97 is associated with systems development costs (contract programmers develop the VendorNet database and World Wide Web [WWW] applications -- \$311,000) and system hardware and software (WWW network servers, licenses, WWW development software, workstation, computer security software -- \$209,800). Further, \$250,000 is provided for possible future system capacity and function increases. In addition to costs for DOA, the VendorNet recommendation also provides \$31,300 for 110 internet access software packages and 62 modems to allow agencies to have access to VendorNet.

An alternative would be to eliminate the \$250,000 from the VendorNet recommendation associated with possible future system needs. While initial funding for VendorNet (\$552,100) appears to be reasonable, demand for future VendorNet services is not known and, therefore, \$250,000 recommended for capacity and functions increases could be addressed in future ITIF grant cycles.

2. Infrastructure Support

Provide \$1,082,000 in 1996-97 from the ITIF to DOA to provide consultation, help desk and training services to small agencies that are being recommended for upgrade from their current configuration to the basic infrastructure standards.

These services would be provided through contracting with outside entities. The service areas and amounts of funding to be allocated are as follows:

	<u>1996-97</u>
Help Desk Services	\$182,000
Consultation Services	702,000
Training Services	<u>155,000</u>
Total	\$1,039,000

The Department is also recommending \$43,000 in 1996-97 for purchase by DOA of computer equipment related to the provisions of such infrastructure support services.

Funding in 1996-97, is associated with the hiring of 2.5 consultants at \$35 per hour to provide help desk services (\$182,000), hiring 7.5 consultants at \$45 per hour to provide technical support and conversion services (\$702,000) and providing training for 311 staff from small agencies (\$155,000).

An alternative would be to reduce funding by \$442,000 in order to provide support for five, instead of ten, consultants. Initial funding could be provided at a lower level until actual workload associated with help desk and technical support could be determined.

The Committee should note that DOA has indicated that in the next biennium help desk, consultation and training services will be paid for by individual agencies through an annual rate to participating agencies. Agencies would be required to either use base resources or increased funding would need to be requested.

3. Small Agency Basis Infrastructure

Provide \$258,660 in 1996-97 for the first year of three years of master lease payments from the ITIF to DOA to fund the upgrade of fifteen small agencies from current computer hardware and software configuration to DOA's infrastructure standards. The majority of these funds are for additional or upgraded personal computers, software upgrades and associated computer system equipment such as printers, local area network file servers, modems and routers. While these funds would be released for individual agency projects, DOA recommends that these funds all be transferred to a general multi-agency appropriation in DOA which would streamline the administration of these monies and the purchase of the hardware and software items. In DOA's original request, these projects were funded as a one-time grant (not a three-year master lease payment) at a total of \$728,620 from the ITIF.

Funding amounts are as follows:

<u>Agency</u>	<u>1996-97 ITIF Grant</u>
Board on Aging and Long Term Care	\$8,662
Adolescent Pregnancy Prevention and Services Board	3,728
Hearing and Appeals	18,247
Child Abuse and Neglect Board	10,018
Ethics Board	17,083
Elections Board	30,750
Lieutenant Governor	15,911
Personnel Commission	20,384
Joint Survey Committee on Retirement Systems	6,603
Tax Appeals Commission	3,621
Arts Board	12,780
Minnesota-Wisconsin Boundary Area Commission	8,591
Wisconsin Conservation Corp	25,283
Employment Relations Commission	51,006
Office of Justice Assistance	<u>25,993</u>
Total	\$258,660

In addition to the agencies identified above, DOA is recommending that PR expenditure authority be increased in 1996-97 for three other small agencies in order to allow these agencies to use existing unbudgeted revenues for infrastructure projects. These projects will not use master lease financing. The agencies are:

Land Information Board	\$3,000
Board of Commissioners of Public Lands	33,450
Waste Facilities Siting Board	<u>5,100</u>
Total	\$41,550

An alternative related to all of the small agency basic infrastructure projects would release funds directly to the distinct ITIF appropriations established in Act 27 for fourteen of the fifteen agencies that would be receiving grants and place these funds in unallotted reserve for expenditure only with DOA's approval instead of releasing ITIF grant funds for small agency infrastructure projects to the single DOA appropriation. Funds for the Child Abuse and Neglect and Prevention Board would have to remain in DOA's appropriation because the Board does not have a separate ITIF appropriation. This alternative would allow grant funds to be tracked individually.

4. Other Agency Infrastructure Requests

Department of Natural Resources

District Network Expansion. Provide \$228,098 in 1996-97 for the first year of three years of master lease payments from the ITIF for a DNR network expansion project. Funding will be used in connection with capital budget expenditures to fully network sixteen newly-organized regional service centers with each other and the central office. Equipment in the request includes: cabling, router installation, communications lines, servers, hubs, network interface cards, printers and computer workstations.

Department of Military Affairs

National Guard Operations--Basic Infrastructure. Provide \$46,300 in 1996-97 from the ITIF for the first year of three years of master lease payments. The funding would be used to purchase equipment to meet standard basic infrastructure needs of the National Guard. Planned purchases include personal computers, software packages, workstation upgrades, conversion of existing applications, printers and other network equipment.

Military Affairs, Division of Emergency Management--Basic Infrastructure. Provide \$40,100 from ITIF, \$7,600 PR from the administrative appropriation for emergency planning and reporting and \$5,200 PR from the program services appropriation in 1996-97 for the purchase of equipment to meet standard basic infrastructure requirements. Total funding would be \$52,900 for the first of three years of master lease payments for equipment including new computers, printers, software and other equipment (total master lease payments will be \$73,200 annually including base funding of \$20,300).

It should be noted that under the original request submitted to the Legislature, the funding for Emergency Management information technology, less the base funds available, would have come from the program revenue appropriation for emergency planning and reporting. This appropriation receives revenues from fees on facilities that store or use hazardous materials (the SARA program) and is used to fund administration of the program and grants to counties to establish and maintain emergency response plans for facilities in their county. However, Emergency Management officials voiced concern over the effect of the increased expenditures on the solvency of the fund, and argued that since the program accounts for only 24% of the Division's full-time employees the expenditures should be distributed accordingly. In response, DOA amended its original request to recommend use of ITIF funds and other program revenue.

An alternative would be to provide the \$40,100 from the SARA program appropriation instead of the ITIF. Facility fees, which were last increased in 1992, are set by the State Emergency Response Board (SERB) as are the grants to counties. Annual grants and administrative expenditures currently exceed annual revenues by amounts such that there would be expected to be a deficit in fiscal year 2000-01 regardless of the information technology

expenditure levels. However, under this alternative, the draw on the ITIF would be lessened and the intent that agency PR funding for IT costs be used whenever possible would be adhered to.

Office of the Commissioner of Insurance

Infrastructure. Provide increased expenditure authority of \$129,526 PR in 1996-97 for the second phase of the OCI's infrastructure project. The Office received funding in Act 27 to install a local area network and associated desktop infrastructure. Funding in this request would allow the OCI to purchase hardware and software including desktop and laptop computers with additional memory, printers, network hardware and software.

5. IT Development Projects Identified in 1995 Wisconsin Act 27

In the 1995-97 budget, the Governor recommended that a number of information technology development projects be approved for funding from ITIF. Subsequent legislative action removed funding for these projects from the budget and allocated them as items for priority consideration for funding from the ITIF during 1995-96. Since the 1995-96 ITIF grant awards were deferred, funding for the projects identified in Act 27 is being recommended in 1996-97. The specific projects deferred are listed in s. 9101(2li) of the non-statutory provisions of 1995 Wisconsin Act 27. Those projects for which DOA has recommended funding in 1996-97 are summarized below by agency.

Department of Agriculture, Trade and Consumer Protection

Interactive Voice Response and Complaint Tracking System. Provide \$59,630 in 1996-97 from the ITIF for the first year of three years of master lease payments to automate the complaint tracking system and provide an interactive voice response (IVR) system for the Bureau of Consumer Protection. The recommendation would integrate DATCP's automated complaint tracking system with its new, automated telephone system and network the five offices that receive complaints. The request would also provide 16 personal computers and database software packages, reprogram the IVR system which was transferred from the Department of Justice (DOJ) to DATCP, complete programming of the automated complaints tracking system, integrate the databases of the two department and connect the IVR to the database.

It should be noted that DOA does not have a standard addressing computer purchases for part-time positions. DOA officials however indicate that they would generally like to maintain a ratio of one computer per FTE. DATCP's request would provide seven computers to 3.5 FTE (seven one-half time positions). DATCP contends that seven computers are needed for these staff because they are not involved in a job-share situation and therefore, could all be on-duty at the same time. An alternative, however, would be to reduce funding by \$3,400 per year in lease payments provided for three computers associated with part-time positions so as to make the number of computers provided more consistent with the number of FTEs provided the Department.

Department of Commerce

Interactive Voice Response. Provide \$32,000 in 1996-97 from the ITIF for the first year of three years of master lease payments to enable Commerce to develop an IVR system to provide information on department operations through a variety of media. The system is designed to provide a fax back capability and bulletin board access to department information as well as upgrade DODs' existing 1-800 number and voice mail services.

Department of Corrections

Scheduling Software. Provide \$10,650 in 1996-97 from the ITIF for the first year of three years of master lease payments to enable Corrections to purchase program scheduling software for inmate program assignments in 12 correctional institutions.

Department of Military Affairs

Emergency Government Mobile Unit Backup. Provide increased expenditure authority of \$5,325 in 1996-97 for the first year of three years of master lease payments to enable DMA to purchase the equipment to backup its emergency government mobile unit. Funding would come from the Division of Emergency Government's appropriation for emergency planning and reporting.

Department of Natural Resources

Expansion of Boat Registration System. Provide \$43,100 in 1996-97 from the ITIF for the first year of three years of master lease payments to enable DNR to expand its automated boat registration system to all of its vehicles, and to decentralize accessibility to the system. The Department proposes to expand a system which is currently operating only in the central office in order to provide access in its new service centers to an on-line boat registration processing system and to also expand that system to include snowmobiles and all-terrain vehicles.

Department of Public Instruction

Department Information Voice Response System. Provide \$44,375 in 1996-97 from the ITIF for the first year of three years of master lease payments to enable the DPI to develop an IVR system with a fax back capability. The project includes the development of an automated system to direct incoming calls, provide electronic information retrieval systems and an integrated fax system.

Department of Revenue

Milwaukee Refund System. Provide \$16,000 in 1996-97 from the ITIF for the first year of three years of master lease payments to enable DOR to develop an interactive voice response system to respond to tax refund inquiries originating in Milwaukee.

Board of Regents of the University of Wisconsin

Student Information System and Distance Education Projects. Provide \$400,000 in 1996-97 from the ITIF to enable the UW System to begin implementing two initiatives: (a) a student information system which would link UW campuses to technical colleges, K-12 schools and libraries (\$225,000); and (b) an upgrade in the UW's ability to deliver distance education courses through compressed video technology (\$175,000).

6. Department of Financial Institutions

Information Technology Infrastructure. Provide increased expenditure authority of \$181,628 in 1996-97 in the Department of Financial Institution's (DFI) general program operations appropriation for the first year of three years of master lease payments, for basic infrastructure improvement. In addition, increase expenditure authority by \$19,000 in 1996-97 in the separate general program operations appropriation for Office of Credit Unions to fund the separate infrastructure costs of that Office which is attached to DFI for administrative purposes.

7. Other IT Requests

Department of Health and Family Services

Scheduling and Timekeeping. Provide \$200,000 in 1996-97 from the ITIF to enable H&SS to implement a scheduling and timekeeping project for the Department's care and treatment facilities.

Public Service Commission

Electronic Reporting Filing. Provide increased expenditure authority of \$50,000 in 1996-97 for the development of an electronic filing system for annual reports submitted to the Commission by utilities. The funds will be used to analyze the current annual PSC report filing process and develop a reengineered electronic process.

Wisconsin Technical College System Board

Workstation Servers. Provide \$49,000 in 1996-97 from the ITIF for the WTCS Board to purchase two computer file servers and a computer file storage system.

8. New ITIF Projects for 1996-97

Department of Corrections

Victim Identification and Notification System. Provide \$52,000 in 1996-97 from the ITIF for an interactive voice response system to notify victims of the pending release and court dates of individuals charged or convicted of a crime against them. Funding would be used to purchase computer hardware and to contract with the firm that provides the service. Ongoing costs associated with the contract would be assumed by Corrections.

Elections Board

Agency Database Conversion. Provide \$66,500 in 1996-97 from the ITIF for software licenses, technical support and staff training costs to enable the agency to convert its current elections database to a new database management system.

Division of Hearings and Appeals

Consolidated Case Tracking System. Provide \$100,000 in 1996-97 from the ITIF for a consolidated case tracking system. The Division of Hearings and Appeals, attached to DOA for administrative purposes, conducts contested administrative hearings for state agencies. On July 1, 1996, the Department of Health and Family Services administrative hearings unit was transferred to the Division. Funding from the ITIF would allow the Division to develop a single case tracking system, which would provide: automatic generation of notices, letters and reports; electronic exchange of documents between agencies and the private sector; statewide on-line scheduling; and, a means for other agencies and the public to obtain information on scheduled hearings. The Division indicates that the total project will cost \$218,000, of which \$100,000 will be provided from the ITIF, \$40,000 from services provided by DOA's Division of Information Technology Services, and \$78,000 from Division resources. Funding from the Division will be provided through the master lease program over a four-year period.

Employment Relations

Agency Database Redesign and Migration. Provide \$25,300 in 1996-97 from the ITIF to fund a database applications development contractor to convert three of the agency's existing databases (compilation of precedents from appeals and arbitrations cases; registrations for agency-provided training activities; tracking of billings and invoices for agency services) from an obsolete Unisys system to the agency's local area network platform.

Ethics Board

Development of Internet Web Site. Provide \$17,500 in 1996-97 from the ITIF for the design and testing of an Internet Web site which would: (1) allow access to databases of all pending bills and administrative rules with an identification of the trade and professional

associations, businesses and others with interests in those matters; and (2) enable registered lobbying organizations to post their interests in pending legislation and administrative rules or to provide other information to the Board.

9. Large Agency Projects Master Leased for 1996-97

Basic Infrastructure. Provide \$585,800 in 1996-97 for the first year of three years of master lease payments from the ITIF to begin the upgrade of five large agencies from current hardware and software configurations to DOA's infrastructure standards. The Department of Administration indicates that the five agencies were selected because they represent major GPR funded operations that have incomplete or outdated information technology infrastructures. The Department indicates that the use of the funds would be in accordance with the agency's plan to convert to the infrastructure standards. At this time, DOA cannot provide detailed information as to how the recommended funding would be utilized.

Funding amounts are as follows:

<u>Agency</u>	<u>1996-97 ITIF Grant</u>
Health and Family Services	\$177,500
Corrections	177,500
Revenue	88,750
Natural Resources	71,000
Commerce	<u>71,000</u>
Total	\$585,750

An alternative would be to defer the new ITIF projects master leased for 1996-97 until DOA can provide information on how funding would be utilized.

<u>Agency</u>	<u>Purpose</u>	<u>Amount 1996-97</u>	<u>Appropriation</u>
IT Development Projects Identified in Act 27			
Agriculture, Trade and Consumer Protection	Interactive Voice Response and Complaint Tracking System	\$59,630	20.115(8)(kt)
Commerce	Interactive Voice Response Information Desk	32,000	20.143(4)(kc)
Corrections	Scheduling Software	10,650	20.410(1)(kw)
Natural Resources	Expansion of Boat Registration System	43,100	20.370(8)(mh)
Public Instruction	Interactive Voice Response System	44,375	20.255(1)(kt)
Revenue	Milwaukee Refund System	16,000	20.566(3)(ka)
University of Wisconsin	Student Information System and Distance Education	400,000	20.285(1)(kc)
Other IT Projects			
Health and Family Services	Scheduling and Timekeeping	\$200,000	20.435(8)(ka)
Wisconsin Technical College System Board	Workstation Servers	49,000	20.292(1)(kb)
New ITIF Projects for 1996-97			
Corrections	Victim Identification and Notification System	\$52,000	20.410(1)(kw)
Elections Board	Database Conversion to Oracle for 1996 General Elections	66,500	20.510(1)(ka)
Division of Hearing and Appeals	Consolidated Case Tracking System	100,000	20.505(4)(kb)
Employment Relations	Database Conversion from Unisys to LAN	25,300	20.512(1)(kb)
Ethics Board	Internet Web Site	17,500	20.521(1)(ka)
New ITIF Projects Master Leased for 1996-97			
Health and Family Services	Basic Infrastructure	177,500	20.435(8)(ka)
Corrections	Basic Infrastructure	177,500	20.410(1)(kw)
Revenue	Basic Infrastructure	88,750	20.566(3)(ka)
Natural Resources	Basic Infrastructure	71,000	20.370(8)(mh)
Commerce	Basic Infrastructure	71,000	20.455(3)(ka)
Total		\$4,159,063	

ATTACHMENT 2

**Agency Non-ITIF Appropriation Increases
1996-97**

<u>Agency</u>	<u>Purpose</u>	<u>Amount 1996-97</u>	<u>Appropriation</u>
Small Agency Basic Infrastructure			
Land Information Board	Basic Infrastructure	\$3,000	20.505(4)(k)
Board of Commissioners of Public Lands	Basic Infrastructure	33,450	20.585(2)(hg)
Waste Facilities Siting Board	Basic Infrastructure	5,100	20.505(4)(k)
Large Agency Basic Infrastructure			
Military Affairs	Basic Infrastructure -- Emergency Management Operation	7,600	20.465(3)(f)
Military Affairs	Basic Infrastructure -- Emergency Management	5,200	20.465(3)(g)
Insurance	Basic Infrastructure	121,973	20.145(1)(g)
Insurance	Basic Infrastructure	7,553	20.145(8)(hg)
IT Development Projects Identified in Act 27			
Military Affairs	Emergency Management Mobile Unit Backup	5,325	20.465(3)(i)
Department of Financial Institutions			
	Basic Infrastructure -- General Program Operations	\$181,628	20.144(1)(g)
	Basic Infrastructure -- Office of Credit Unions	19,000	20.144(2)(g)
Other IT Projects			
Public Service Commission	Electronic Report Filing	<u>50,000</u>	20.155(1)(g)
Total		\$439,829	