

Fiscal Estimate Narratives

DFI 12/11/01

LRB Number	01-3790/1	Introduction Number	SB-333	Estimate Type	Original
Subject					
Next economy financial institutions package					

Assumptions Used in Arriving at Fiscal Estimate

This bill authorizes business entities, including limited partnerships, limited liability companies, business corporations, and nonstock corporations, to directly convert into other forms of businesses. Currently, businesses are not permitted to easily convert from one form of organization to another; rather they are required to take a series of steps that may include dissolution and recreation as a new entity. The bill also authorizes business entities to merge with any other form of business. They would no longer be restricted to merging with a similarly structured organization.

When a business entity is seeking to either convert from one form of business to another or to merge with other business entities, it is required to submit a comprehensive plan to the Department reflecting detailed information concerning the predecessor and successor organizations. As a matter of completing the organizational transaction, an attorney, owner or representative needs to obtain comprehensive data covering all related agency filings. Depending upon the type of organization, this could include articles of organization, amendments, restated articles, changes of registered agents or offices, annual reports, articles of dissolution, and others.

This data is currently available at the department but in distinctly separate and unique formats. Formats vary depending upon the type of information being sought and when the information was filed. These formats include microfilm, microfiche, paper, electronic through the Corporate Registration Information System (CRIS), scanned images and on-line records. In order to develop the information necessary for a merger or conversion it will be necessary to conduct a search within each type of format for organizational information. Each potential location must be checked to determine if there are any pertinent documents or pieces of information. This will take considerable time and may or may not be complete. Given current staffing levels and the increase in activity expected to be generated by the legislation, it is necessary to convert existing data to a single format in order to respond to this information need.

The Department currently supports on line filings for the creation of limited liability companies. Additionally, corporations may now complete their annual reports on line. These applications have been very successful in reducing staff time, increasing accuracy, and expediting the filing of documents. When the Corporations Bureau was merged into the Department several years ago, staff was reduced by 10.0 FTE. Initially, the department relied heavily on overtime and LTE's to meet customer needs, but it soon noted that these efforts were not affordable or sustainable. Only the introduction of web-based on-line applications and the electronic imaging of documents have reduced the reliance on overtime and LTE's. The information access and efficiencies gained through common format web accessible applications must be a core part of the mergers and conversion legislation. If it is not, it will significantly impact the ability of organizations to operate under the new provisions.

In order for the Department to meet increased information demands to ensure that information gaps do not exist, and to consolidate organizational data into a coordinated system, the Department will need to convert large amounts of existing data and create online access capability. If the Department were to continue with its current operations, it would require substantial continuing staffing adjustments to maintain the level of service that is demanded by the public.

Application Development

In order to provide for on-line access to business information with full on-line filing and search capabilities, key applications will need to be developed and/or enhanced. These changes and enhancements are necessary for the creation of a customer driven system that does not rely on paper processes or time consuming multi-system searches by agency staff. Changes will include:

Expanding On-Line Filings – Currently, initial filings of limited liability companies are the only filings that are

available to do on-line. Changes will need to be made to the current online program to permit customer initiated on-line filings for all business filing types. It is key to include all filing types or full data records will not be available for subsequent data searches or inquiries. It is estimated that the resources required to complete this functionality total \$190,400. The estimate is based on system development, programming, and testing requiring an expenditure of approximately 17 person months.

Increasing Access to Services - Services that must now be done via mail will be made available on-line. These services include obtaining the certificates of status and certified copies that are used to document organizational status or provide required legal documentation. Currently, these requests require substantial effort to fulfill as data is maintained in multiple formats and locations including microfilm, microfiche, imaged documents, paper, and online filings. Estimated resources to provide these services on-line total \$116,400. This cost includes 10.5 person months of programming, testing and system development.

Allowing Web Searches with Images – Basic searches of the Corporate Registration Information System can be done on the Department's website. However, the information is not complete and only indicates the status of an entity. The searches do not provide for the viewing of actual documents. Businesses or individuals seeking information associated with a pending conversion or merger need to be able to access information along with viewing and printing critical documents. The cost to develop the on-line search functions totals \$136,800 for 12 person months of development, programming, and testing, including developing the ability to charge a fee for searches. Currently, online web searches are free because of the rudimentary nature of the searches and the limited information that can be obtained. However, once the searches are refined and provide access to imaged documents, charging for searches to recoup costs and maintain systems is an option.

It is likely that the number of searches will increase dramatically once they are available on-line. When on-line UCC searches became available, the number of searches increased from approximately 1,500 per month to over 8,000. This is simply a result of the ease of performing the search. It is likely that similar results will occur for corporations searches.

Modifying CRIS – CRIS is the database used by the Corporations Bureau staff to research information about Wisconsin business or organizational entities and to manage their program activities. When an information request is made, CRIS is the first point of search. However, CRIS does not contain the actual documents that are necessary to complete an information request. Modifications to the current CRIS system, including updating the system to view images and e-files from within the client application, will broaden the capability of the system and provide for integrated information. The estimate for the modifications to CRIS total \$90,400. This includes approximately 8 person months of development, programming, and testing.

Total application development: \$534,000

Imaging & Document Conversion

In order to fully support an on-line system, with all documents accessible, it will be necessary to image paper and other documents, both new and previously received. Programming necessary to convert data currently found in other formats, including paper, microfiche, and microfilm is estimated at \$52,800. This includes approximately 4 person months of programming, testing, and system development.

Corporations Bureau staff believe that 90% of all information requests are for organizations with activity within the past 3 years. Therefore, converting beyond three years would not yield substantial results. Assuming a cost of approximately \$25,000 to convert each year of records, total necessary document conversion costs are \$75,000. Image viewing licenses for corporations staff and web site customers total \$65,100.

Total imaging and document conversion: \$192,900

Hardware & Software

In order to support the functionality of on-line filings and searches with access to imaged documents and a complete database, elements of the current infrastructure need to be enhanced.

Necessary hardware and software changes identified include servers to support the imaging application and the database to hold information for the applications. An additional server will permit separate backup for secure information. Retrieval and storage will be isolated from other systems. Appropriate electrical infrastructure will be needed to support the hardware. The additions and their costs are:

3 Servers with SQL Server software to support the applications \$45,000
SQL Software 26,000

Tapes 2,000

Electrical, including UPS, network routing & configuration, switch, cards 21,700

Total Hardware & Software \$94,700

Total estimated costs: \$821,600

Impact on Revenue:

It is estimated that among the nearly 200,000 existing entities on record, approximately 5% (10,000) would convert to a different organizational type or merge with another business soon after the initial implementation of this bill. Because current law has not permitted such conversions or allowed for efficient mergers, it is believed that there is built-up demand for these transactions. The Department anticipates one-time revenue of \$1,500,000 (\$150 per transaction, X 10,000) when the legislation is effective.

After the initial round of consolidations and mergers, it is estimated that annual revenue will be approximately \$75,000.

It is also likely that additional revenue will be received as the ease of obtaining services increases the volume of service demand. Additionally, charging for on-line searches and copies will also increase program revenue.

Exemption from securities registration requirements and licensing requirements for securities broker-dealers and securities agents:

There is negligible fiscal impact associated with the securities portion of this bill.

Long-Range Fiscal Implications

Estimated on-going annual revenue of \$75,000.

Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 01-3790/1		Introduction Number SB-333	
Subject			
Next economy financial institutions package			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
One time costs of \$821,600; one-time revenue of \$1,500,000			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS	75,000	
	SEG/SEG-S		
	TOTAL State Revenues	\$75,000	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$75,000	\$
Agency/Prepared By		Authorized Signature	
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		Date	
		12/11/01	