



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #971

Document Imaging of Agency Records (Veterans Affairs -- General Agency Provisions)

[LFB 2001-03 Budget Summary: Page 695, #4]

CURRENT LAW

The Department of Veterans Affairs (DVA) has a general program operations appropriation for the administration of programs funded from the Veterans Trust Fund and a similar general program operations appropriation for the administration of veterans loan programs. These two appropriations have combined base level supplies and services funding of \$1,328,400 SEG annually. No funds are currently budgeted for document imaging activities.

GOVERNOR

Provide \$910,700 SEG in 2001-02 and \$188,900 SEG in 2002-03 and 5.0 SEG four-year project positions to begin an initiative to convert the agency's estimated six million pages of veterans' files from a paper storage format to an electronic imaging format. Of the amounts provided, \$25,000 SEG in 2001-02 would fund a feasibility study to determine the advisability of a document-imaging project for veterans' records and program usage files. All of the remaining funds would be budgeted in unallotted reserve (\$885,700 SEG in 2001-02 and \$188,900 SEG 2002-03) for release by DOA, based on its concurrence with the feasibility study recommendations. Of the amounts provided for 2001-02, \$751,000 SEG would be reserved for scanning software, file servers, scanners and monitors associated with the imaging of the documents.

DISCUSSION POINTS

1. The Department indicates that a major feature of the documents imaging proposal is

to provide protection for the agency's 1.5 million paper files associated with Wisconsin veterans and their usage of DVA programs. In many cases these records are the only copies in existence, as a large volume of federal veterans records were destroyed in the early 1970's as a result of a fire at a records storage center in St. Louis.

2. The agency believes that the documents imaging proposal would:

- Secure and preserve the existing paper files; and
- Improve access to the files by veterans and by agency staff who must work with the files on a daily basis. Electronic files would offer the advantage of allowing veterans and veterans' service providers to access these records on-line.

3. The Department argues that the advantage of providing funds for the agency to purchase the necessary equipment and authorizing 5.0 FTE project employees for documents preparation and scanning is that the Department could systematically convert the files over a four-year time line and also use the equipment for other electronic filing purposes, such as providing web access to loan or health care information. Furthermore, if the Legislature authorizes the Department to undertake the in-house servicing of veterans housing loans, the files associated with those functions would likely be imaged as well.

4. It is anticipated that the Department's documents imaging proposal would require a four-year effort to complete. Costs of the project in the 2003-05 biennium can be expected to be at least \$188,900 SEG annually for on-going salary and fringe benefits costs and hardware/software support and maintenance.

5. While the agency believes that it would be cost-effective to proceed in-house with the documents imaging initiative, the state has centralized many services such as mailing, fleet operations, mainframe IT services and records management in order to avoid unnecessary duplication of services by agencies and to avoid providing equipment that is used on an infrequent basis. Consequently, it could be argued that the State's Record Center or a private vendor could provide for the Department's file conversion needs on a more cost-effective basis.

6. There are several elements involved in the cost of a document imaging undertaking if the State Records Center or a private vendor would undertake the imaging project. These include:

- *The Number of Pages.* There are usually volume discounts when such services are out-sourced..
- *In-House or Off-Site Processing.* If the Department needs to maintain access to the documents, then there are usually higher costs involved. Imaging services can usually offer lower rates by bringing the documents to a facility established exclusively for document imaging.
- *Indexing/Data Entry.* The degree to which discrete items of data must be entered for each record scanned (so that it can be searched electronically) will have an impact on the cost of the

project. Examples of this type of data might include the veteran's name, position/rank, date of enlistment, date of separation and military identification number. Discounts may be available if number of data fields that must be indexed can be minimized.

- *Document Preparation.* Costs of the project will vary depending on the amount of document preparation necessary (such as, grouping documents, arranging documents chronologically and removing staples and clips).
- *Searchable Documents.* Additional costs may be involved if the imaged documents must be formatted to allow for electronic searches of the document.

7. Several major state agencies have undertaken significant data imaging projects in the last two or three years. One of the largest file conversion projects to date involved the Department of Employee Trust Funds (ETF), which converted over 10,000,000 documents. This imaging effort was one of considerable complexity. A vendor was hired to convert the agency's files on-site. The vendor, using contract staff, prepared and scanned the files. ETF's file conversion was completed in this manner in a 24-month period at 99.9% accuracy level. The agency's costs averaged \$0.24 per page scanned.

8. Discussions with ETF's vendor have determined that the agency's file conversion project was a highly complex one that had to accommodate over 3,000 possible document types. The DVA file conversion project would likely be considerably less complex and could probably be accomplished at a cost of between \$0.15 and \$0.24 per scanned document. This would suggest that the DVA imaging project could be undertaken at a total cost of between \$900,000 SEG and \$1,440,000 SEG.

9. Further, the State's Record Center has an established rate of \$0.15 per scanned page, with additional costs for formatted text (\$0.03 per page), indexing (\$4.38 per 1,000 characters entered), and document preparation (\$18.00 per hour). The Center has also indicated that the cost of indexing and preparation is highly variable. The Center requires a pilot application that costs \$500 to \$1,000 that is used to estimate the total cost of a project.

10. The Governor's funding recommendation for the Department's documents imaging conversion project included \$25,000 SEG in 2001-02 for a feasibility study by an IT consultant to determine the advisability of a documents imaging project. It is anticipated that the study would take six months to complete.

11. The Committee may wish to consider, as an alternative to the Governor's recommendation, providing only the \$25,000 SEG in 2001-02 at this time for the feasibility study. The balance of the funding for the project (\$885,700 SEG in 2001-02 and \$188,900 SEG 2002-03) could be reserved in the Committee's s. 20.865(4)(u) appropriation for possible future release to the Department, once the documents imaging feasibility study had been completed. Under this alternative, the feasibility study would have to include the results of requests for information for the costs of the documents imaging project if undertaken by the State Records Center or by private

vendors and an assessment of the most cost-effective strategy for the documents conversion project. Also under this alternative, position authority for the 5.0 SEG project positions would be deleted, pending a determination of whether or not the documents imaging project would be undertaken in-house or contracted out.

12. Alternatively, if the Committee believes that the recommended feasibility study and DOA’s ability to release the necessary imaging project funding amounts from unallotted reserve, based on the results of that study, are sufficient to ensure that the least costly documents imaging conversion option will be pursued, then it could approve the Governor’s recommendation.

ALTERNATIVES TO BILL

1. Approve the Governor’s recommendation.

2. Modify the Governor’s recommendation by shifting \$885,700 SEG in 2001-02 and \$188,900 SEG 2002-03 to the Committee’s s. 20.865(4)(u) appropriation for possible future release to the Department of Veterans Affairs, once the documents imaging feasibility study had been completed. The feasibility study would have to include the results of requests for information for the costs of the documents imaging project if undertaken by the State Records Center or by private vendors and an assessment by DVA of the most cost-effective strategy for the documents conversion project. Delete position authority for 5.0 SEG project positions, pending a determination of whether or not the documents imaging project would be undertaken in-house or contracted out.

Alternative 2	SEG
2002-03 POSITIONS (Change to Bill)	- 5.00

3. Maintain current law.

Alternative 3	SEG
2001-03 FUNDING (Change to Bill)	- \$1,099,600
2002-03 POSITIONS (Change to Bill)	- 5.00

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