

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Governmental Oversight and Accountability Committee

BILL: SB 594

INTRODUCER: Senator Aronberg

SUBJECT: The State Budget

DATE: February 27, 2009 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Pre-meeting
2.			GA	
3.			WPSC	
4.				
5.				
6.				

I. Summary:

The bill requires the Office of Policy and Budget in the Executive Office of the Governor to develop and maintain a searchable web capability for appropriations and expenditure information affecting agencies that receive funding through the state appropriations process.

This bill creates s. 216.352, Florida Statutes.

II. Present Situation:

Chapters 215 and 216, F.S., embrace the governing principles and organizations involved in the financial management of State of Florida, its constitutional and statutory agencies, units of local government, and the thousands of private entities under contract to them whose funds pass through the state appropriations process. Chapter 215, F.S., embraces the flow of funds among the various entities while ch. 216, F.S., contains the processes by which revenues to the State of Florida from taxes and fees are allocated as appropriations to the public and private entities receiving them.

The state legislature is the constitutional entity solely charged with making appropriations, that is, the statutory authorization for the expenditure of funds for a lawful purpose. The management of funds on the disbursement and expenditure components of this duty are divided among several parties: the Governor as the chief executive officer of the State and of the Executive Branch, the Chief Financial Officer, as successor to the Treasurer and Comptroller, and the Legislative Budget Commission, a joint unit of the Senate and House of Representatives responsible for budget transfers among the various public entities when the legislature is not in its official annual or special session.

Sections 215.90 – 215.96, F.S., govern the establishment and operation of the Florida Financial Management Information System. The unique nature of the structure of the Florida state government executive branch is such that many statutory financial management tools are collaborative undertakings. The history of Florida has long eschewed the concentration of executive prerogative in only one official or department.¹ The system in place, then, reflects the constitutional status of each and the practical necessity of combining these separate prerogatives into a less parochial whole. The means of executing this has been to allocate ownership of each of the principal subsystems to particular entities, with overall policy direction established through a Board and through interagency agreements. As a result, the following characteristics of ownership are established by statute:

Organizational Components of the Florida Financial Management Information System (FFMIS)

Subsystem	Functional Owner
Planning and Budgeting System (PBS)	Executive Office of the Governor
Accounting Information Resource Subsystem (FLAIR)	Chief Financial Officer
Cash Management Subsystem (CMS)	Chief Financial Officer
Purchasing Subsystem (SPURS/MFMP)	Department of Management Services
Personnel Information System (COPES/PF)	Department of Management Services
Legislative Appropriations System (LAS/PBS)	Senate and House of Representatives
State Unified Tax System (SUNTAX)	Department of Revenue

Over the years since its creation in 1980, each of the component parts has experienced one or more systemic changes, the most recent of which have been a result of the recognition to replace systems proprietary in nature with ones that have the capacity and functional attributes of modern commercial systems. The most recent enterprise resource planning replacement initiative for FLAIR and CMS, formally entitled Aspire, was abandoned in late 2007. Additionally, two of the subsystems COPES/PF and SPURS/MFMP, have been effectively reengineered through the use of outside contract vendors whose commercial, off-the-shelf software has been adapted to be compatible with the functionality required by the remaining subsystems in FFMIS.

By the end of FY 2011, the State of Florida will have to make a series of successive financial commitments on whether to renew, renegotiate, or redeploy several of these functional components, as follows: MyFlorida Marketplace (2010, \$115 MM); Personnel Information System/PeopleFirst (2011; \$350 MM); FLAIR (2011, \$97 MM); and CMS (2010, \$5 MM). As important as these financial elements are, putting in place the policy parameters in which the key agency participants must operate is even more essential. A lesson learned from past experiences, used as an imperative in the creation of the Agency for Enterprise Information Technology, is that if early agreement is not reached on purpose, direction, and responsibility, the likelihood of the result being off-task, off-time, and off-budget multiplies. Key among these is the concept of governance and the development of reasonable expectations on functional ownership and responsibility. The absence of these elements has been well documented as contributing factors to disappointments in prior enterprise business activities in this area. Indeed, it was the failure of

¹ Committee on Governmental Oversight and Productivity, the Florida Senate, *Cabinet Reorganization*, Report 2000-52, Tallahassee, FL: December 1999.

the collegial expectations of the FFMIS Board to discipline all of the participants as early as 2005 that ultimately doomed the Aspire reengineering efforts years later.

Because FFMIS relies heavily upon proprietary technology, its ability to adapt to change has been limited. Adjustments have been intermittent and layered and the system components are nearing the end of their useful lives. As this layering has become more complex, additional human engineering has been required – frequently summarized in the term “workarounds” – and loss of responsiveness has led many agencies to develop their own “shadow” systems at the sub-accounting level to provide them with the functionality required. An estimate by the Legislature’s Technology Review Workgroup, places the number of shadow accounting systems for state agencies alone at nearly 400. There are at least two other free-standing state agency procurement systems that compete with SPURS/MFMP: the Department of Transportation and the Department of Agriculture and Consumer Services.

As these legacy systems were designed for institutional purposes – procurement of commodities, payment of invoices, salary warrants, or intergovernmental fund transfers – the customary audience has tended to be peer governments or vendors, not the general public. While it is possible to use a commercial search engine to find discrete appropriation categories in the Governor’s Recommended Budget or the General Appropriations Act, it takes a series of successive links to the other data bases to build a picture of the financial and procurements reaches of state government. Furthermore, the engines themselves cannot probe to the expenditure or more detailed levels. It is at the expenditure level where the complexity increases and transaction volume multiplies.

That said, there are a number of ways of collecting some of these data by linkages to existing systems. It is possible to view many state contracts and commodity purchasing agreements through the existing SPURS and MyFlorida Marketplace systems. A data warehousing system provides archival information on personnel actions, although the successor PeopleFirst System is remotely operated by a contract vendor. Aggregating all of these links is possible but it would still require the viewer to make an investment of time to understand the unique data dictionaries that accompany each. The Chief Financial Officer, through the Department of Financial Services already maintains an inventory of local government financial information on revenues and expenditures². Reports for the periods 1993 through 2008 cover the areas of revenues, expenditures, debt, compliant and non-compliant governments. Units of government include counties, cities, special districts and other special purpose units.

Not all public agencies funded from the General Appropriations Act operate identical FFMIS accounting systems. The eleven state universities use at least four separate commercial, off-the-shelf accounting packages which are compatible with the relevant parts of FFMIS. This compatibility has two features: first, it permits the ability to pay, acquire and audit, an essential requirement of the FFMIS statute; and, second, it can permit the development of more facile search capabilities since these commercial software packages were developed after widespread use of the Internet.

² <https://appns.fldfs.com/LocalGov/Reports>

Public Law 109-282, The Federal Funding Accountability and Transparency Act of 2006, aggregated a number of free-standing federal government web sites to create a single, searchable data base for federal contract awards. The financial impact statement accompanying that act indicated a two-year development cost of \$19 million. Some seven other state legislatures followed this initiative by developing similar search capabilities for appropriations, contract, and grants and, in some cases, expenditures. In the case of the State of Georgia, this capability extended to reporting individual salary warrants and expense reimbursements.

There are other systemic approaches in Florida law for the reporting of local government financial information. Section 218.32, F.S., requires the preparation and submission of an annual financial report to the Department of Revenue. That information collection device serves as the basis for the development of the uniform accounting system manual used by the department for the recording and reporting of this information.

The second approach, the Florida Single Audit Act, s. 215.97, F.S., establishes uniform fund accountability for the audit of state funds allocated to non-state entities. The act places the Auditor General as the compliance authority for determining adherence to this act at the award, accounting, expenditure, and post-audit level.

Additional linkages to web sites maintained by the Legislature's Office of the Auditor General and the Office of Program Policy Analysis and Governmental Accountability would permit the collection of post-audit and performance analysis on the financial data bases.

III. **Effect of Proposed Changes:**

The bill requires the Office of Policy and Budget in the Executive Office of the Governor to establish and maintain a searchable capability to the expenditure level across ten enumerated dimensions.

The functional capability is to be established by January 1, 2010 and shall be updated within thirty days of the close of each state fiscal year. It shall link appropriations with expenditures and provide links to performance measures and external audit reports.

Other Potential Implications: As discussed below, there are a number of development, governance, security, and mandate matters that arise directly from this bill, each of which has a direct compliance, financial, or policy effect.

IV. **Constitutional Issues:**

A. **Municipality/County Mandates Restrictions:**

While it would appear that there is no direct impact on units of local government, the focus of activity in the bill on the expenditure level of analysis produces a different result. An "expenditure" in the meaning of ch. 216, F.S., is the "creation or incurring of a legal obligation to disburse money." An expenditure from the state treasury, for example, to a unit of local government may be recognized at receipt as an intergovernmental transfer, or one of several other discrete items defined by ch. 216, F.S. The affected local governments would want to inquire whether their legacy accounting systems are to be

configured to permit a successive search down to this level or whether this functionality is considered complete only as the funds leave the state treasury. In some circumstances, the ability of smaller units of government to collect even basic accounting information is already challenged. See, *Related Issues*, below, for more information.

B. Public Records/Open Meetings Issues:

There are several hundred exemptions to the public records provisions of ch. 119, F.S. Caution will have to be exercised to assure that any search result does not breach any of the protected classifications that exist in law. Many of these security provisions shield personal identifying information on the basis of address, protected identification, security protocol, or trade secrets. The bill disclaims identification at the individual recipient level but many of these data elements, as expenditures, are captured at this level of detail and would have to be redacted prior to release.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

Development costs associated with this are unknown but are to be fully borne by the State of Florida. Preliminary work on this activity undertaken by the Department of Financial Services has identified costs and sequential unfunded impacts to units of local government.

VI. Technical Deficiencies:

Amendments to ch. 216, F.S., require a specific cross-reference to s. 216.351, F.S., which is not present here.

Defining the term “State Budget Office” as the Office of Policy and Budget is superfluous since this is a term not used in this state.

The bill contemplates the reloading of expenditure data after the end of the state fiscal year (July 1 through June 30). The context of this directive suggests that this is a responsibility of the Executive Office of the Governor. In fact, this is a duty of the Chief Financial Officer whose office is the functional owner of FLAIR, by law.

The bill requires updating of the data base regularly but this imperative is directed only to state agencies. Strictly speaking, this eliminates the state university system, as a nominal non-state agency, and any other entity not funded through the General Appropriations Act.

Updating of local government financial information will have a natural lag since the fiscal periods differ between state and local government. For operating budget information, the lag can extend to one year even though local government pension information becomes available as soon as thirty days after the close of the September 30 fiscal year.

VII. Related Issues:

The probability of developing a fully functional search capability, at the expenditure level, for over more than 1500 units of government, operating an equal number of accounting systems should be arrayed against the nominal six-month development and execution time frame. This number does not include governmental corporations such as Enterprise Florida, P.R.I.D.E., and like structures.

The legislative history of P.L. 109-282, upon which this bill is patterned, suggests clearly that many of the federal data bases have incomplete or unreliable data in them.³ The desire to foster transparency will have to contend with this near-term obstacle which may be overcome, in part, by limiting the reach of the disclosure to currently accessible contracts and grants. Expenditure-level data, like data on sub-grant recipients, raises significant accounting level considerations, that may reside in many of the shadow accounting systems that populate state government.

Portions of this bill are suggestive of related legislation filed in the 2008 Regular Session. Senate Bill 392 required the disclosure of all contracts above a certain dollar threshold. Like SB 594 it excluded personal identifying information with specific reference to individuals. The Department of Financial Services reported the following in its financial analysis of that 2008 bill:

“Estimated impacts on the Local Governments are difficult to ascertain. The bill is an unfunded mandate but will vary on level of technology and contract information availability. Smaller Governments will face a difficult start up cost in terms of technology and personnel required for implementation. Larger Local Governments may face a difficult cost in terms of increased technology (web bandwidth space). At this point, the costs for all Local Governments is (sic) considered unknown.”

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes: (Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

³ Congressional Research Service, *The Federal Funding Accountability and Transparency Act: Background, Overview, and Implementation Issues*. The Library of Congress: October 6, 2006.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
