

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **0520**

HOUSE BILL NUMBER **244**

RESOLUTION NUMBER **N/A**

AMENDMENT NUMBER **N/A**

SUBJECT/TITLE AN ACT relating to reorganization.

SPONSOR Representative Diane St. Onge

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **N/A**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES				
EXPENDITURES				
NET EFFECT				

() indicates a decrease/negative

MEASURE’S PURPOSE: The purpose of this measure is to reorganize the Commonwealth Office of Technology in the Finance and Administration Cabinet.

PROVISIONS/MECHANICS: Section 1 amends KRS 42.650 to establish the Division of Enterprise Portfolios within the newly established Office of IT Architecture and Governance.

Section 2 amends KRS 42.724 to establish the Offices of Project Management, IT Services and Delivery, IT Architecture and Governance, the Chief Information Security Officer, and KY Business One Stop. Section 2 also abolishes the Offices of Enterprise Technology, Infrastructure Services, Application Development, Chief Information Officer, and Information Technology Service Management.

Section 3 amends KRS 42.726 to declare the Commonwealth Office of Technology the lead organizational entity within the executive branch regarding information technology services and the single information technology authority for the Commonwealth.

Section 4 amends KRS 42.730 to require the executive director of the Commonwealth Office of Technology to serve as the chief information officer for all agencies within the executive branch

and includes in the duties of the executive director the approval of technology acquisitions prior to any procurement.

Section 5 amends KRS 42.738 to change the titles of chief of information officers of various agencies to information technology leads.

Sections 6, 7 and 8 amend KRS 42.742, 42.744, and 116.200 to conform.

Sections 9 amends KRS 131.020 to establish a Division of Application Development and Support within the Office of Processing and Enforcement in the Department of Revenue.

Section 10 confirms Executive Order 2017-0889.

FISCAL EXPLANATION: The Finance and Administration Cabinet (cabinet) indicates that it cannot provide an exact dollar reduction or increase in expenditures that would result from the reorganization presented in HB 244, as increases in expenditures related to position changes would be offset by savings seen in other areas. The cabinet does not anticipate an increase in expenditures as a result of implementation.

The cabinet projects that the reorganization would result in the following changes in position numbers within the cabinet:

Finance and Administration Cabinet		
Position	Before	After
Commissioners	2	2
Executive Directors	28	28
Division Directors	43	40
Total	73	70

The Cabinet projects that roles and responsibilities of some existing employees may be reclassified and/or transferred to other positions as a result of the reorganization, ultimately resulting in no changes in compensation. Promotions may occur in other areas of the cabinet that relate to supervisory and/or management positions, although costs are indeterminable and dependent upon implementation and expected to be offset. Furthermore, the cabinet does not anticipate any layoffs as a result of this reorganization.

The cabinet projects that the reorganization would result in the following changes in position numbers within the Commonwealth Office of Technology (COT):

Commonwealth Office of Technology		
Position	Before	After
Commissioners	0	0
Executive Directors	6	6
Division Directors	11	7
Total	17	13

The changes within COT would result in minimal decreased personnel costs and would simply shift existing personnel to more productive areas. Furthermore, moving ten (10) positions from COT to a newly established Division of Application Development and Support within the Department of Revenue (DOR) would result in a de minimis decrease in personnel costs. Additionally, the number of management positions within COT will be reduced by four (4), as a result of the reorganization, further supporting that there would a decrease in personnel costs.

The cabinet projects that the reorganization would result in the following changes in position numbers within DOR:

Department of Revenue		
Position	Before	After
Commissioners	1	1
Executive Directors	6	6
Division Directors	12	13
Total	19	20

As an adverse consequence, the position reorganizations within COT would result in minimal increased personnel costs in DOR as they shifted existing personnel from COT to DOR. The increased personnel costs would result from moving ten (10) positions from COT to the newly established Division of Application Development and Support within DOR.

Additionally, the number of management positions within DOR would increase by one (1) position as a result of the reorganization. The cabinet further projects that there would be a minimal increase in expenses with the establishment of approximately seven (7) new sections and branches, which would result in new section supervisors and branch managers and associated costs in DOR (not tabulated in the charts above).

As best practices from each organizational unit are implemented, savings are anticipated to be realized in processes, along with improved response times, collection efficiencies and enhanced services to the Commonwealth's taxpayers, which further offset the increased personnel costs. The cabinet concludes that the reorganization as proposed in HB 244 would be a net-zero event.

DATA SOURCE(S): Finance and Administration Staff and LRC Staff

PREPARER: Liz Columbia NOTE NUMBER: 172 REVIEW: JAB DATE: 3/12/2018