

SUMMARY ANALYSIS OF AMENDED BILL

Author: Liu Analyst: Deborah Barrett Bill Number: AB 2098
 Related Bills: See Prior Analysis Telephone: 845-4301 Amended Date: May 26, 2006
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Government Electronic Payment System

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED

February 17, 2006, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would require the Department of General Services to design and implement a statewide electronic payment system for use by all state agencies.

SUMMARY OF AMENDMENTS

The May 8, 2006, amendments removed provisions that gave state agencies the option to utilize the electronic payment delivery system being developed under the provisions of this bill. The amendments require all state agencies to utilize the system being developed for all payments, unless a specific exemption is granted based on identified criteria. The May 8, 2006, amendments created Implementation Concerns that are discussed in this analysis.

The May 18, 2006, amendments would give the responsibility for development of the statewide electronic payment system to the Department of General Services (DGS); prior versions would have given this responsibility to the Department of Technology Services. The May 18, 2006, amendments would direct DGS to negotiate contracts for electronic payment services on behalf of all state agencies to include minimizing the financial impact of electronic services to taxpayers, state agencies, and members of the general public that would use the system.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S <input type="checkbox"/> NA <input type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA <input checked="" type="checkbox"/> PENDING	Brian Putler	6/1/06

The May 26, 2006, amendments changed the completion date of the new system from January 1, 2008, to January 1, 2009. The remainder of the department's analysis of this bill as introduced February 17, 2006, still applies.

POSITION

Pending.

THIS BILL

This bill would require the DGS, by January 1, 2009, to design and implement a comprehensive, online, one-stop electronic payment system that would allow all state agencies to receive and make all payments through electronic funds transfers, credit cards, debit cards, and automated clearinghouse debits and credits. DGS would negotiate on behalf of all state agencies receiving electronic payments through the system for a single master contract to implement and facilitate methods for the acceptance of funds by electronic funds transfers and to minimize the financial impact of electronic methods on taxpayers, state agencies, and members of the public using the system. This bill would provide factors for DGS to consider in the development of the new system.

This bill would require all state agencies to join and use the online electronic payment system developed under this bill, unless an exemption is granted by the Director of DGS, based on the use of the system resulting in any of the following:

- It would not be cost effective.
- It would result in a net additional unfunded cost to the agency.
- It would result in a shortfall of revenues to the State of California.

The DGS Director may approve or deny the exemption request, may require an annual renewal of the exemption, or may require the agency to develop a plan that incorporates the use of the system.

The bill would provide that in determining cost effectiveness, agencies are to consider all factors relating to costs and savings associated with making and receiving payments using electronic payments.

The bill would provide that a state agency would not be required to use the system if the agency is unable to enter into contracts on terms that are acceptable to the agency or its director acting on behalf of the agency. Additionally, a state agency that has established a comparable electronic payment system by the effective date of the legislation shall have the choice to opt-in to the new system.

PROGRAM BACKGROUND

In August of 2004, legislation was passed (SB 246 (Escutia), Ch. 380, Stats. 2004) making Franchise Tax Board's (FTB) Court Ordered Debt (COD) Collection Program a permanent program and requiring FTB to expand participation to all 58 counties and superior courts. To meet this requirement, FTB initiated the Court Ordered Debt Expansion Project to develop and implement a scalable, state-of-the-art collection and billing system that includes web-based electronic payment capability to provide debtors basic access to their account information and provide online payment options (i.e., payment by credit/debit card, requests for installment agreements, etc). In addition, the project includes an augmentation of staff capable of administering a statewide COD collection inventory of approximately 8 million cases. This project, which began in 2005 and is projected for completion in August 2009, spans four fiscal years for a total cost of \$20 million and includes a staffing increase of approximately 139 additional positions.

IMPLEMENTATION CONSIDERATIONS

It is not clear whether the bill would allow state agencies to continue receiving and processing payments in non-electronic format, such as check or cash. Discussion with the author's staff indicates that such payments would still be acceptable. It is recommended that clarifying language be added to clarify the author's intent in this regard.

The bill would allow an agency that is unable to enter into a contract on terms that are acceptable to opt out of the new system; however, the bill lacks a definition of "acceptable terms." It is recommended that this term be defined.

FTB currently has a comparable electronic payment system in place for income tax payments and would be excluded from the participation requirements under the provisions of this bill. FTB does not however, have a comparable system for the other programs it administers. Staff recommends an express exception for the programs administered by FTB to allow the COD project to become fully operational as planned.

FISCAL IMPACT

To the extent that the system developed under this bill does not alter current FTB processes, there would be no impact to the department's programs or operations.

ECONOMIC IMPACT

The provisions of this bill would not impact the state's income tax revenues.

LEGISLATIVE STAFF CONTACT

Deborah Barrett
Franchise Tax Board
(916) 845-4301
deborah.Barrett@ftb.ca.gov

Brian Putler
Franchise Tax Board
(916) 845-6333
brian.putler@ftb.ca.gov