

House of Representatives, March 20, 1998. The Committee on Appropriations reported through REP. DYSON, 94th DIST., Chairman of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT PROVIDING FUNDS TO THE DEPARTMENT OF INFORMATION TECHNOLOGY FOR YEAR 2000 CONVERSIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 The sum of \$50,000,000 is appropriated to the
2 Department of Information Technology, from the
3 General Fund, for the fiscal year ending June 30,
4 1998, for the purpose of year 2000 conversions by
5 state agencies. The department may transfer such
6 funds to state agencies, with the approval of the
7 Secretary of the Office of Policy and Management.
8 Any funds unexpended by the department or by any
9 state agency on June 30, 1998, shall not lapse on
10 June 30, 1998, and shall continue to be available
11 for expenditure for such purpose during the fiscal
12 year ending June 30, 1999.

13 APP COMMITTEE VOTE: YEA 37 NAY 2 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER SHB 5715

STATE IMPACT \$50 Million Cost (FY '98) and \$83 Million Savings (Future Years), see below

MUNICIPAL IMPACT None

STATE AGENCY(S) Department of Information Technology, Various State Agencies

| | Current FY | 1998-99 | 1999-2000 |
|------------------|--------------------------------|---------|-----------|
| State Cost | : \$50,000,000 | : | : |
| (savings) | : (\$83,000,000 over 20 years) | : | : |
| St Revenue | : | : | : |
| (loss) | : | : | : |
| Net St Cost | : | : | : |
| (savings) | : | : | : |
| Municipal Impact | : | : | : |

EXPLANATION OF ESTIMATES:

STATE IMPACT: The passage of this bill would cost the State \$50 million in FY '98, lowering the anticipated surplus by that amount (from \$343 to \$293 million, based on 1/30/98 OFA estimates), but would result in savings in future years. The bill appropriates \$50 million to the Department of Information Technology (DoIT) to begin the final phase of the State's Year 2000 Compliance Project. These funds could be transferred to other State agencies (with OPM

approval), and would be available for use through June 30, 1999.

DoIT estimates that at least \$119.5 million in additional funding is required for the State to make its information technology systems Year 2000 compliant. Due to the critical nature of the Year 2000 problem and the impending deadline, compliance efforts must begin as soon as possible. DoIT requested this funding through two new bond fund authorizations. HB 5040 would provide \$50 million upon passage and HB 5039 would provide \$69.5 million on 7/1/98.

The provision of this \$50 million in the current fiscal year would make HB 5040 unnecessary. The total cost of bonding \$50 million over 20 years at 6.25% interest is \$83 million. This would result in net savings of \$33 million.

The \$69.5 million funding in HB 5039 is still required for the Year 2000 Project. It should be noted that HB 5039 also includes \$3.0 million to the Capital Equipment Purchase Fund (CEPF) for personal computer replacement in the Department of Children and Families for Year 2000 compliance.

The calculation of the spending cap for FY '98 (based on interpretation of the statutory spending cap), including this and previous appropriations, shows the revised budget to be under the cap by \$143.6 million. Regarding the balanced budget provisions of the Constitutional Amendment, OFA revenue projections for all appropriated funds are \$524.2 million above original estimates, and thus can accommodate the additional appropriation provided by this bill.

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OFA BILL ANALYSIS

sHB 5715

AN ACT PROVIDING FUNDS TO THE DEPARTMENT OF INFORMATION TECHNOLOGY FOR YEAR 2000 CONVERSIONS

SUMMARY: This bill appropriates \$50 million to the Department of Information Technology (DoIT) for the purpose of Year 2000 conversions by State agencies.

This is a FY '98 General Fund appropriation that will not lapse on June 30, 1998, and will be available through June 30, 1999. DoIT may transfer funds to other State agencies with the approval of the Office of Policy and Management.

EFFECTIVE DATE: Upon Passage

BACKGROUND

The Year 2000 Problem

The Year 2000 problem is caused by the fact that most computer application programs identify the year by the last two digits and assume that the first two digits are "19". These programs may crash or make calculation errors after January 1, 2000. It is a threat to both information technologies (IT) systems (hardware and software), and to non-IT systems, such as elevators, telephones, keyless entry systems, lighting and ventilation systems, and power generation systems. The solutions are varied, complicated and costly, and range from reprogramming to replacement.

The State's Compliance

The State's Year 2000 compliance effort is being managed and coordinated by DoIT, with assistance from an IT consultant. About one-half of the State's 1,550 computer-systems are thought to already be compliant, but they will still require testing. Over 750 systems in 80 State agencies require fixing or replacement in the next 22 months. This is not enough time to ensure that all of the State's IT systems will be made compliant. DoIT and the agencies are prioritizing the work so that the most critical and essential systems are fixed in time.

COMMENT

The Cost of Compliance

DoIT has identified the need for \$119.5 million in new bond authorizations for the State to make its IT systems Year 2000 compliant. This is not the total cost of making all State-IT systems compliant. It does not include \$15 million in bond funds already provided

by SA 97-1. It does not include \$23 million for the replacement of one-half of the State's 18,000 personal computers that are not compliant (funding for the other half are included in the \$119.5 million figure). It does not include the costs for non-IT systems and for IT system interfaces internal and external to the agencies. The reallocation and use of existing State agency IT employees and resources is necessary and essential to the Year 2000 effort. These costs are not included. Finally, the figures do not reflect the resources that the State has already expended in making half of its systems Year 2000 compliant.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Substitute
Yea 37 Nay 2