

Approved: 3/23/2011

Date

MINUTES OF THE HOUSE GOVERNMENT EFFICIENCY COMMITTEE

The meeting was called to order by Representative Mike Burgess, Chair, at 3:30 p.m. on March 14, 2011 in Room 546-S of the Capitol.

All members were present except:

Rep. Rocky Fund – Excused

Committee staff present:

Julian Efird, Legislative Research
Iraida Orr, Legislative Research
Katherine McBride, Revisor of Statutes
Renaë Jefferies, Revisor of Statutes
Linda Herrick, Committee Assistant

Conferees appearing before the Committee:

Lisa Jones, General Manager
Kansas.gov/Kansas Information Consortium

Others attending:

(See attached list.)

Chair Burgess opened the hearing on **HB 2268 - Relating to the collection of licenses, fees, charges, taxes and exactions**. Katherine McBride explained that the bill provides that any state agency that is obligated by statute to collect any license, fee, charge, tax or other exaction is authorized to add a charge or a discount not to exceed 5% of the amount of the license, fee, charge, tax or other exaction in order to enhance the efficiency of the agency. Renaë Jefferies noted a clarification can be added to the bill to cap the 5%. Chair Burgess then asked if there were any proponents or opponents wishing to testify. There were none.

He then called upon Lisa Jones, who was a neutral, to provide testimony (Attachment 1). Ms. Jones reported the first state electronic governmental portal was started in 1992 here in Kansas. Information Network of Kansas (INK) has built hundreds of online services for more than 50 states and 150 local agencies. INK is managed by a ten-member board of directors and Jim Hollingsworth is the only state employee. The operation of the portal is outsourced to a private entity, Kansas Information Consortium, and no tax appropriations are used to operate the portal. Small transaction fees provide for the portal operation. The bill states that the agency fees for services should reflect the cost to deliver the service. Since paper processing is more costly, electronic service is less expensive and more efficient. INK would benefit from this bill and stands neutral, but does support the bill to reduce the cost of government. Persons can also file online 24/7.

Chair Burgess closed the hearing by indicating the Revisors will add a balloon to the bill for a wording clarification intended to make enough of a price differential to encourage persons to submit electronically.

The Chair asked if there was any other business to come before the committee. There was none.

The meeting tomorrow will be cancelled, and the next meeting will be Wednesday, March 16.

The meeting adjourned at 4:04 p.m. .

**HOUSE GOVERNMENT EFFICIENCY AND FISCAL
OVERSIGHT COMMITTEE**

GUEST LIST

DATE: 3-14-2011

[illegible]

Testimony to House Committee on Government Efficiency

March 14, 2011

Room 546-South, 3:30 p.m.

Presented by: Jim Hollingsworth, Executive Director, Information Network of Kansas (INK) and Lisa Jones, General Manager (Kansas.gov/Kansas Information Consortium)

Re: HB 2268

Chairman Burgess,

Mr. Chairman and members of the committee, thank you very much for providing INK the opportunity to provide testimony to HB 2268. I have a short statement and will stand for questions.

Kansas is the "Birthplace of eGovernment". The first state electronic government portal was started in 1992 here in Kansas. Since then, INK has built hundreds of online services for more than 50 state and 150 local Kansas government agencies.

The Information Network of Kansas is managed by a ten-member, non-compensated board of directors comprised of private and public executives. The INK Executive Director is the only state employee. INK contractually outsources the operation of the portal to a private entity, Kansas Information Consortium (KIC).

INK operates under a proven self-funded model, whereby no tax appropriations are used to operate the portal. The operations, marketing, infrastructure, development and customer service are completely supported through small transaction fees, most of which come from business services. These minimal fees provide for portal operation outsourcing to a private sector entity, as well as merchant processing costs.

INK's self-funded model allows all state and local agencies to contract with INK to develop online services with no upfront application development fees or RFP development costs. INK builds, hosts and maintains these public-facing eGovernment applications and services at no cost to the agencies.

HB 2268, contemplates that agency fees for services should be more closely aligned with the cost to deliver the service in order to decrease overall government cost. Paper processing methods are more costly and less efficient for the agency. Efficient electronic service delivery is less expensive to agencies and the efficiencies can be identified and measured.

There are a couple of ways for an agency to provide efficient online services through the proven self-funded model of INK:

- o BEST: The agency develops their fee according to processing method, making more efficient online processing less and increasing the fee for higher cost methods (such as paper). This is the best way for an agency to see higher adoption rates for online services.

HB 2268 allows agencies to lower or raise their current fee structures by up to 5%. In this scenario, the current agency price is \$100. The agency could set the following fees for service by delivery:

§ \$95.00 – online price to user 97.5

Priced lower for the lower cost to provide. The positive result for the agency is increased online adoption, resulting in internal efficiencies.

§ \$105.00 – paper fee

Higher fee reflects more costly method of delivery. As taxpayers move to the lower electronic alternative, this will further help reduce paper processing.

Proven Example: The KS Secretary of State's office chose to move to an online system for the submission of Uniform Commercial Code filings. The KS Bankers Association supported of the initiative and helped KSSOS promote the new system. INK built the new system at no cost to KSSOS. KSSOS increased their paper fee, decreased the online fee significantly, and the new UCC system realized a 97% adoption rate in its first month of operations. KSSOS was able to reduce its temporary data entry help from **12 people to one.**

- MOST COMMON: The agency wishes to retain 100% of their statutory fee and keep paper prices the same, which keeps their revenues neutral. The user pays the transaction fee to INK. This is the most common scenario and still provides for 24/7 options for constituents. The value of the service is proven every day. Although most users do not mind the additional fee, the adoption rates will generally be lower than the "Best" scenario.

§ \$100.00 – statutory fee

§ \$3.00 – transaction fee (paid to INK)

§ \$103.00 – total online user fee

§ \$100.00 – paper fee

This method is exactly the opposite of a successful pricing method to promote efficiency. Yet, despite the higher cost of online services, INK continues to prove its value with our visitors every day, as users appreciate the convenience of doing business with their government 24/7.

INK will benefit from this bill and stands neutral on its passage, however does support the results of the bill to reduce the cost of government. INK does bring to light a consideration of removal of the limit of 5% in the bill. This could hinder an agency's flexibility to discount online processing.