SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 924

SPONSOR: Governmental Oversight and Productivity Committee and Senator Clary

SUBJECT: Public Contracts

DATE: January 29, 2002 REVISED: ____ ____ ____ ____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	White	Wilson	GO	Favorable/CS
2.			AGG	
3.			AP	
4.				
5.				
6.				

I. Summary:

The Committee Substitute (CS) for SB 924 amends the law to provide that replacement of the state accounting and cash management systems by the Department of Banking and Finance (DBF) may be accomplished using deferred-payment commodity contracts.

This bill substantially amends the following sections of the Florida Statutes: 287.063 and 287.064.

II. Present Situation:

State Accounting and Cash-Management Systems: According to the Department of Banking and Finance (DBF), the statewide accounting system, known as FLAIR, and the state Cash Management System (CMS) are outmoded and need to be replaced with modern software. These two systems are used by the state to conduct its payroll, accounting, and cash management functions. The systems are not integrated; rather, they are stand-alone systems between which data is transferred through interfaces. The applications used by CMS facilitate the Treasurer's responsibilities for monitoring cash levels and activities in state bank accounts, receipt and disbursements of funds, investment of available balances, performance of related accounting functions, and cash management operations and consultations.

These two systems were developed using technology from the 1970's and 1980's, and therefore lack modern financial management tools. For example, the current state accounting system, FLAIR, and its chart of accounts were designed to capture expenditure information by organizational entity and object of expenditure rather than by activity or unit of output. Because of this, FLAIR cannot currently provide policy makers information on how state agencies expend appropriated funds on their activities or how state services' costs vary between program components or between state agencies. In addition, the volume of transactions processed by FLAIR far exceed its original design capabilities.

The DBF wants to replace FLAIR and CMS with an enterprise resource planning software solution. According to the DBF, this software solution would establish the necessary foundation for an integrated financial management system and provide the state with numerous benefits. In order to finance this new system, the DBF is considering the use of deferred payment commodity contracts as provided for in s. 287.063, F.S., and master equipment financing agreements created in s. 287.064, F.S.

Deferred-Payment Commodity Contracts: Section 287.063, F.S., provides that any commodity contract requiring deferred payments and the payment of interest must be submitted to the Comptroller for a preaudit review and approval prior to acceptance by the state. Further, the section states that appropriated funds may not be used to acquire equipment through a lease or deferred-payment purchase arrangement, unless approved by the Comptroller as economically prudent and cost-effective. The Comptroller is required to establish rules that specify the criteria for approving purchases made under deferred-payment contracts that require the payment of interest.

Section 287.064, F.S., addresses the planning and coordination by the Division of Bond Finance of the State Board of Administration and the Comptroller of deferred-payment purchases made by or on behalf of the state or its agencies or by or on behalf of certain state community colleges. Under the section, the Division of Bond Finance must negotiate and the Comptroller must execute agreements and contracts, as specified by statute, to establish master equipment financing agreements for consolidated financing of deferred-payment, installment sale, or lease purchases with a financial institution or a consortium of financial institutions.

III. Effect of Proposed Changes:

The bill creates two new subsections in ss. 287.063 and 287.064, F.S., to provide that deferred-payment commodity contracts for replacing the state accounting and cash management systems may include equipment, accounting software[1], and implementation and project-management services.[2] Under current law, neither accounting software nor implementation and project management services are considered “commodities” subject to deferred-payment financing under ch. 287, F.S. Thus, the bill creates a one-time exception for the limited purpose of a new state accounting and cash management system that would allow the specified software and services to be financed with deferred-payment commodity contracts and master equipment financing agreements.

The bill provides that it takes effect upon becoming a law.

[1] Currently, under ch. 287, F.S., “accounting software” is classified as “information technology.” Section 287.012(22), F.S.
[2] Currently, under ch. 287, F.S., “implementation and project management services” are classified as either “contractual services” or “professional services.” Sections 287.012(7) and 287.055(2), F.S.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

KPMG Consultants found that it will take two years to implement DBF's replacement of the state's accounting and cash management systems and that the project will cost $74,466,000 ($35,884,000 for the first year and $38,582,000 for the second year). This bill would permit the DBF to use deferred-payment commodity contracts for this replacement project. If financed, the DBF estimates that the first year cost for this project would be reduced to $1,989,000, and the total overall 6-year financed project cost would be $98,070,316.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.