**State Fiscal Note for Bill**
**Number: 2017-H-5913**

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**Date of State Budget Office Approval:**

**Date Requested:** Tuesday, May 02, 2017

**Date Due:** Friday, May 12, 2017

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### Impact on Expenditures

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$0</td>
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</tbody>
</table>

### Impact on Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N/A</td>
<td>See below</td>
<td>See below</td>
</tr>
</tbody>
</table>

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**Explanation by State Budget Office:**

This legislation authorizes a state-approved vendor to withhold a commission from license, permit, registration, certificate or other fees charged any state department, agency, board, council, or commission to develop and implement a web-based system for the electronic filing thereof. Allowing a state approved vendor authorized by law to withhold a commission for developing and implementing a web-based system for electronic filing would enhance and facilitate the ability of state departments and agencies to implement electronic filing of applications for licenses, permits, registrations, certificates, and other functions.

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**Comments on Sources of Funds:**

Revenues from fees charged by the State are typically deposited as general revenue, but some may be restricted receipts within certain agencies.

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**Summary of Facts and Assumptions:**

The State has been providing government services to the public through RI.gov (www.ri.gov) since 2001. Residents, visitors, businesses, local governments and employees have come to increasingly expect government services to be available via the World Wide Web. RI.gov makes it easy and convenient for government and the public to conduct business with each other electronically. The portal aims to be a single-point of access on the web to a comprehensive collection of online government services, information and transactions, as well as of relevant links to federal and local government services and information. Allowing the public to transact business through a single source portal allows the state to reduce operating expenses and more efficiently and effectively transact business.

Currently, over 100 applications are available through the RI.gov portal representing more than 20 state and municipal agencies for licenses, permits, registrations, certificates, and other items. The state agencies include Administration; Environmental Management; Business Regulation; Health; Revenue, Divisions of Taxation and Motor Vehicles; Labor and Training; Ethics Commission; and others. The current contract with RI.gov is a self-funded model that provides for the design, development and operation, hosting, technical and customer support of e-government services, and the portal provides access to them at no upfront cost to the state.

In 2015, $49.97 million of gross revenue was processed through the portal, of which $48.27 million was paid to the state and $1.73 million was retained by the portal developer. The amount retained by the portal developer was 3.47 percent of the gross transaction amount. In 2016, the gross revenue processed through the portal increased by 38.55 percent to $69.23 million. Of this amount, $67.37 million was paid to the state and $1.89 million was retained by the portal developer. The amount

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**Monday, May 29, 2017**

**State of Rhode Island**

**Budget Office**
For some of the transactions on the portal, the state is already paying a fee directly to the portal developer for services; these include transactions for business taxes and health licensing. For other transactions on the portal, the transaction costs are built into fee structure charged to the public. For example, the cost for a DEM resident freshwater fishing license is $18.00, which includes a $1.50 transaction fee as part of the $18.00 annual fee. If a resident purchases the license through the portal, the $1.50 is retained by the portal developer. If a resident purchases the license through a retail chain such as Benny’s, the $1.50 is retained by Benny’s. For still other transactions on the portal, the public is required to pay the statutory fee plus transaction fee costs. The transaction fee costs can include a fixed fee, such as $2.00 per transaction, or a fixed fee plus a fee based on the percent of the transaction, such 2% or 2.5%. The transaction fees allow the portal developer to fund the cost of providing the service and pay credit card companies their service fees, which typically run about 2.0 to 2.5 percent of transaction cost. This legislation would allow the state in certain select cases to fund the RI.gov transaction costs from the statutory fee amount, rather than passing the transaction costs on to users of the services.

It is assumed the legislation would take effect July 1, 2017 and, therefore, the legislation would have no fiscal impact in FY 2017.

Allowing the state to fund the RI.gov transaction costs from the statutory fee amount, rather than passing the transaction costs on to user of the service, would likely cost the state between 2.5 percent and 3.5 percent of revenue that is would be processed through the portal. Reducing the cost of transactions to the public through the portal would likely encourage more transactions to be processed on-line. Based on the data provided by RI.Gov for CY 2015 and CY 2016 (above) and the growth in the use these of on-line services, the impact of this legislation would be in excess of $2.0 million in reduced revenues. A firm estimate of the impact on revenues is not determinable due to the many variables impacting use of on-line services to process transactions with the State (i.e. how many more transactions will be processed online, what per transaction cost will be charged, etc.).

If more transactions are processed on-line, the loss of revenue to the State from absorbing transaction costs may be partially offset in the future by lower personnel costs associated with fewer state employees manually processing transactions. For purposes of this fiscal note, no such savings are assumed for FY 2018 or FY 2019. Because RI.gov would continue to receive funding for providing its services out of the statutory fee, no additional costs associated with RI.gov are assumed.