

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: HB 1362 (3rd Edition)

SHORT TITLE: Draft Advance Health Care Directive Registry

SPONSOR(S): Representative Fox

FISCAL IMPACT					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
REVENUES					
Departmental Receipt	\$60,000	\$120,000	\$120,000	\$120,000	\$120,000
EXPENDITURES					
General Fund					
In-House Alternative					
Recurring	\$9,425	\$18,850	\$18,850	\$18,850	\$18,850
Nonrecurring	\$5,000				
Contracting Alternative					
Recurring	\$10,550	\$34,280	\$34,280	\$34,280	\$34,280
Nonrecurring	\$65,700				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Secretary of State					
EFFECTIVE DATE: January 1, 2002					

BILL SUMMARY: This legislation would require the Secretary of State's office to develop and maintain a statewide, online, central registry in which an individual who has executed an advance health care directive or revocation of an advance health care directive may file that document. The registry is to be accessible over an Internet site. The Department is to charge a \$10.00 fee for filing each document other than a revocation that will be applied to the maintenance of the registry and to the promotion of public education and awareness of the registry.

ASSUMPTIONS AND METHODOLOGY: This legislation would require SOS to develop and maintain a web-based central registry. The Department would digitally reproduce advance health care directive documents submitted by individuals, enter them into the registry, and assign to each a password and file number. Once the document is filed, SOS would send the original back to the owner along with a wallet-size card containing the document's file number and password.

The Department has provided two estimates for its cost to develop and maintain a central registry. One estimate is based on their in-house development and maintenance of the application. The other is based on their contracting with ITS, the State's Information Technology Services to develop and maintain the application. If SOS were to develop and maintain the application, they estimate that the total cost would be \$45,970 in the first year and \$29,886 in subsequent years. If SOS were to contract with ITS to develop and maintain the system, they estimate that the total cost would be \$94,800 in the first year and \$42,280 in subsequent years. The first year estimate includes nonrecurring cost for personal services for designing, constructing, and implementing the system, start-up cost for a computer, label printer, scanner, and shredder. The recurring cost includes costs for personal services for on-going maintenance and for processing the documents; for supplies such as software licenses, paper, printer cartridges, envelopes; and postage for mailing the wallet-size card and original document back to the individuals. (Their recurring costs are based on an estimated volume of 1000 documents per month. They developed this estimate based on a survey of other states.) The ITS estimate also includes the recurring cost of leasing additional server space.

The Fiscal Research Division notes that the estimate for contracting with ITS is substantially higher than if SOS were to develop the application in-house. The cost differences are in the personal services component and the additional cost that would be incurred to lease server space. Per SOS, their estimate for contracting with ITS is based on an estimate which ITS gave them for a similar project. The Department believes that its in-house knowledge base, which is capable of handling the document scanning, name search and information retrieval by field that would be required for the central registry, can be easily modified to accommodate the registry. However, because they have been discouraged from adding new applications to their in-house servers in the past, they provided an estimate for contracting the project to ITS.

We believe SOS's in-house estimate is reasonable. We also believe their basis for providing an estimate for contracting the project to ITS is reasonable as well. However, we believe the state policy regarding use of ITS versus in-house application development and maintenance, the availability of ITS to complete the project as well as the availability of the Department's in-house staff to complete the project in a timely manner, and the cost are factors to be considered in deciding whether the job should be developed in-house or at ITS. We do not recommend one alternative over the other and have therefore included the cost of each alternative in the table on page 1. Please note that we have not included the personal

services cost of \$22,120 in the in-house alternative or the clerical position included in the contracting alternative in the fiscal impact because we believe the existing staff can handle this project. We have also adjusted the estimate based on a January 1, 2002 effective date. Thus, our estimate of the fiscal impact for the in-house alternative is \$18,850 recurring annualized cost (\$9,425 recurring for 2001-2002 based on January 1, 2002 effective date) for supplies and \$5,000 nonrecurring start-up. The estimated impact for the contracting alternative is \$34,280 recurring annualized cost (\$10,550 recurring for fiscal year 2001-2002 based on January 1, 2002 effective date) and \$65,700 nonrecurring. The estimated revenue for either alternative is \$60,000 for the first-year and \$120,000 each year thereafter based on receiving 1,000 documents per month.

The Department's estimate as well as FRD's adjusted estimate is detailed in the table below.

Comparison of SOS and FRD Estimates for Central Registry

		<u>Fiscal Year 2001-2002</u>			
NON RECURRING		In-House		Contract w/ ITS	
		SOS	FRD	SOS	FRD
<i>Personal Services for System Design, Const., & Implementation</i>					
Project Manager	50 hrs@ \$38	\$1,900	\$0	100 hrs@ \$115	\$11,500 \$11,500
Analyst	50 hrs@ \$38	\$1,900	\$0	120 hrs@ \$120	\$14,400 \$14,400
Programmer	150 hrs @ \$27	\$4,320	\$0	240 hrs @ \$95	\$22,800 \$22,800
Security Analyst	40 hrs @ \$150	\$6,000	\$0	40 hrs @ \$150	\$6,000 \$6,000
Total NR Personal Services		\$14,120	\$0*		\$54,700 \$54,700
<i>Start-Up Equipment</i>					
Firewall Application					\$6,000 \$6,000
Equipment		\$5,000	\$5,000		\$5,000 \$5,000
Total NR Start-Up		\$5,000	\$5,000		\$11,000 \$11,000
RECURRING					
Clerical Support	.25 position	\$8,000	\$0*	.25 position	\$8,000 \$0*
Server Lease					\$2,250 \$1,125**
Supplies/Postage		\$18,850	\$9,425**		\$18,850 \$9,425**
Total Operating		\$26,850	\$9,425		\$29,100 \$10,550
Total First Year Cost		\$45,970	\$14,425		\$94,800 \$76,250

RECURRING	<u>Fiscal Year 2002-2003</u>			
	In-House		Contract w/ ITS	
	SOS	FRD	SOS	FRD
<u>Personal Services</u>				
On-Going Systems Maintenance				
Programmer	104 hrs @ \$27	\$2,808	\$0* 104 hrs @ \$95	\$9,880 \$9,880
DataBase Analyst	6 hrs @ \$38	\$228	\$0* 30 hrs @ \$85	\$2,550 \$2,550
Clerical Support	.25 position	\$8,000	\$0* .25 position	\$8,000 \$0*
Total Recurring Personal Services		\$11,036	\$0	\$20,430 \$12,430
<u>Operating</u>				
Server Lease				\$3,000 \$3,000
Supplies/Postage		\$18,850	\$18,850	\$18,850 \$18,850
Total Operating		\$18,850	\$18,850	\$21,850 \$21,850
Total Recurring		\$29,886	\$18,850	\$42,280 \$34,280

* FRD believes that any additional functions required by this bill can be handled with existing staff.

** FRD's estimate prorates the cost based on the January 1, 2002 effective date of the bill.

TECHNICAL CONSIDERATIONS:

FISCAL RESEARCH DIVISION: 733-4910

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DATE: September 12, 2001



Signed Copy Located in the NCGA Principal Clerk's Offices