

Dear Senate Revenue Finance Committee Members:

Thank you for the opportunity to report on our core systems replacement project and testify during the public hearing for Senate Bill 1530 February 6, 2012.

At the hearing, we had some questions from committee members that we weren't able to answer during our testimony. We've provided the information requested below. If you need further information, please let us know.

**Is the Technology Modernization Fund described in Senate Bill 1530 a restricted or unrestricted fund, and how will it be treated under Governmental Accounting Standards Board (GASB) 54?**

Since the implementation of GASB 54, "restricted" and "unrestricted" are no longer used to describes funds. Using the new terminology of GASB 54, this would create a "Committed Fund Balance" that will exist for a specific purpose and for a specific duration. Once that purpose has been completed or satisfied, there is no need for the Committed Fund Balance and any existing receipts are no longer considered committed for this fund.

In essence, once the fund has met the planned expenditures for the project (both vendor and department expenses), additional revenue goes directly to the General Fund.

**What would it cost to purchase a new system outright through an appropriation instead of purchasing through a benefits based contract?**

FAST Enterprises estimates that Oregon's additional cost for choosing benefits based funding ranges between \$5-\$10 million dollars for the entire project. FAST said it's difficult to speculate precisely what their proposal would have been for an outright purchase, but indicated they were aggressive in pricing for Oregon.

In other states the range of additional cost for benefits based can be 25% to 100% of an outright purchase price depending on the terms and complexity of the project. With Oregon's initial proposed cost of \$38 to \$69 million (depending on which services DOR chooses to implement), the \$5-\$10 million estimated additional expense for benefits based is at the low end of this range.

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