



*Innovative
Funding
Approaches
for
Information
Technology
Initiatives
Federal, State, and Local
Government Experiences*



**Intergovernmental Advisory Board
Federation of Government Information Processing Councils**
in cooperation with the
**Office of Intergovernmental Solutions
Office of Governmentwide Policy
U.S. General Services Administration**

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Foreword

THIS DOCUMENT WAS DEVELOPED by the Intergovernmental Advisory Board (IAB) of the Federation of Government Information Processing Councils (FGIPC).

The IAB appreciates the time and effort of the many information technology (IT) professionals at various levels of government who contributed examples of innovative funding approaches for this report, especially Mike Hale from the State of Georgia and William Kilmartin from the State of Massachusetts, who provided significant input for this document.

The participation of the IAB members was instrumental in the compilation of the information presented in this document. The IAB enjoys participation from all levels of government. In addition to Frank McDonough, Chairman of the IAB and Deputy Associate Administrator for Intergovernmental Solutions, Office of Governmentwide Policy, U.S. General Services Administration (GSA), there are nine members — three that represent each level of government.

The Federal government is represented by:

- Ronald Collison, Associate Commissioner for Information Resources Management, Immigration and Naturalization Service, U.S. Department of Justice;
- Allan Doris, Director of Information Management, Financial Management Service, U.S. Department of the Treasury; and
- Gregory Rothwell, Assistant Commissioner of Procurement, Internal Revenue Service, U.S. Department of the Treasury.

The State governments are represented by:

- Tom Davies, Vice President, Federal Sources, Inc.
- Michael Hale, Chief Information Officer, State of Georgia; and
- Carolyn Purcell, Director, Department of Information Resources, State of Texas.

The local governments are represented by:

- F. Russell Douppnik, Information Systems Administrator, Howard County, Maryland.
- Winifred Lyday, Director, Department of Information Technology, National Association of Counties (NACo); and
- George November, Director for the Office of Technology and Information Services, Arlington County, Virginia.

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Executive Summary

THE INTER-GOVERNMENTAL ADVISORY BOARD (IAB), chartered as an advisory board under the Federation of Government Information Processing Councils (FGIPC) in May 1997, was established in recognition of the need for increased intergovernmental collaboration and education. The IAB was established to bridge the gap between Federal, State and local governments and to educate IT professionals nationwide on finding solutions to intergovernmental challenges.

At its initial planning meeting, after lengthy discussions on the challenges that face government managers at all levels, the members of the IAB agreed that State and local governments need to exchange information on innovative and alternative approaches for funding information technology (IT) initiatives. To date, restrictions on funding approaches have impeded Federal, State and local governments from successfully implementing intergovernmental information systems and have restricted working collaboratively with other governments. As budgets continue to shrink and responsibilities are devolved to lower levels of government, funding strategies have assumed utmost importance, particularly cross-government funding strategies. These approaches provide new opportunities for use and flexibility to all levels of government. The Board members believe that innovative IT funding is a significant new trend that will enable governments to leverage their dwindling IT resources.

Funding IT projects that are not dependent on appropriated funds will continue to challenge government IT

officials. However, when funding is scarce, government officials are motivated to come up with some very creative ways to generate resources to start and maintain their projects. New forms of partnerships, revolving funds, capital funds, contingency fees, and performance-based contracts are just a few of the more commonly known, but less used, funding innovations for IT projects.

Today's IT managers must take a broader approach to funding information technology requirements. Knowledge of an agency's enabling legislation is the first step. IT managers must work closely with their budget/financial organizations and legal staffs to develop new ways of generating revenue and funding projects within the laws and regulations of their agencies.

Based on the experiences of Federal, State and local governments, the IAB recommends that IT managers work toward creating a flexible environment that allows the use of the seven alternative funding approaches described in this document when traditional funding is not available. To accomplish this, legislative and regulatory barriers that impede the use of alternative funding sources should be identified and modified. IT managers should have a working knowledge of applicable financial and budgetary rules and regulations, understand the Federal grant administration programs, and educate elected officials and the public about the importance of technology and the benefits that can be gained from IT investments.

Seven broad approaches for funding IT initiatives have been identified, including the use of:

- Partnerships
- Fees
- Taxes and Bonds
- Sale of Public Assets
- Grants
- Seized Assets
- Combination Funding

Each of these methods as well as some noteworthy examples is described in this report. Appendix A contains each case study in its entirety.

1.

Introduction

THE INTER-GOVERNMENTAL ADVISORY BOARD (IAB), chartered as an advisory board under the Federation of Government Information Processing Councils (FGIPC) in May 1997, was established in recognition of the need for increased intergovernmental collaboration and education. The IAB was established to bridge the gap between Federal, State and local governments and to educate information technology (IT) professionals nationwide on finding solutions to intergovernmental challenges. FGIPC has served as a leader in the information technology arena since 1979. FGIPC promotes communications among IT managers at all levels of government and industry.

Through its diverse membership, representing Federal, State and local government information technology interests, the IAB identifies intergovernmental priorities for the FGIPC and its Councils. Identification of these intergovernmental priorities potentially can provide improved service to U.S. citizens through intergovernmental cooperation and awareness.

The IAB has selected innovative funding approaches as the first initiative on which to focus its attention because funding IT investments, especially in State and local governments, has become a challenge as governments are faced with shrinking IT budgets. Many government organizations are experimenting with creative approaches for funding IT initiatives. Some of those initiatives are included in this report and will benefit all levels of government facing critical funding problems if they are shared and considered for implementation.

Purpose of the Document

The purpose of this document, *Innovative Funding Approaches for Information Technology (IT) Initiatives: Federal, State and Local Government Experiences*, is to describe the various innovative ways that governments have funded their IT initiatives. Through this document, IT managers will become aware that innovative approaches exist when normal budgetary channels impede funding an IT project. This document provides the groundwork for broadening the funding alternatives available to managers by encouraging them to think about legislative or regulatory barriers to the use of alternative funding techniques and for encouraging managers to view information technology as a capital expense. Governments should explore these examples in the hope that each government may benefit from the experiences of other governments. Finding alternative sources of funding could be the determining factor in implementing a valuable IT initiative.

Approach

At the IAB's initial meeting, discussions were held on potential priority areas for a diverse group representing Federal, State and local governments. After much discussion, the IAB identified innovative funding strategies as its first priority. GSA's Office of Intergovernmental Solutions conducted the initial research. IAB members were requested to provide innovative funding strategies used within their governments. The examples were collected and categorized, and this report was developed.

Assumptions

In some cases, an innovative funding approach may be used to finance government initiatives other than information technology. Some of these approaches have been documented in the belief that the same approaches may be used to fund information technology initiatives.

2.

Innovative Funding Approaches

THE IAB COLLECTED 32 EXAMPLES in which governments have funded IT initiatives through alternative funding sources. These examples range from administration of court activities to IT hardware and software infrastructures and were categorized into seven broad areas. Many of these approaches would be appropriate to use in funding any type of IT initiative. However, in some cases, a specific approach may be more suitable for a different environment.

When determining the most appropriate funding strategy, government IT officials should consider the citizen's perception of the initiative. Consideration should also be given to the number of years funding would be required (i.e., multi-year funding). Other government agencies, private companies or colleges might be interested in taking advantage of improvements in the functional areas. The resources being acquired and the benefits of the expenditure, the level of support within a government for the initiative, the life expectancy of the IT resources, and regulations and legislation that restrict the use of specific strategies should all be taken into consideration.

For example, partnering approaches would be more suitable when the benefits to be achieved result in cost savings that can be shared among the partners. These benefits can range from tangible dollar savings to intangibles such as recognition for being a part of an innovative system or technology. Partnerships are used primarily in major systems development efforts.

The use of fees, whether user fees,

subscription fees or surcharges are more appropriate when a government organization is providing a specific service or when data can be provided at a cost to the customer. These funds may be used for any types of IT initiatives; however, they are usually used to improve the specific automated system that supports the delivery of the service.

Funds generated from taxes and bonds, the sale of public assets, and grants can be used for all types of IT resources. However, other issues, such as the ones identified in this document, may determine which approach is most appropriate.

In most cases, the funds generated from the sale of seized assets are used for all types of IT that support criminal justice applications or the delivery of law enforcement.

Descriptions of each category and some examples are described herein. Appendix A contains each case study in its entirety. While many other noteworthy examples exist, these provide a broad perspective for consideration.

Anyone wishing to contribute additional examples of innovative funding initiatives can do so by contacting Vivian Ronen, Office of Intergovernmental Solutions, U.S. General Services Administration, at 202-501-1133 or via e-mail at vivian.ronen@gsa.gov.

The online version of this document will be updated each time a new submission is received.



State of Georgia Partners with Industry on Electronic Signature and Network Security

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City of Austin, Texas Partners with County Governments, Schools and Universities to Construct a Wireless Communication Network

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ONE OF THE MOST WIDELY USED innovative funding approaches is entering into partnerships. Partnerships may be formed among government entities (e.g., State and local, State and State, State and Federal), between governments and universities and between public and private enterprises. Interagency agreements are commonly used between and among Federal agencies. In addition, franchising at the State and local levels is also becoming popular as a form of partnering with the public. In some cases, coalitions of parties with similar issues are being formed to learn from each other, share resources and find common solutions to IT problems.

BASED ON INPUT FROM EACH OF ITS STATE AGENCIES, the State of Georgia has designated electronic signature and network security as major policy issues. Georgia, in conjunction with the National Association of State Information Resources Executives (NASIRE) and other national associations is working to establish accreditation standards for certification authorities with the goal of having common standards among the States.

To establish research partnerships in these areas, Georgia issued solicitations to private industry and academia for pilot projects as proof-of-concept for applications and technologies on a pro bono basis. Six projects are being established using these partnerships. Projects will be completed over the coming year, with in-process briefings presented to Georgia's Electronic Commerce Steering Committee.

Reactions thus far from elected officials and agency managers have been very positive. The one over-arching conclusion is that private industry has the interest and the resources to invest in research with government in order to give market visibility to the more advanced technologies being considered by State governments. The research partners provide the necessary funds to support the pilot projects they have proposed.

THE CITY OF AUSTIN, TEXAS, IS PARTNERING with county governments, schools, universities, legislative bodies and state government entities to construct a wireless communication network. This network will employ voice radio, computer-aided dispatch, mobile data communications, geographic information system data, microwave, intelligent transportation systems, and transit systems, all of which can be operated from a fully integrated communications center. An integrated regional wireless communications system would improve public safety and public service agencies' communications with each other and allow direct access and exchange of data, thereby promoting public health, safety and welfare.

Savings will be realized through the reductions in land use, voice frequencies, computer equipment, and infrastructure costs for systems. Increased voice and data sharing among agencies will result in improved staff effectiveness and emergency service delivery to citizens.

State of Texas Partners with Three Federal Agencies, County and Local Governments to Digitize Outdated Paper State Maps

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State of Texas Partners with Info/Texas to Implement a Statewide Network of Multimedia Kiosks

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TO REDUCE RELIANCE ON THE USE of large-scale paper State maps produced by the U.S. Geological Survey (USGS), the State of Texas has partnered with three Federal agencies, county and local governments to digitize outdated State maps. In 1995, the Department of Information Resources, State of Texas, entered into an innovative partnership with USGS to produce digital orthophotos through the Texas Orthoimagery Program (TOP). Orthophotos are scanned aerial photographs that combine geometric qualities of a map with the image of a recent photograph.

Funding for TOP was provided by Federal government agencies, the State, and local and regional groups. Three Federal agencies - the USGS, the Natural Resources Conservation Service (NRCS), and the Farm Service Agency (FSA) - contributed a combined 55% of the funds. The Texas Match Pool provided 23% from a fund designed to attract matching Federal funds. The remainder (about 22%) was provided by local and regional entities.

In all cases, local funding for TOP has come from those with the greatest ties to the land (i.e., people who own, manage, study and work on the land being mapped). This has produced viable partnerships between the funding and planning groups (State and Federal government) and the people who own and use the land. The success of TOP is providing the citizens of Texas a public resource that will meet statewide mapping needs for years to come.

THE STATE OF TEXAS AND INFO/TEXAS have entered into a partnership to implement a statewide network of multimedia kiosks to provide Texas Workforce Commission information and services outside of regular business hours and in locations the agency does not normally serve. In return, Info/Texas was able to establish a kiosk presence in one of the nation's largest markets, supported by a long-term commitment from the State. Between 50 and 100 multimedia kiosks are being installed.

This approach has offered advantages to both partners. TWC was able to improve the delivery of services and information to its customers without any upfront investment, without securing in-house multimedia expertise and for a lower cost than independently purchasing, installing and maintaining its own kiosk network. TWC paid for Info/Texas' services out of its general operating budget.

In addition to gaining a kiosk presence in one of the nation's largest markets, Info/Texas was supported by a long-term commitment from a major customer. The fees generated by the TWC contract alone were not sufficient to cover Info/Texas' total costs. However, the ability to sell kiosk advertising services on the same kiosks to other entities offered the potential for significant profits.

State of Massachusetts Uses Many Alternative Sources to Fund IT Projects

Point of contact:

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State of New York's Center for Technology in Government Solves IT Problems through Strategic Partnerships

Point of contact:

Center for Technology
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Anne Arundel County, Maryland, Provides Enhanced Communications through Partnership with Cable TV Companies

Point of contact:

Jerry Klasmeier
Anne Arundel County Government
(410) 222-7644

THE STATE OF MASSACHUSETTS IS USING multiple sources of funding for information technology projects by venturing into partnerships with stakeholders and using private funds, money from bonds and funds from the Federal government.

The State created a revenue management system (the billing and accounts receivable system) for State government using alternative funding sources. To develop the system, the Comptroller's Office contributed \$3.3 million (from the Information Technology Bond I) and the Massachusetts Highway Department contributed \$900,000 from their operating budget to be able to bill the U.S. Department of Transportation for Federal reimbursement. The systems integration firm that developed the system, American Management Systems (AMS), gave Massachusetts a royalty of \$150,000 from the subsequent sale of the system to other clients. In this example, Massachusetts used \$3.3 million to leverage \$4.5 million in information technology development.

THE CENTER FOR TECHNOLOGY IN GOVERNMENT (CTG) at the University of Albany forms strategic partnerships with government agencies, technology corporations and university faculty and students. The Center was funded by \$750,000 in State funds along with in-kind donations from more than 40 private companies and the State University of New York at Albany. Three dozen high-tech companies, more than 30 government agencies, and a dozen academic researchers have participated in Center projects since the Center's inception in 1993. Its mission is to solve problems related to public services through the use of information technology in State and local governments. The Center has been honored with awards of national significance and pursues grants that allow it to expand its work beyond New York State. One of its most recent efforts was a guide detailing how best practices and fundamental principles can shape the way State and local governments share information systems. The best practices and principles are the cornerstone of the guide, "Tying a Sensible Knot: A Practical Guide to State-Local Information Systems".

NEGOTIATED FRANCHISE AGREEMENTS with cable television providers allow Anne Arundel County, Maryland, to transport public safety data and video communications on shared fiber-optic cable and transmit other government data. In addition, they provide for the transmission of public, educational and government programs to be broadcast on the cable systems. Currently, 27 miles of fiber are installed, with a total buildout of 70 miles projected. Cable TV companies provided funding through franchise fees and provided head-end interconnections. The county government provided contracting for construction, cable plant management, communications management and program content management. No added government staff was required.

City of Atlanta, Georgia, and MediaOne Enter into a Franchise Agreement

Point of contact:

Rita Bloom, City of Atlanta
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Anne Arundel County, Maryland, Grants Easement Rights for Fiber Optic Cabling

Point of contact:

Jerry Klasmeier
Anne Arundel County Government
(410) 222-7644

City of Greensboro, North Carolina, Partners with Cellular Phone and Personal Communications System Providers

Point of contact:

Eric Combs
City of Greensboro, North Carolina
(910) 373-2526

THE CITY OF ATLANTA AND ITS CABLE OPERATOR, MediaOne, have entered into a franchise agreement to construct a fiber-rich communications network and will sell the city fiber optic capacity without incurring fixed costs for construction. MediaOne has agreed to provide \$1.2 million in initial funding for the development of the network and an additional \$1.3 million upon authorization from the city council (these expenditures would be passed through to subscribers). To take advantage of this offer, the city must convey its fiber requirements to the company at the time of design of the cable system.

ANNE ARUNDEL COUNTY, MARYLAND, has granted easements for fiber cable installation in highway and recreational rail-trail rights of way. These easements permit corporations to place long runs of fiber for use by the government and for use of conventional private telecommunications companies. Other States have granted similar easements.

THE CITY OF GREENSBORO, NORTH CAROLINA, is partnering with cellular phone (analog) and Personal Communications System (PCS) (digital) providers. The city is selling new tower space on city property or offering co-location of PCS or cellular antennas on city-built towers. This initiative requires a small payment from private industry to hold a space for a co-location on an existing facility or for a company to build a tower on city property. Once a lease is in place for that site, the city requires an advance rental payment of three years for co-locations on existing sites. The lease is for a 5-year term with the option to renew for 4 more 5-year terms. Price increases are based on the Consumer Price Index.

Funds are collected before the lease is in place; then, beginning the fourth year, the company is billed annually. Since the first lease in 1995, over \$1 million has been collected. The only impediments are zoning problems and structural loading problems that are significantly outweighed by the revenue being produced for future technology. The city of Greensboro expects to continue leasing as requests and availability permit.

**Four U.S. Federal
Government Agencies
Partner to Define Public
Key Infrastructure**

Points of contact:

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Jerry Adegard
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**Fairfax County, Virginia,
Government Funds Court
Activities through
Contributions from Jurors**

Point of contact:

John Frey
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703-246-2770.

THE DEPARTMENT OF THE TREASURY'S Financial Management Service, the Department of Energy, the Environmental Protection Agency and the Bureau of the Census have entered into an interagency agreement to define Public Key Infrastructure (PKI) and associated client services to support an electronic signature utility. Each agency will contribute matching funds from agency appropriations to pay for this project.

IN 1993, THE BOARD OF SUPERVISORS in Fairfax County, Virginia, passed an ordinance to establish the Administration of Justice Fund. This ordinance permits each juror to direct all or part of the compensation due for jury service to the Circuit Court for expenditures related to the administration of court activities, especially the advancement of computer technology within the court system. Jurors are provided a form on which to designate the amount they wish to donate. This amount is automatically deducted from the total amount they would have received. Donations range from \$1 to \$30 per day per juror. The Clerk of the Courts provides the Board of Supervisors with an annual report showing the revenues received, all disbursements, any ending balance and improvements made with Fund disbursements.

Combination Funding



COMBINATION FUNDING UTILIZES a variety of funding sources. Combinations can include funds from appropriations, bonds, grants, contingency fees based on revenue, and contingency fees based on services. There is no reason for governments to limit themselves to one particular funding method when combinations can be utilized effectively and produce the desired results in a creative fashion.

State of Massachusetts Funds Electronic Benefits Transfer Project through Multiple Sources of Funding

Point of contact:

William Kilmartin
State of Massachusetts
(617) 727-5000

THE USE OF COMBINATION FUNDING is a popular funding strategy in Massachusetts. The State's electronic benefits transfer (EBT) project is a good illustration of using multiple sources to fund a project. This project replaces paper food stamps and welfare checks with debit cards. The Comptroller's office invested approximately \$2.5 million (using Information Technology Bond II) and the U.S. Department of Agriculture contributed \$2.5 million for system development and implementation.

The cost per case per month for the old paper delivery system was approximately \$3.90, with operational expenses funded 50% by the State and 50% by the U.S. Department of Agriculture. With EBT, the cost per case per month is about \$1.40 and the recipient gets four transactions per month. The State funds 50%, and the U.S. Department of Agriculture funds 50%. If recipients want additional transactions, they fund the cost entirely for 85 cents per transaction.

State of Maryland Establishes Maryland Technology Investment Fund

Point of contact:

Mr. Lou Laricci, State of Maryland
(410) 767-4202

THE MARYLAND TECHNOLOGY INVESTMENT FUND was established by the 1996 General Assembly to provide resources for technology projects to improve efficiencies, expand services and increase educational opportunities. The fund receives a share of revenues from technology leases and sales, savings from technology contracts and general fund appropriations. In FY 1997, the Department of Management and Budget established kiosk locations to bring services closer to citizens (in conjunction with the U.S. Postal Service); and the Department of Labor, Licensing and Regulation provided Internet access for the State's occupational and professional licensing processes.

**U.S. Federal Government
Funds Innovative IT Projects
through the Technology
Innovation Fund**

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GITSB Member
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THE GOVERNMENT INFORMATION TECHNOLOGY SERVICES BOARD (GITSB) created a Technology Innovation Fund using funds from the General Services Administration's Federal Technology Service's FTS2000 long distance telecommunications program. Funding has been at or about 1% of the projected FTS2000 annual income.

The Fund provides "seed" money for innovative Federal agency IT projects that provide more efficient and effective delivery of services to the public. Projects involving multiple agencies and single-agency projects that can be easily ported or implemented by other agencies are particularly encouraged. These projects are expected to be self-sustaining within two years and provide future reimbursements to the Fund where feasible. The projects fall within the scope of Information Technology Fund uses as established in 40 U.S.C. 757(b)(2). Projects are selected for funding by the Innovation Fund Committee comprised of representatives of the GITSB.

Use of Fees



THE ASSESSMENT AND COLLECTION OF FEES for data or services is a method widely used at all levels of government to generate revenues. In some instances, there are political ramifications to the assessment of fees for public information. However, fees imposed on private companies or vendors are gaining popularity and are not as politically charged as fees to the public. In some cases, the imposition of fees requires legislative action. Some of the more commonly used fees are surcharges, subscription fees, user fees and contingency fees. Contingency fees can be based on revenue production during the course of a project or contingency fees based on cost savings resulting from a commercial contract.

U.S. Department of Justice Funds Immigration Inspection Activities through User Fees

THE IMMIGRATION USER FEE ACCOUNT began in 1987 with the Department of Justice Appropriation Act. Virtually all individuals entering the United States by air or by sea are assessed a \$6 fee to offset the cost of immigration inspections (current exemptions include sea vessel passengers from Mexico and Canada). The fee is collected by entities that issue tickets, such as ticket agents and air or sea carriers. These entities are responsible for remitting the accumulated fees to the Immigration and Naturalization Service (INS) on a quarterly basis.

The funds are used for inspection activities such as the detention and deportation of inadmissible aliens, the operation and maintenance of information systems for non-immigrant control and the detection of fraudulent immigration documentation. The fund can also be used to provide for training, administration and management, records, facilities and legal services required for the support of these activities. Numerous information systems related to the identification and verification of aliens and to the sharing of information are supported by this fund. These systems represent the core information management systems for the INS, covering border crossings for citizens, immigrants, and non-immigrants. The funds support overseas pre-inspection services.

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INS allocates funds to various program offices based on anticipated revenues and appropriated funds. In FY 1997, approximately \$29 million to support IT systems was received. The FY 98 allocation from this account is expected to be approximately the same.

**U.S. Department of Justice
Funds Immigration
Adjudication and
Naturalization Services
through User Fees**

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IN 1989, THE U. S. DEPARTMENT OF JUSTICE established the Immigration Examination Fee Account. It authorizes the Immigration and Naturalization Service (INS) to establish and collect fees to recover the cost of providing certain immigration adjudication and naturalization services. Aspects of the collection and applicability of the fees were expanded in law in 1994 and 1995. At the discretion of the Attorney General, the revenues are collected to “reimburse any appropriation the amount paid out of such appropriation for expenses in providing immigration adjudication and naturalization services and the collection, safeguarding, and accounting for fees...” This is the largest fee account in the INS.

In total, there are over 40 different applications fees that may be used for this account. The key applications are for Naturalization, Permanent Residence, Alien Petitions, and Applications for Employment Authorization. The fees can be used for a wide variety of activities concerning the processing and adjudication of petitions for benefits under the Immigration and Nationality Act, including administrative support, facilities, records, and legal services. From an IT perspective, this account may provide resources for support functions necessary in the processing and adjudication of applicants and petitions. This can include functions related to files transactions, including creating, transferring and verifying records and information systems technology for INS employees performing application processing.

In FY 1997, approximately \$47 million to support IT systems was received. The FY 98 allocation from this account is expected to be approximately the same.

State of Kansas Funds Information Network of Kansas through User Fees

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Jeff Fraser, State of Kansas
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State of West Virginia Charges Surcharge on Cellular Phones to Establish 911 Emergency Communications

Point of contact:

Stephen Zoeller
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State of West Virginia
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THE INFORMATION NETWORK OF KANSAS (INK) is a unique model for public/private cooperation based on user fees. It is a government service administered for the good of the public, while benefiting from the entrepreneurial models found in private business. In 1990, the Kansas Legislature passed the Information Network of Kansas into law. INK provides electronic access for citizens to public information of agencies via a gateway service. In addition, it provides a dial-in gateway or electronic network for access to public information. It explores technological ways and means of improving citizen and business access to public information. Where appropriate, INK implements such technological improvements.

Although the vast majority of services available on the Information Network of Kansas are accessible free of charge by anyone on the Internet, INK receives no State funding. It is entirely funded by the fees generated under the premium service described below. It is managed by a private network manager chosen through an extensive competitive evaluation and bidding process. The Kansas Information Consortium was selected as the network manager and receives a regulated return while remitting the majority of the revenues generated by the network to the State of Kansas.

The premium fee service contains legal, banking and other industry specific business applications that have a fee associated with access. There is a \$75 subscription fee to access the INK's premium services. The annual renewal fee is \$60. In addition to the annual subscription fee, certain applications have statutory and/or transaction fees.

DURING THE 1997 LEGISLATIVE SESSION, the West Virginia Legislature passed a statute allowing collection of a surcharge on cellular phones by the State of West Virginia. Roughly, two-thirds of the funds will be distributed back to counties based on population. One-sixth of the funds will be put in escrow for counties that currently do not have 911 centers. Because establishing 911 centers is voluntary, this escrow funding is an incentive for those counties to establish 911 centers. If the counties do not establish 911 centers within five years, the funds that have been escrowed for them will go back into the pool and be distributed to other counties. Another one-sixth goes to counties that have recently formed 911 centers.

The fee on the cellular phones will be 75 cents per month. It is estimated that this surcharge will generate approximately \$1.5 million. These funds can be used for the purposes articulated in State statutes for the operations of 911 centers. The decision regarding how these funds would be distributed was debated in the Legislature with input from counties, 911 centers and the cellular phone industry. The funds are to be collected from the cellular phone industry. Whether or not the industry can charge a fee for the collection service has not been determined. Further, legislation requires that 911 centers acquire the necessary equipment to determine the origin of a cellular phone call.

State of Massachusetts Funds IT Projects through Contingency Fees

Point of contact:

William Kilmartin
State of Massachusetts
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State of Massachusetts Uses Contingency Fee Savings to Fund IT Projects

Point of contact:

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(617) 727-5000

THE STATE OF MASSACHUSETTS IS USING VENDORS to provide services on a contingent fee basis agreement to develop and implement information technology projects within the State. Under the contingent fee revenue optimization concept, the State of Massachusetts has completed 30 to 35 such engagements since FY 90. A small percentage pertain to information technology.

In FY 91 through FY 93, sophisticated double-iteration step-down cost accounting software programs were developed to produce fringe benefit and indirect cost recovery rates for programs funded by non-State resources (i.e., Federal grants or assessments). A major consulting firm was engaged on a contingent basis to develop the software, load the initial data, produce the set of new recovery rates, and then turn the system over to the State. The system was developed by the vendor without government funds. Recoveries increased by approximately \$17 million annually. The vendor was paid a one-time fee of approximately \$3 million.

CONTINGENT FEE COST SAVINGS is a very new legal authorization, and the State's first project is underway. The project is not entirely information technology. A private company has been engaged to identify (via computer searches) the existence of health insurance for clients requesting Medicaid eligibility and direct those clients into insurance programs (away from State-funded Medicaid), thus avoiding costs to the Medicaid program. In the first six months, approximately \$9 million in costs have been avoided, and the vendor has been paid \$300,000.

Use of Taxes and Bonds



IT IS BECOMING INCREASINGLY IMPORTANT that agencies think of IT projects as investments. With the emphasis on outcome-oriented performance measures, the contribution of IT to achieving business goals and objectives is increasingly being emphasized and recognized. In an environment of cutting costs and downsizing, IT projects must clearly communicate their payoffs to justify the investments in them.

Taxes and bonds used to generate revenue require statutory or legislative action and strong public support through voter referendums. Increasing taxes or purchasing bonds are popular ways of raising funds for schools, public safety and health. However, the use of taxes and bonds for information technology is gaining support.

State of Georgia Considers Building IT Infrastructures through Separate Funding

THE STATE OF GEORGIA IS FOCUSING on the challenges of establishing and maintaining modern statewide IT infrastructures. The State is looking at how funds are appropriated, lack of awareness of the need to fund infrastructure as a unique corporate investment and competing against other annual funding requirements.

States wishing to invest in infrastructure have two choices. They can compete these investments against other annual requirements such as teacher salaries, prison beds and the like, or they can establish a separate funding category such as the current capital budgets for fixed assets (buildings, etc.) and manage IT infrastructure along these lines. The latter is the essence of this innovative funding approach.

This approach could require bond financing in the manner that currently supports other fixed capital projects. State governments would be required to identify categories of IT that bond underwriters would find acceptable and be willing to support. State laws may need to be modified and revenue sources identified to support the bond payment. Certainly, the issue of State standards would have to be addressed to ensure that the State infrastructure would be shared to the maximum extent possible.

At this point, a national report is needed to shed light on an important problem and begin to encourage debate within State and local governments. Obviously, details must be sorted out and options studied. However, the first step is to make officials aware of the dilemma that States face trying to compete infrastructure in a line item against other pressing social needs.

Point of contact:

Mike Hale, State of Georgia
(404) 657-1350

State of Nebraska's Cigarette Tax Diverted to Information Technology Infrastructure Fund

Point of contact:

Steve Henderson, State of Nebraska
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City of Philadelphia, Pennsylvania, Funds IT Initiatives through a Productivity Bank

Point of contact:

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THE NEBRASKA LEGISLATURE and Governor Ben Nelson signed LB1190 into law during the 1996 legislative session. In that bill, two cents from the State's existing Cigarette Tax were diverted into the newly created Information Technology Infrastructure Fund (ITIF). This amount, estimated to be about \$2.6 million per year, will help fund Nebraska's Century Data Change project over the next few years. An additional \$1.4 million of Cigarette Tax was transferred to the ITIF upon its creation, so a total of \$11.8 million is expected over the full four-year period.

The significant benefit of this funding strategy is that General Fund tax dollars will not need to be spent to address the Century Date Change problem. While other fund types may be used (Federal, cash, revolving, etc.), the Cigarette Tax dollars are intended to offset funding requirements that normally come from the General Fund.

Incoming tax dollars are currently transferred into the ITIF on a monthly basis. The State's Budget Director authorizes disbursements, with general oversight provided by the Information Resources Cabinet (IRC). The IRC, created by Executive Order in 1996, is charged with general oversight of the State's information technology investments.

THE CITY OF PHILADELPHIA'S PRODUCTIVITY BANK has a capital base of \$20 million derived from a bond issue to fund productivity improvement projects. The Bank, which was created in 1992, has a mission to:

- Stimulate project-specific investments to achieve cost savings, revenue gains and service improvements;
- Provide strategic development of productivity improvement initiatives across city government, and
- Change the way city government conducts its business by encouraging innovation, accountability and entrepreneurial efforts in service to the public.

With its \$20 million capital base derived from a June 1992 bond issue, the Bank has achieved significant success as a strategic tool to reform the operations of the government and has aided the city in creating a foundation for cultural change and for improving departmental performance. As of January 1997, the Bank had funded 14 projects for a total of \$20.2 million in loans. These projects are forecast to provide financial benefits to the city of almost \$60 million over five years. In addition, the projects are generating substantial and long-lasting innovations that will generate service benefits well beyond their significant quantifiable financial impacts.

Eligible projects are those that cannot otherwise be funded from the city's capital budget or from a department's operating budget without endangering its normal service levels. Cost savings and revenue enhancements achieved through Bank projects are reflected in adjusted operating budgets, as are loan repayments to the Bank so that the lending capability can continue.

Bonds Issued in Massachusetts Fund Many State Government IT Operations

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(617) 727-5000

THE STATE OF MASSACHUSETTS has issued two bonds to fund information technology. The IT Bond Capital appropriations acts, passed September 1992 and August 1996, are driven by the philosophy that information technology is one of the State's most effective tools for re-engineering, streamlining and improving government services while facilitating citizen access to State services and information resources. These acts provide funds to automate many State government operations. Projects range from automating the office operations of the District Attorneys and State Police to a complete re-design of the Commonwealth's electronic ledger, human resource, payroll and accounting systems.

Future project benefits will focus on public safety improvements, education enhancements, and better government service. Projects designed to reduce risk and improve the reliability of government services are intended to save money by avoiding future cost.

Sale of Public Assets



THE DISPOSITION OF PUBLIC ASSETS and data often focuses on the donation of assets to schools or other government entities, and often provides data to the public at no charge. In the times of financial constraints, governments are re-examining the value of public assets and data. While citizens continue to want free information from their government, public companies and vendors are more often assessed a fee for information. The sale of used equipment and other public assets is a popular and easy way to generate revenue.

City of Pittsburgh, Pennsylvania, Uses Proceeds from Sale of Used Computers to Acquire New IT Equipment

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THE CITY OF PITTSBURGH USES THE PROCEEDS from the sale of old computer equipment to buy new equipment. This program will be expanded to include the sale of used telephone systems, cabling and communications equipment, mainframe computers, etc. Since 1995, the profits from this initiative have helped the city purchase new computer equipment without impacting its current operating budget. The city takes the proceeds from old computer equipment and recycles them into new computer equipment through a special trust fund. This initiative has been very successful, and city officials are looking forward to generating even more money next year.

The only barriers are that a contract must be in place to competitively bid used equipment and the city council must approve it. The benefit is a way of purchasing new equipment without allocating appropriated funds.

State of Georgia Sells State Information on GeorgiaNet

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Tom Bostic, State of Georgia
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UNDER THE AUSPICES of the GeorgiaNet Authority, the State of Georgia is selling State information in its GeorgiaNet system, developing added-value web applications that generate revenues, and charging fees for tailored special applications. The GeorgiaNet Authority is the only Georgia State agency authorized to sell State data. An example of a specialized application is the "Lobbyist in a Box." While there are numerous databases within GeorgiaNet allowing bill searches for the general public, the GeorgiaNet Authority tailored a special application for lobbyists that directly meets their needs. Lobbyists are charged \$50 per year for this service. Other applications generating revenue involve the tailoring of data already available to the public in its general form for associations and other interest groups. Since it began over five years ago, the GeorgiaNet Authority has received an average of \$15 million annually. Being a separate authority, with a highly placed Board of Directors appointed by the Governor, it can produce web products very rapidly, ensure they respond to the State's highest priorities and begin to address the enormous demands in the area of public access.

Grants



THERE ARE MANY FORMS OF GRANTS which Federal, State and local governments can use. The Federal Government has a number of grant programs available to State and local governments that are administered by organizations such as the Department of Education, the Department of Health and Human Services, and the National Science Foundation, to name a few. The Catalog of Federal Domestic Assistance, prepared by the U.S. General Services Administration, describes financial and non-financial assistance programs administered by departments and agencies of the Federal government. As a basic reference source of Federal programs, the primary purpose of the Catalog is to assist users in identifying programs that meet their specific objectives as well as to obtain general information on Federal assistance programs. The Catalog also improves coordination and communication between the Federal government and State and local governments.

State of Kentucky Develops Community Networks

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Doug Robinson, Kentucky Information Resources Management Commission
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THE APPALACHIAN REGIONAL COMMISSION (ARC) granted \$250,000 to the Kentucky Information Resources Management (KIRM) Commission to promote the benefits of information infrastructure through the development of community networks. KIRM and other partners help communities develop a common vision and implementation plan for the development of a virtual community of people, businesses, government agencies, schools, libraries, health care providers and others linked through telecommunications and information services.

State of Kentucky Funds Information Technology through a Federal Grant to Control the Use and Availability of Illegal Drugs

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State of Kentucky
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THE STATE OF KENTUCKY RECEIVED A GRANT from the Department of Justice to provide leadership and direction in controlling the use and availability of illegal drugs. In July 1997, the State of Kentucky received \$7.4 million from the U.S. Department of Justice's Edward Byrne Memorial Discretionary Grant Program. This grant program is aimed at providing leadership and direction in controlling the use and availability of illegal drugs and to improve the functioning of the criminal justice system, with emphasis on violent crimes and serious offenders. This three-year grant also mandates that a minimum of 5% of the total fund be used for information technology. Kentucky plans to modernize technology supporting the State's criminal records system.

U.S. Department of Commerce Grants Funds to State and Local Governments to Improve Access to Community Based Services

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FCC's Universal Service Fund Ensures Affordable Quality Telecommunications Services

Point of contact:

Mike Hale, State of Georgia
(404) 657-1350

THE DEPARTMENT OF COMMERCE'S Telecommunications and Information Infrastructure Assistance Program (TIIAP) provides matching grants to non-profit organizations such as schools, libraries, hospitals, public safety entities and State and local governments. Grants are used to fund projects that improve the quality of, and the public's access to, education, health care, public safety, and other community based services. The grants are used to purchase equipment for connection to networks, including computers, videoconferencing systems, network routers and telephones and to buy software for organizing and processing all kinds of information.

In September 1997, TIIAP awarded 55 grants in 38 states and the District of Columbia, totaling \$20.9 million and was matched by \$25 million in non-Federal funds.

THE FEDERAL COMMUNICATIONS COMMISSION'S (FCC'S) Universal Service Fund ensures affordable quality telecommunications services to all consumers, including low-income consumers, in all regions of the nation. The Telecommunications Act of 1996 requires the FCC and the States to ensure that the goals of affordable service and access to advanced telecommunications services are met by means that enhance rather than distort competition. In addition, for the first time in history, the Act requires that all eligible schools, libraries, and rural health care providers receive telecommunications services at a discount.

Seized Assets

U.S. Department of Justice Funds IT Initiatives through the Sale of Seized Assets

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THE USE OF PROFITS from seized or forfeited assets has been a popular source of funding in the U.S. Department of the Treasury. While this is a lucrative funding source, there are substantial administrative costs in storing and disposing of seized assets.

THE U.S. MARSHALS SERVICE, U.S. Department of Justice, is responsible for the management and disposition of seized and forfeited assets from drug trafficking and organized crime. The Asset Seizure and Forfeiture Program has become a key part of the Federal government's efforts to combat major criminal activities. The Marshals Service currently manages more than \$1.6 billion worth of property seized from criminals.

Under the Equitable Sharing Program, money from the Justice Assets Forfeiture Fund is shared with the State and local law enforcement agencies that participated in the investigations that led to the forfeiture. The amount of money the State and local agencies receive is based on the contributions they made to the investigations. Since 1986, more than \$1 billion in forfeited cash, proceeds and property has been provided to State and local agencies. A portion of the funds allocated to State and local governments is being used to fund technology that supports law enforcement efforts.

3.

Recommendations

IDENTIFYING AND SELECTING the most appropriate approach for funding an information technology initiative can make the difference in whether or not the initiative is a success. As identified in this report, there are many alternative approaches that can be used. IT managers at all levels of government must take particular care to understand these approaches and work toward creating an environment that allows them to implement innovative approaches. The following recommendations should be considered at all levels of government.

1. Government managers should work toward creating a flexible environment that allows IT managers to use alternative funding approaches when traditional funding is not available.
2. Government IT managers should identify legislative and regulatory barriers to the use of alternative funding techniques.
3. IT managers should have a working knowledge of applicable financial and budgetary rules and regulations to understand when various funding approaches would be applicable.
4. The Department of Health and Human Services and other agencies that administer Federal grants should consider allowing mature associations that represent IT initiatives crossing government boundaries to apply for grants.
5. Governments at all levels should consider ways to educate elected officials and the public about the importance of technology and the benefits that can be gained from investing in technology to increase the chances of legislation being enacted to increase taxes or to buy bonds.
6. Government IT managers should consider the following types of alternative sources to fund IT initiatives:
 - Entering into partnerships, interagency agreements, franchising agreements, and coalitions and accepting pro bono services.
 - Assessing fees, surcharges, and subscription fees when providing government information or services with the establishment of a special fund for specific expenditures.
 - Selling space for advertising on kiosks or other government property.
 - Selling used or obsolete computer and telecommunications equipment rather than donating or excessing it.
 - Entering into contingency fee contracts with vendors based on the revenue they generate or the cost savings or cost avoidance incurred.
 - Ensuring State participation in the Federal government's Asset Forfeiture Program.

Category #1: Partnerships

State of Georgia

Recently, the Information Technology Policy Council, State of Georgia, received the 1997-98 round of strategic IT plans from all State agencies. These plans include all the major technology projects needed to meet their program goals. To say there is an interest in Internet and Intranet applications would be a gross understatement. It is more accurate to say that the desire for this capability is overwhelming. Beginning with affording greater access to legacy information, but then quickly jumping to actual service delivery and transaction processing, the opportunities appear endless. However, network security will be a major hurdle to overcome.

The State of Georgia has set electronic signature and network security as major policy issues. Georgia is working with the National Association of State Information Resource Executives (NASIRE) and other national associations to establish accreditation standards for Certification Authorities, with the goal of having common standards among States. In pursuit of this policy, Georgia issued an RFP to solicit research partnerships on a pro bono basis from private industry and universities to establish pilot projects as proof-of-concept for the possible applications and technologies available.

Twelve proposals were received from vendors; they covered applications ranging from electronic lien transmissions to electronic invoice

payments. Six projects were selected wherein vendors will come in at no cost, develop an application, and, in some cases, bring it up into implementation. In addition, some projects included white papers covering vendors' experiences in developing products and services. If the State were to attempt to establish these same pilots totally through a traditional appropriation and bid process, it would have taken years of effort and the response would probably have been "too little, too late."

The projects chosen to date include:

1. An electronic lien application for use with automobile titles to be designed by First Union Bank.
2. An electronic invoicing application for the Department of Human Services to be designed and implemented by Unisys Corporation.
3. A court filing application to be designed by Georgia State University.
4. A filing system for mortgage brokers to be designed and implemented by GeorgiaNet Authority in conjunction with First Union Bank.
5. A web-based application to obtain hunting and fishing licenses to be designed by IXL Corporation.
6. Two white papers from First Union Bank on public key certificates and public key infrastructures.

Awards are in the process of being made to each company. Projects will be completed over the coming year, with in-process briefings presented to Georgia's Electronic Commerce Steering Committee.

Reactions thus far from both elected officials and agency managers have been very positive. The one overarching conclusion is that private industry has the interest and the resources to invest in research with government in order to give market visibility to the more advanced technologies being considered by State governments. The research partners provide the necessary funds to support the pilot projects they have proposed. The State determines those projects it wishes to include among the research projects. In addition, the State evaluates each proposal in light of the resources and level of work being proposed. The research partner selected will make the actual investment decisions.

The only barriers to this innovative funding approach have been explaining the approach to industry partners and producing widespread publicity of the requests for proposals (RFPs).

This arrangement benefits both State government and the participating companies. In particular, there are many nontraditional companies interested in becoming involved in this project. Small development companies see this as a means of obtaining statewide recognition.

As far as risks are concerned, this program was intentionally designed to be research in nature. State governments, like other large complex organizations, need opportunities to test new concepts prior to implementation. However, most State governments have no formal research and development programs. Having these pilots actually reduces risks of moving too quickly into implementation without first having

opportunities to test and evaluate new technology.

Plans are to continue working with pilot participants over the coming year. If and when pilots prove themselves, Georgia will have a much better chance for State funding.

For further information, contact Mike Hale of the State of Georgia on (404) 657-1350.

City of Austin, Texas

The city of Austin, Texas, partnered with local entities to form a coalition of Government and educational members to construct a wireless communication network throughout Austin/Travis County. This network will employ voice radio, computer-aided dispatch, mobile data communications, geographic information system data, microwave, intelligent transportation systems and transit systems, all of which can be operated from a fully integrated communications center. An integrated regional wireless communications system would improve public safety and public service agencies' communications with each other and allow direct access and exchange of data, thereby promoting public health, safety and welfare.

Key participants of the partnership were the city of Austin, Travis County, Austin Community College, Capital Metro, Austin Independent School District, University of Texas, city of West Lake Hills, Texas Legislative Council, House of Representatives, and the Texas Department of Transportation.

All initiatives have funding for the initial phases of work. The radio initiative is beginning Phase II work, which will involve licensure, detailed

design, specification, evaluation and selection of a vendor. The city of Austin recently received voter approval to provide funding for the final phase in the radio initiative in the amount of \$38 million. The computer-aided display/mobile data terminal (CAD/MDT) initiative received \$8.2 million and began Phase II work in September 1997. The Texas Department of Transportation received \$8 million for its portion of the integrated communications center. Phase I needs assessment work began with an RFQ advertised in August 1997.

Savings will be realized through the reduced use of land, voice frequencies, computer equipment and infrastructure costs for systems. Increased voice and data sharing among agencies will result in improved staff effectiveness and emergency service delivery to citizens.

For further information, contact Danny Hobby of the City of Austin, Texas, on (512) 499-6570 or via e-mail at hobby@infosys.ci.austin.tx.us

State of Texas

The Texas Orthoimagery Program (TOP) provides a new set of statewide digital maps. For many years, people have relied on large-scale paper maps developed by the U.S. Geological Survey (USGS). Over 4,000 such maps, divided into quadrangles, or quads, cover Texas. Many of these maps are outdated because they were created 15 to 35 years ago. Mapping information is now being produced in digital form, away from the traditional paper maps.

In 1995, the Department of Information Resources, State of Texas, entered into an innovative partnership

with USGS to produce digital orthophotos through the Texas Orthoimagery Program (TOP). Orthophotos are scanned aerial photographs that combine geometric qualities of a map with the image of a recent photograph. Funding for TOP was provided throughout the Federal government, the State, and local and regional groups. Three Federal agencies - the USGS, the Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA) - contributed a combined 55% of the funds. The Texas Match Pool provided 23% from a fund designed to attract matching Federal funds. The remainder (about 22%) was provided by local and regional entities.

Working with the local and regional groups has provided a unique avenue for funds generation while developing local involvement and partnership. With the Federal and State money already in place, orthophotos are produced where a local interest provides funding. This allows local groups to work in concert with Texas and the Federal government as facilitators of these new digital maps. Local groups work as partners in generating interest, organizing funding and distributing orthophoto products. The 22% of the funds needed from local groups for orthophotos breaks down to \$900 per quad, or about \$3.5 million.

Texas has a diverse group of local and regional government entities that service their populace. Representatives of all of these groups, along with the private sector, have participated in TOP by providing their resources while still addressing local needs. All portions of the State fall under one of two regional groups. Councils of Government (COGs) are

multi-county bodies designed for regional planning and information exchange. There are 24 COGs in Texas. River Authorities manage water resources for 22 principal river basins. Multi-county groups such as COGs and river authorities provide a centralized point of contact for a region while accurately representing that region's needs.

In some cases, county level government came forward instead of a regional government. Groups within a county, such as municipalities, emergency 911 districts, drainage districts and county governments have organized on a smaller scale to solicit local funds, spread information about the project and distribute the final product. This approach works well in areas where the COGS and river authorities do not have sufficient funds for TOP.

The private sector has contributed funds as landowners and operators in other areas. Ranch owners, timber companies and oil service companies have assisted local and regional government where needed.

In all cases, local funding for TOP has come from those with the greatest ties to the land (i.e., people who own, manage, study and work on the land being mapped). This has produced variable partnerships between the funding and planning groups (State and Federal government) and the people who own and use the land. The success of TOP is providing the citizens of Texas a public resource that will meet statewide mapping needs for years to come.

For further information, contact Drew Decker of the State of Texas on (512) 475-7314.

State of Texas

The Texas Workforce Commission (TWC) and Info/Texas, serving as the vendor, agreed to implement a statewide network of 50 to 100 multimedia kiosks providing TWC information and services. The TWC agreed to remain a participant in the network and pay Info/Texas monthly fees based on each kiosk's use for a period of at least 2 1/2 years, subject to an early cap on fees. Info/Texas could sell paid advertising to TWC-approved entities, both public and private, on the same multimedia kiosks.

In return, Info/Texas agreed to the following:

1. To provide and install up front all of the hardware and software required for the kiosks without any advance fees or compensation;
2. To provide all hardware and software maintenance for the kiosks without additional charge;
3. To negotiate and manage all leases for kiosk locations; and
4. To seek prior approval from TWC before implementing new, non-government advertising on the kiosks.

This approach has offered advantages to both partners. The TWC was able to provide agency information and services in locations the agency does not normally serve and outside of regular business hours. TWC did this without any up front investment, without securing in-house multimedia expertise and for a lower cost than independently purchasing, installing and maintaining its own kiosk network. TWC paid for Info/Texas' services out of its general operating budget.

Info/Texas was able to establish a kiosk presence in one of the nation's largest markets, supported by a long-term commitment from a major customer. The fees generated by the TWC contract alone were not sufficient to cover Info/Texas' total costs, but the ability to sell kiosk advertising services on the same kiosks to other entities offered the potential for significant profits.

The TWC and Info/Texas are currently converting the kiosk network from Info/Texas' proprietary multimedia interface to a World Wide Web-based interface. This new approach will offer TWC more speed and flexibility when making changes to the kiosks' content and allow Info/Texas to market advertising to customers that already have World Wide Web sites.

For further information, contact Mark Fenner of the State of Texas on (512) 463-8263.

State of Massachusetts

Partnering is a very popular strategy, and the State has done dozens of projects using combination funding from multiple stakeholder entities. An example is the creation of a revenue management system (the billing and accounts receivable system) for State government. To develop the system, the Comptroller's Office contributed \$3.3 million (from the Information Technology Bond I), the Massachusetts Highway Department contributed \$900,000 (from its operating budget) and the U.S. Department of Transportation was billed for Federal reimbursement. The systems integration firm, American Management Systems (AMS), gave Massachusetts a royalty of \$150,000 from the subsequent sale of the

system to other clients. In this example, Massachusetts used \$3.3 million to leverage \$4.5 million in information technology development.

For further information, contact William Kilmartin of the State of Massachusetts on (617) 727-5000.

State of New York

The Center for Technology in Government (CTG) at the University of Albany forms strategic partnerships with Government agencies, technology corporations and university faculty and students. The Center was funded by State funds along with in-kind donations from more than 40 private companies and from the State University of New York at Albany. Three dozen high-tech companies, more than 30 government agencies, and a dozen academic researchers have participated in Center projects since the Center's inception in 1993. Its mission is to solve problems related to public services through the use of information technology in State and local governments. The Center has been honored with awards of national significance and pursues grants that allow it to expand its work beyond New York State. One of its most recent efforts was a guide detailing how best practices and fundamental principles can shape the way State and local governments share information systems. The best practices and principles are the cornerstone of the guide, "Tying a Sensible Knot: A Practical Guide to State-Local Information Systems."

For further information, contact the Center for Technology in Government at (518) 442-3892 or through its web site at <http://www.ctg.albany.edu>

Anne Arundel County, Maryland

Negotiated franchise agreements with cable television providers allow Anne Arundel County, Maryland, to transport public safety data and video communications on shared fiber optic cable and transmit other government data. In addition, they provide for the transmission of public, educational and government programs to be broadcast on the cable systems. Currently, 27 miles of fiber are installed, with a total build-out of 70 miles projected. Cable TV companies provide funding through franchise fees and provide head-end interconnections. The county government provides contracting for construction, cable plant management, communications management and program content management. No added government staff is required.

For further information, contact Jerry Klasmeier of the Anne Arundel County Government on (410) 222-7644.

City of Atlanta, Georgia

The city of Atlanta and its cable operator, MediaOne, have entered into a franchise agreement to construct a fiber-rich communications network and will sell the city fiber-optic capacity without incurring fixed costs for construction. MediaOne has agreed to provide \$1.2 million in initial funding for the development of the network and an additional \$1.3 million upon authorization from the city council (these expenditures would be passed through to subscribers). To take advantage of this offer, the city must convey its fiber requirements to the company at the time of design of the cable system.

For further information, contact Rita

Bloom of the City of Atlanta on (404) 330-6004.

Anne Arundel County, Maryland

Anne Arundel County, Maryland, has granted easements for fiber cable installation in highway and recreational rail-trail rights of way. These easements permit corporations to place long runs of fiber for use by government and for use by conventional private telecommunications companies. Other States have granted similar easements.

For further information, contact Jerry Klasmeier of the Anne Arundel County Government on (410) 222-7644.

City of Greensboro, North Carolina

The city of Greensboro, North Carolina, is partnering with cellular phone (analog) and Personal Communications System (PCS) (digital) providers. The city is selling new tower space on city property or offering co-location of PCS or cellular antennas on city-built towers. This initiative requires a small payment from private industry to hold a space for a co-location on an existing facility or for a company to build a tower on city property. Once a lease is in place for that site, the city requires an advance rental payment of three years for co-locations on existing sites. The lease is for a 5-year term with the option to renew for 4 more 5-year terms; price increases are based on the Consumer Price Index.

Funds are collected before the lease is in place; then, beginning the fourth year, the company is billed annually. Since the first lease in 1995, over \$1 million has been collected. The only impediments are zoning problems and

structural loading problems, which are significantly outweighed by the revenue being produced for future technology. The city of Greensboro expects to continue leasing as requests and availability permit.

For further information, contact Eric Combs of Greensboro, North Carolina on (910) 373-2526.

U.S. Federal Government

The Department of the Treasury's Financial Management Service, the Department of Energy, the Environmental Protection Service and the Bureau of the Census have entered into an interagency agreement to define Public Key Infrastructure (PKI) and associated client services to support an electronic signature utility. Each agency will contribute matching funds from appropriations to pay for this project.

For further information, contact Calvin Kidd of the U.S. Department of Treasury's Financial Management Service on (202) 874-7611 or Jerry Adegard of the U.S. Department of Energy on (301) 903-5860.

Fairfax County, Virginia

In 1993, the Board of Supervisors in Fairfax County, Virginia, passed an ordinance to establish the Administration of Justice Fund. This ordinance permits each juror to direct all or part of the compensation due for jury service to the Circuit Court for expenditures related to the administration of court activities, especially the advancement of computer technology within the court system. Jurors are provided a form on which to designate the amount they wish to donate. This amount is automatically deducted from the total amount they would have received.

Donations range from \$1 to \$30 per day per juror. The Clerk of the Courts provides the Board of Supervisors with an annual report showing the revenues received, all disbursements, any ending balance and improvements made with Fund disbursements.

For further information contact John Frey, Fairfax County Government, at 703-246-2770.

Category #2: Combination Funding

State of Massachusetts

The use of combination funding is a popular funding strategy in Massachusetts. The State's electronic benefits transfer (EBT) project is a good illustration of using multiple sources to fund a project. This project replaces paper food stamps and welfare checks with debit cards. The Comptroller's office invested approximately \$2.5 million (using Information Technology Bond II) and the U.S. Department of Agriculture contributed \$2.5 million for system development and implementation.

The cost per case per month for the old paper delivery system was approximately \$3.90, with operational expenses funded 50% by the State and 50% by the U.S. Department of Agriculture. With EBT, the cost per case per month is about \$1.40 and the recipient gets four transactions per month. The State funds 50%, and the U.S. Department of Agriculture funds 50%. If the recipient desires additional transactions, it costs 85 cents per transaction.

For further information, contact William Kilmartin of the State of Massachusetts on (617) 727-5000.

State of Maryland

The Maryland Technology Investment Fund was established by the 1996 General Assembly to provide resources for technology projects to improve efficiencies, expand services and increase educational opportunities. The fund receives a share of revenues from technology leases and sales,

savings from technology contracts and general fund appropriations. In FY 1997, the Department of Management and Budget established kiosk locations to bring services closer to citizens (in conjunction with the U.S. Postal Service); and the Department of Labor, Licensing and Regulation provided Internet access for the State's occupational and professional licensing processes.

For further information, contact Mr. Lou Laricci, State of Maryland on (410) 767-4202.

U.S. Federal Government

The Government Information Technology Services Board (GITSB) created a Technology Innovation Fund using funds from the U.S. General Services Administration's Federal Technology Service's FTS2000 long distance telecommunications program. Funding has been at or about 1% of the projected FTS2000 annual income.

The Fund is to provide "seed" money for innovative IT Federal agency projects that provide more efficient and effective delivery of services to the public. Projects involving multiple agencies and single agency projects that can be easily ported or implemented by other agencies are particularly encouraged. These projects are expected to be self-sustaining within two years and provide future reimbursements to the Fund where feasible. The projects fall within the scope of Information Technology Fund uses as established in 40 U.S.C. 757(b)(2).

Projects are selected for funding by the Innovation Fund Committee, which includes representatives of the Government Information Technology

Services Board (GITSB). Selection is made from proposals submitted in response to a call for proposals. In FY 1995, there was one call for proposals in October 1994, and the Committee selected 13 projects for funding at a total of \$5,015,000. In FY 1996, there were two calls for proposals in October 1995 and March 1996 and the Committee selected 11 projects for funding at a total of \$6,215,000. In FY 1997, there were two calls for proposals in October 1996 and March 1997, and the Committee selected 13 projects for funding at a total of \$6,943,000.

For further information, contact Gayle Gordon, U.S. Department of the Interior, GITSB Member on (202) 208-7701 or (303) 236-4565, or Yvonne Kinney, U.S. Department of the Interior, (202) 452-5008.

Category #3: Use of Fees

U.S. Department of Justice

The Immigration User Fee Account began in 1987 with the Department of Justice Appropriation Act. Virtually all individuals entering the United States by air or by sea are assessed a \$6 fee to offset the cost of immigration inspections (current exemptions include sea vessel passengers from Mexico and Canada). The fee is also used to support overseas pre-inspection services.

The funds are used for inspection activities such as detention and deportation of inadmissible aliens, operation and maintenance of information systems for non-immigrant control, and the detection of fraudulent immigration documentation. The fund can also be used to provide for training, administration and management, records, facilities and legal services required for the support of these activities. Numerous information systems related to the identification and verification of aliens and to the sharing of information are supported by this fund. These systems represent the core information management systems for the INS, covering border crossings for citizens, immigrants, and non-immigrants.

The INS budget staff performs trend analyses annually to determine likely levels of revenue collection. Once Congress has appropriated the "anticipated" funds to INS, the budget staff allocates the funds to various program staff and functional areas, including the Office of Information Resources Management (OIRM). Typically, with the exception of

enhancements required by Congress, the INS budget staff bases its allocations on the previous year's allocation.

The user fees are not collected from individual travelers. Entities that issue tickets, such as ticket agents and air or sea carriers, collect the fee. These entities are responsible for remitting the accumulated fees to the INS on a quarterly basis.

In FY 1997, OIRM received approximately \$29 million to support IT systems. The FY 98 allocation from this account is expected to be approximately the same.

The most important risk is that the actual funding level is not known from year to year. There are three points in the process that put funding at risk. User fees are tied to the actual use of the service, in this case, the number of travelers entering the U.S. in a manner covered by the account. Although this is a user fee, Congress establishes the revenues as part of the authorization of the Department of Justice. Further, the INS budget staff does not forward all collections to any one project; the final amount allocated to IT support is, therefore, unclear from year to year.

In the future, it is hoped that this fee will be linked more directly to the costs of providing the immigration services at the border. Although the fee is established at \$6 per traveler, the amount that flows to IT projects in support of the services is no longer commensurate with the costs of those IT services. The INS budget staff is re-examining the fee structure to determine the appropriateness of a higher rate. OIRM is expected to have input into the new allocation proportions (in hopes of increasing

them to cover actual costs) once the fee structure is reviewed.

For further information, contact Kendall Lott, U.S. Immigration and Naturalization Service at (202) 307-5872 or via e-mail at kendall.lott@usdoj.gov

U.S. Department of Justice

In 1989, the U. S. Department of Justice established the Immigration Examination Fee Account. It authorizes the INS to establish and collect fees to recover the cost of providing certain immigration adjudication and naturalization services. Aspects of the collection and applicability of the fees were expanded in law in 1994 and 1995. At the discretion of the Attorney General, the revenues are collected to "reimburse any appropriation the amount paid out of such appropriation for expenses in providing immigration adjudication and naturalization services and the collection, safeguarding, and accounting for fees..." This is the largest fee account in the INS.

In total, there are over 40 different applications fees that may be used for this account. The key applications are for Naturalization, Permanent Residence, Alien Petitions, and Applications for Employment Authorization. The fees can be used for a wide variety of activities concerning the processing and adjudication of petitions for benefits under the Immigration and Nationality Act, including administrative support, facilities, records and legal services. From an IT perspective, this account may provide resources for support functions necessary in the processing and adjudication of applications and petitions. This can include functions

related to files transactions, including creating, transferring and verifying records and information systems technology for INS employees performing application processing.

A study was completed recently indicating that the current fee structure is inadequate in recouping the costs of benefits processing and adjudication. The Exams Fee account application fees are revised through the regulatory process consistent with the User Fee Statute, the Chief Financial Officer Act, the Administrative Procedures Act, and other guidance and statutes. A proposed Rule that will revise the fee schedule will be published soon.

The INS budget staff performs trend analyses annually to determine likely levels of revenue collection. Once Congress has appropriated the "anticipated" funds to INS, the budget staff allocates the funds to various program staff and functional areas, including the Office of Information Resources Management (OIRM). Typically, with the exception of enhancements required by Congress, the INS budget staff bases its allocations on the previous year's allocation. The fees are deposited into the Exams Fee account and are available, subject to congressional approved budget/reprogramming, until expended.

Fees for applications for immigration, nationality and citizenship benefits are received in field offices located throughout the country and by direct mail in four service centers located in California, Texas, Vermont and Nebraska. The INS also receives fees from Department of State consular affairs offices and the Executive Office of Immigration Review.

Similarly, the fees for services at land border ports-of-entry are collected at these points and deposited in the Exams Fee Account, but tracked separately and referred to as the "Fees for Services at Land Border" portion of the account.

In FY 1997, OIRM received approximately \$47 million to support IT systems. The FY 98 allocation from this account is expected to be approximately the same.

This account is extremely important as a funding source for the INS as a whole, as well as for the OIRM, to provide for the continued development, enhancement and delivery of benefits services to qualified applicants. Its high visibility, large volume and importance increases the risk of negative impacts on IT projects in the event of decreases in collections from applicants and allocations from the INS budget.

It is hoped that, consistent with the conclusions of the recently completed study, the fee structure for this account (which has been unchanged for over 5 years) will be altered to increase fees for certain applications. The proposed fee increases are consistent with increased costs incurred to process and adjudicate the applications.

For further information, contact Kendall Lott, U.S. Immigration and Naturalization Service on (202) 307-5872 or via e-mail at kendall.lott@usdoj.gov

State of Kansas

The Information Network of Kansas (INK) is a unique model for public/private cooperation based on user fees. It is a government service

administered for the good of the public, while benefiting from the entrepreneurial models found in private business. In 1990, the Kansas Legislature passed the Information Network of Kansas into law. INK provides electronic access for citizens to public information of agencies via a gateway service. In addition, it provides a dial-in gateway or electronic network for access to public information. It explores technological ways and means of improving citizen and business access to public information. Where appropriate, INK implements such technological improvements.

Although the vast majority of services available on the Information Network of Kansas are accessible free of charge by anyone on the Internet, INK receives no State funding. It is entirely funded by the fees generated under the premium service described below. It is managed by a private network manager chosen through an extensive competitive evaluation and bidding process. The Kansas Information Consortium was selected as the network manager and receives a regulated return while remitting the majority of the revenues generated by the network to the State of Kansas.

The premium fee service contains legal, banking and other industry specific business applications that have a fee associated with access. There is a \$75 subscription fee to access the INK's premium services. The annual renewal fee is \$60. In addition to the annual subscription fee, certain applications have statutory and/or transaction fees.

For further information, contact Jeff Fraser, State of Kansas on (785) 296-5154.

State of West Virginia

During the 1997 legislative session, the West Virginia Legislature passed a statute allowing collection of a surcharge on cellular phones by the State of West Virginia. Roughly, two-thirds of the funds will be distributed back to counties based on population. One-sixth of the funds will be put in escrow for counties that currently do not have 911 centers. Because establishing 911 centers is voluntary, this escrow funding is an incentive for those counties to establish 911 centers. If the counties do not establish 911 centers within five years, the funds that have been escrowed for them will go back into the pool and be distributed to other counties. Another one-sixth goes to counties that have recently formed 911 centers.

The fee on the cellular phones will be 75 cents per month. It is estimated that this surcharge will generate approximately \$1.5 million. These funds can be used for the purposes articulated in State statutes for the operations of 911 centers. The decision regarding how these funds would be distributed was debated in the Legislature with input from counties, 911 centers and the cellular phone industry. The funds are to be collected from the cellular phone industry. Whether or not the industry can charge a fee for the collection service has not been determined. Further, legislation requires that 911 centers acquire the necessary equipment to determine the origin of a cellular phone call.

For further information, contact Stephen Zoeller, Kanawha County Commission, State of West Virginia on (304) 357-0101.

State of Massachusetts

The State of Massachusetts is using vendors to provide services on a contingent fee basis to develop and implement information technology projects within the State. Under the contingent fee revenue optimization concept, the State of Massachusetts has completed 30 to 35 such engagements since FY 90. A small percentage pertain to information technology.

In FY 91 through FY 93, sophisticated double-iteration step-down cost-accounting software programs were developed to produce fringe benefit and indirect cost recovery rates for programs funded by non-State resources (i.e., Federal grants or assessments). A major consulting firm was engaged on a contingent basis to develop the software, load the initial data, produce the set of new recovery rates, and then turn the system over to the State. The system was developed by the vendor, without government funds. Recoveries increased by approximately \$17 million annually. The vendor was paid a one-time fee of approximately \$3 million.

For further information, contact William Kilmartin, State of Massachusetts on (617) 727-5000.

State of Massachusetts

Contingent fee cost savings is a very new legal authorization, and the State's first project is underway. The project is not entirely information technology. A private company has been engaged to identify (via computer searches) the existence of health insurance for clients requesting Medicaid eligibility and direct those clients into insurance programs (away from State-funded Medicaid), thus

avoiding costs to the Medicaid program. In the first six months, approximately \$9 million in costs have been avoided, and the vendor has been paid \$300,000.

For further information, contact William Kilmartin, State of Massachusetts on (617) 727-5000.

Category #4: Use of Taxes and Bonds

State of Georgia

State governments are facing major challenges establishing and maintaining modern statewide IT infrastructures. As a result, most states lack the kind of advanced technology, training and tools to enable the rapid development that managers need in Government agencies.

One cause of this situation is the manner in which funds are appropriated. State budgets are normally agency-oriented wherein investment decisions are to fund agency applications and not State infrastructure. State infrastructure initiatives must "piggy back" on top of these separate agency investments. Examples are large processor upgrades, dedicated development tools and networks.

A second cause affecting technology investments is lack of awareness of the need to fund infrastructure as a unique corporate investment. Statewide e-mail, advanced desktop workstations, systems version control, modern development tools and staff training are difficult to fund outside the justification of an agency application. However, the reality is that without a modern infrastructure, the full value of IT cannot be realized. Once again, this raises the question of IT being viewed as an investment vs. a cost. Most corporations that realize the benefits of IT as an investment also have taken steps to invest in modern infrastructures apart from individual applications.

A third cause of the situation is the large investments required for upgrading State infrastructures. Not unlike State capital expenditures for buildings, sewer systems and roads, the infrastructure for information technology is not cheap. Estimates for Year 2000 remediation begin to give some insights into the size of these infrastructure costs.

States wishing to invest in infrastructure have two choices. They can compete these investments against other annual requirements such as teacher salaries, prison beds and the like, or they can establish a separate funding category such as the current capital budgets for fixed assets (buildings, etc.) and manage IT infrastructure along these lines. The latter is the essence of this innovative funding approach.

This approach could require bond financing in the manner that currently supports other fixed capital projects. State governments would be required to identify categories of IT that bond underwriters would find acceptable and be willing to support. State laws may need to be modified and revenue sources identified to support the bond payment. Certainly, the issue of State standards would have to be addressed to ensure that the State infrastructure would be shared to the maximum extent possible.

At this point, a national report is needed to shed light on this important problem and begin to encourage debate within State and local governments. Obviously details must be sorted out and options studied. However, the first step is to make officials aware of the dilemma that states face trying to compete

infrastructure in a line item against other pressing social needs.

For further information, contact Mike Hale, State of Georgia on (404) 657-1350.

State of Nebraska

The Nebraska Legislature and Governor Ben Nelson signed LB1190 into law during the 1996 legislative session. In that bill, two cents from the State's existing Cigarette Tax were diverted into the newly created Information Technology Infrastructure Fund (ITIF). This amount, estimated to be about \$2.6 million per year, will help fund Nebraska's Century Data Change project over the next few years. An additional \$1.4 million of Cigarette Tax had transferred to the ITIF upon its creation, so a total of \$11.8 million is expected over the full four-year period.

The significant benefit of this funding strategy is that General Fund tax dollars will not need to be spent to address the Century Date Change problem. While other fund types may be used (Federal, cash, revolving, etc.), the Cigarette Tax dollars are intended to offset funding requirements that came from the General Fund.

Incoming tax dollars are currently transferred into the ITIF on a monthly basis. The State's Budget Director authorizes disbursements, with general oversight provided by the Information Resources Cabinet (IRC). The IRC, created by Executive Order in 1996, is charged with general oversight of the State's information technology investments.

For further information, contact Steve Henderson, State of Nebraska on (402) 471-2065.

City of Philadelphia

The city of Philadelphia's Productivity Bank was created in 1992 to fund productivity improvement projects within the City government. The Bank's mission is to:

- Stimulate project-specific investments to achieve cost savings, revenue gains and service improvements;
- Provide strategic development of productivity improvement initiatives across city government, and
- Change the way city government conducts its business by encouraging innovation, accountability and entrepreneurial efforts in service to the public.

With a capital base of \$20 million derived from a June 1992 bond issue, the Bank has achieved significant success as a strategic tool to reform the operations of the government and has aided the city in creating a foundation for cultural change and for improving departmental performance. As of January 1997, the Bank had funded 14 projects for a total of \$20.2 million in loans. These projects are forecast to provide financial benefits to the city of almost \$60 million over five years. In addition, the projects are generating substantial and long-lasting innovations that will generate service benefits well beyond their significant quantifiable financial impacts.

Eligible projects are those that cannot otherwise be funded from the city's capital budget or from a department's operating budget without endangering its normal service levels. Cost savings and revenue enhancements achieved through Bank projects are reflected in

adjusted operating budgets, as are loan repayments to the Bank so that the lending capability can continue.

Before 1995, the Productivity Bank limited its funding to projects that would cut costs or enhance revenues. Projects also had to achieve a two-for-one return on investment within five years, requiring that the cost savings or additional revenues generated from a project within five years to be at least twice the amount of the Bank loan. Because many departments perceived this requirement as too onerous, the Bank's loan criteria were restructured in early 1995 to allow greater flexibility to include projects that generate cost savings or additional revenues or projects that lead to substantial improvements in service levels, even if financial paybacks are not readily quantifiable.

For further information, contact Linda Berkowitz, City of Philadelphia on (215) 686-7508.

State of Massachusetts

The State of Massachusetts has issued two bonds to fund information technology. The IT Bond Capital appropriations acts, passed September 1992 and August 1996, are driven by the philosophy that information technology is one of the State's most effective tools for re-engineering, streamlining and improving government services while facilitating citizen access to State services and information resources. These acts provide funds to automate many State government operations. Projects range from automating the office operations of the District Attorneys and State Police to a complete re-design of the Commonwealth's electronic ledger, human resource, payroll and accounting systems.

Future project benefits will focus on public safety improvements, education enhancements, and better government service. Projects designed to reduce risk and improve the reliability of government services are intended to save money by avoiding future costs.

For further information, contact William Kilmartin, State of Massachusetts, on (617) 727-5000.

Category #5: Sale of Public Assets

City of Pittsburgh, Pennsylvania

The city of Pittsburgh uses the proceeds from the sale of old computer equipment to buy new equipment. This program will be expanded to include the sale of used telephone systems, cabling and communications equipment, mainframe computers, etc.

Since 1995, the profits from this initiative have helped the city of Pittsburgh purchase new computer equipment without impacting its current operating budget. The city of Pittsburgh takes the proceeds from old computer equipment and recycles them into new computer equipment through a special trust fund. This initiative has been very successful and city officials are looking forward to generating even more money next year.

Pittsburgh's City Information Systems Office obtained its city council approval to disburse these funds. The argument was made that any dollars obtained from the sale of used or obsolete equipment should be reinvested in new computer equipment, and once the dollars were dedicated for IT equipment, it should always be used for that purpose.

The only barriers are that a contract must be in place to competitively bid used equipment and that the city council must approve. The benefit is a way of purchasing new equipment without allocating appropriated funds. Future plans include expanding this program to include the sale of used

telephone systems, cabling and communications equipment, mainframe computers, etc.

For further information, contact Howard A. Stern of the City of Pittsburgh on (412) 255-2152 or via e-mail at Howard.a.stern@city.pittsburgh.pa.us

State of Georgia

The GeorgiaNet Authority is the only Georgia State agency authorized to sell State data. Five years ago, this organization began selling driver history records to large corporations such as insurance companies. Beginning with this major funding source, this organization was able to invest in a modern architecture, a very competent web-based development staff, and respond very quickly to public access demands. While most development results in free information to the public, such as data bases attached to a newly designed home page for all of State government, a portion of the resources of GeorgiaNet are devoted to developing added-value web applications wherein revenues can be generated. An example is an application called "Lobbyist in a Box." While there are numerous databases within GeorgiaNet allowing bill searches by the general public, the GeorgiaNet Authority tailored a special application for lobbyists that directly meets their needs. For this special service, they are charged \$50 per year. Other applications generating revenue involve the tailoring of data already available to the public in general form for associations and other interest groups.

GeorgiaNet has been one of the most effective programs in State government. Being a separate authority, with

a highly placed Board of Directors appointed by the Governor, it can produce web products very rapidly, ensure they respond to the State's highest priorities, and begin to address the enormous demands in the area of public access.

All revenues generated by GeorgiaNet Authority are required to go into the State treasury. However, costs of generating that revenue are permitted to come out of the revenue receipts. Costs include technology infrastructure and staff for the Authority as well as equipment required by State agencies to furnish data resources for the applications being developed. Funds are collected directly from customers. Network subscription charges are billed directly to the customer. Since it began over five years ago, on the average, the GeorgiaNet Authority receives about \$15 million annually.

There are currently no major barriers to this funding approach. The important step was the passage of the enabling legislation. Beyond this, the Information Technology Policy Council has tried to provide support and assistance to promote this concept and position the organization to be a central resource to overall public access capability.

The major benefit of this funding approach is having an organization that can serve as a foundation for providing necessary public access to State data through the World Wide Web.

The risk is ensuring that the balance between fee-based applications and free access to State databases is properly maintained. Thus far, the only revenue sources have been private associations and companies that have requested these services and

where the same general databases are already provided to the public for free.

For further information, contact Tom Bostic of the GeorgiaNet Authority on (644) 561-8690.

Category #6: Grants

State of Kentucky

The Kentucky Information Resources Management Commission (KIRM) has a \$250,000 Appalachian Regional Commission (ARC) grant to promote the benefits of the emerging information infrastructure in Kentucky through the development of community networks. For several years the ARC has examined the emergence of advanced telecommunications and the role it can play in regional development. Of special importance to Appalachia is how networks, such as the Kentucky Information Highway, can remove the barriers to growth posed by distance and spread the benefits of publicly funded resources to rural communities.

KIRM and various partners help communities develop a common vision and implementation plan for the development of a virtual community of people, businesses, government agencies, schools, libraries, health care providers and others linked through telecommunications and information resources.

KIRM provides up to 15 communities with ARC planning grant funds. Several communities receive grants ranging from \$10,000 to \$30,000 to engage in the planning process for the development of a community network and strategic plan for information technology resources.

For further information, contact Doug Robinson on (502) 573-5476 or via e-mail at drobinson@mail.state.ky.us

State of Kentucky

The State of Kentucky received a grant

from the Department of Justice to provide leadership and direction in controlling the use and availability of illegal drugs. In July 1997, the State of Kentucky received \$7.4 million from the U.S. Department of Justice's Edward Byrne Memorial Discretionary Grant Program. This grant program is aimed at providing leadership and direction in controlling the use and availability of illegal drugs and to improve the functioning of the criminal justice system, with emphasis on violent crimes and serious offenders. This three-year grant also mandates that a minimum of 5% of the total fund be used for information technology. Kentucky plans to modernize technology supporting the State's criminal records system.

For further information, contact Deborah McGovern of the State of Kentucky on (502) 564-7554.

U.S. Department of Commerce

The Department of Commerce's Telecommunications and Information Infrastructure Assistance Program (TIIAP) provides matching grants to non-profit organizations such as schools, libraries, hospitals, public safety entities and State and local governments. Grants are used to fund projects that improve the quality of, and the public's access to, education, health care, public safety, and other community based services. The grants are used to purchase equipment for connection to networks, including computers, videoconferencing systems, network routers and telephones and to buy software for organizing and processing all kinds of information.

In September 1997, TIIAP awarded 55 grants in 38 states and the District of Columbia, totaling \$20.9 million and

matched by \$25 million in non-Federal funds.

For further information, contact Stephen Downs of the National Telecommunications and Information Administration, Department of Commerce on (202) 482-2048.

Federal Communications Commission

The Federal Communications Commission's (FCC's) Universal Service Fund ensures affordable quality telecommunications services to all consumers, including low-income consumers, in all regions of the nation. The Telecommunications Act of 1996 requires the FCC and the States to ensure that the goals of affordable service and access to advanced telecommunications services are met by means that enhance rather than distort competition. In addition, for the first time in history, the Act requires that all eligible schools, libraries, and rural health care providers receive telecommunications services at a discount.

Money from the Universal Service Fund, if spent wisely, will go a long way in meeting State objectives. Some States have attempted to create comprehensive state plans and have separate agency requests follow those plans. This would also respond in some fashion to the issue of State infrastructure modernization if that infrastructure supported education and health care applications in telecommunications.

One concern of the Universal Service Fund is the "gold rush" mentality that surrounds the current program (first come, first served) and the damaging effect this has on promoting good

planning and integration of resources from a State perspective. States would benefit from having a national report shed light on the need for good State planning for Universal Service Fund utilization.

For further information, contact Mike Hale of the State of Georgia on (404) 657-1350.

Category #7: Seized Assets

U.S. Department of Justice

The U.S. Marshals Service, U.S. Department of Justice, is responsible for the management and disposition of seized and forfeited assets from drug trafficking and organized crime. The Asset Seizure and Forfeiture Program has become a key part of the Federal government's efforts to combat major criminal activities. The Marshals Service currently manages more than \$1.6 billion worth of property seized from criminals.

Under the Equitable Sharing Program, money from the Justice Assets Forfeiture Fund is shared with the State and local law enforcement agencies that participated in the investigations that led to the forfeiture. The amount of money the State and local agencies receive is based on the contribution they made to the investigation. Since 1986, more than \$1 billion in forfeited cash, proceeds and property has been provided to State and local agencies. A portion of the funds allocated to State and local governments is being used to fund technology that supports law enforcement efforts.

For further information, call Katherine Deoudes, U.S. Department of Justice, 202-307-9009.

Notes

