

February 15, 2017

The Honorable Pete DeGraaf, Chairperson
House Committee on Government, Technology and Security
Statehouse, Room 458-W
Topeka, Kansas 66612

Dear Representative DeGraaf:

SUBJECT: Fiscal Note for HB 2331 by House Committee on Government,
Technology and Security

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2331 is respectfully submitted to your committee.

HB 2331 would establish the Kansas Cybersecurity Act. The Kansas Information Security Office (KISO) would be created within the Office of Information Technology Services and the KISO would be administered by the executive branch Chief Information Security Officer (CISO), a new position created by the bill. For budgeting purposes, the KISO would be considered a separate agency. The CISO would be required to carry out the following responsibilities, among other things:

1. Administer the Kansas Cybersecurity Act;
2. Assist in developing, implementing and monitoring strategic and comprehensive information security risk-management programs;
3. Facilitate information security governance;
4. Provide strategic risk guidance for information technology projects;
5. Ensure that security programs are in compliance with relevant laws, rules, regulations and policies;
6. Coordinate resources involved in information security program including negotiating contracts;
7. Assist in the development of effective disaster recovery policies and standards; and,
8. Coordinate information technology interests between the Regents, the Legislative Branch, the Judicial Branch, executive elected office state agencies and local governments.

The bill would create the Cybersecurity State Fund. The fund would be financed from a transfer on July 1, 2017, of all unobligated funds remaining in the Office of Information Technology Services special revenue funds that are designated by the Chief Executive Information Technology Officer as cybersecurity fee monies. Additionally, the revenue received from the four dollar modernization surcharge collected by the Division of Vehicles of the Department of Revenue would be credited to the Cybersecurity State Fund.

The bill would also establish the Cybersecurity State Grant Fund Coordinating Council (CSGFCC), whose membership would comprise the CISO, two members representing information technology personnel from executive branch agencies, two members representing legal counsel from executive branch agencies, and one member representing financial personnel from executive branch agencies. The CSGFCC would be responsible for developing rules and regulations for distributing grant funds. Grants would be made from the Cybersecurity State Grant Fund, which would be a new fund created by the bill. A balance of at least \$10.0 million must be maintained in the fund.

The expenditures necessary to operate the Kansas Information Security Office and provide cybersecurity grants are unknown at this time; however, it is assumed that the Office would utilize all funding made available in the Cybersecurity State Fund and Cybersecurity State Grant Fund. A portion of the financing for the Cybersecurity State Fund would come from a transfer of unobligated OITS special revenue funds. The precise amount of unobligated funds designated as cybersecurity monies that will be available for transfer on July 1, 2017, is unknown. According to budget system information, OITS is projected to have a FY 2018 beginning balance of \$175,688 in the Information Technology Fund, which is the primary fund of the agency.

The remaining portion of financing for the Cybersecurity State Fund would come from the \$4 Division of Vehicles modernization surcharge, which generates revenue of approximately \$12.0 million annually. For FY 2017, current law requires the Digital Imaging Program Fund in the Department of Administration, the Criminal Justice Information System Line Fund in the Kansas Bureau of Investigation (KBI), and the Division of Vehicles Modernization Fund in the Department of Revenue to each receive \$1 of the surcharge up to a maximum of \$1.0 million, with the State Highway Fund to receive all remaining revenue from the surcharge. The modernization surcharge generates approximately \$12.0 million annually with \$1.0 million each distributed to the Department of Administration, the KBI and the Department of Revenue and \$9.0 million distributed to the State Highway Fund. After FY 2017, the State Highway Fund would receive all of the revenue from the modernization surcharge if the distribution to the other agencies is not continued.

As included in *The FY 2018 Governor's Budget Report*, the Governor recommends the continued distribution of modernization surcharge revenue to the Department of Administration, the KBI, the Department of Revenue and KDOT. For FY 2018 and FY 2019, it is recommended that the Department of Administration receive \$500,000; the KBI receive \$1.0 million; the Department of Revenue receive \$1.0 million; and the State Highway Fund receive \$9.5 million. The \$9.5 million credited to the State Highway Fund is recommended to be transferred to the

State General Fund in FY 2018 and FY 2019. Enactment of HB 2331 would reduce the amount of funding provided to programs in the Department of Administration, the KBI and the Department of Revenue and the amount transferred to the State General Fund in *The FY 2018 Governor's Budget Report*.

The KBI indicates that the bill would reduce agency revenues by \$1.0 million. The funds are used to fund five positions that directly support the Kansas Criminal Justice Information System and for costs related to replacing equipment and infrastructure. The bill would cause the positions to become unfunded and all plans to replace or update existing infrastructure on established schedules would be put on hold. This would affect security, availability of the system, and public safety information sharing for all jurisdictions in Kansas.

The Department of Revenue indicates that while the bill would generate agency savings of approximately \$500,000, the Department would also lose \$1.0 million in revenue for the Division of Vehicles. The Department states that this would result in reductions to Division expenditures which would affect customers.

Because the Governor's budget transfers \$9.5 million of the modernization surcharge revenue that would be deposited into the State Highway Fund in FY 2018 and FY 2019 to the State General Fund, the loss of these monies would not have an effect on KDOT in FY 2018 and FY 2019. These funds are not planned for KDOT projects and would have no effect on State Highway Fund cash flow for FY 2018 and FY 2019. However, the bill would reduce agency cash flow by \$12.0 million in FY 2020 and beyond. KDOT estimates that it could incur annual savings of approximately \$400,000 if work on cybersecurity becomes the responsibility of the Kansas Information Security Office. Of this amount, \$250,000 would be from hardware maintenance savings and software licensing and \$150,000 would be from salary and wages savings.

A request for information was sent to the Office of Information Technology Services; however, a response had not been received at the time this note was prepared. Any fiscal effect associated with HB 2331 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Colleen Becker, Department of Administration
Jack Smith, Department of Revenue
Ben Cleaves, Transportation