

Innovative Government Funding Model

Funding for technology lags well behind the technology innovation curve, inhibiting government's ability to leverage technology. The Florida Association of Court Clerks and Comptroller used an innovative approach to bridge the gap.

Core Topic

Sourcing: Service Contracting

Key Issues

What innovations and best practices are developing in service contracting?

What are the methodologies and critical success factors for structuring successful service contracts?

The Florida Association of Court Clerks and Comptroller (FACC) is a shared-services organization established under the direction of the Clerks of the Circuit Court (67 constitutionally elected clerks) and the Orange County Comptroller for the state of Florida. The FACC's charter is to effectively and efficiently serve Florida citizens through projects and activities that have common goals for all of the clerks' jurisdictions. One such activity is to support the clerks in developing and implementing information systems that enhance operations through a shared-services model.

Problem: As county recorder, the Clerks of the Circuit Court has statutory and custodial responsibilities for official records. These responsibilities include accepting, recording, storing and publishing large volumes of official documents that are processed at the clerks' offices. In support of Florida's vision to effectively use technology and promote e-government solutions, Senate Bill 1334, known as the "Clerks of the Circuit Court Public Records Act," was passed in 1999 to require Web-enabled document requisition and management of official records. The bill states: "No later than January 1, 2002, the county recorder in each county shall provide a current index of documents recorded in the official records of the county for a period beginning no later than January 1, 1990 on a publicly available Internet Web site, which shall also contain a document requisition point for obtaining images or copies of the documents reflected in the index." The FACC embarked on the initiative to provide e-government functionality to all of Florida's 67 counties; however, it had limited funds to pay for the development and maintenance of the solution.

Objective: The Clerks of the Circuit Court and the FACC issued an invitation to negotiate (ITN), requesting solutions from external services providers (ESPs) to meet the legislature's

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mandates. The ITN outlined the high-level requirements for its Integrated Public Access System (IPAS). As part of the original ITN, the FACC wanted to procure a solution that provided the requested functions using revenue generated by transactions executed on the Web site to fund the system's development, enhancement and maintenance.

Approach: The FACC selected Deloitte Consulting and cited one of its discriminators as its Portfolio Funding methodology, which the FACC considered a unique approach to obtaining the optimum funding model for its e-government program (see Note 1). A conceptual planning phase was initiated, during which various economic models that supported the IPAS business case were reviewed to identify potential revenue, expenses, cash flows and returns on investment. The goal was to determine whether a self-funded model based solely on transaction fees would cover development, implementation and maintenance costs. The FACC's approach consisted of an intensive effort to research the market for official record information and document requests, forecast the demand for such documents and derive estimates of revenue — given the FACC's intent of making the system self-funded. Three different activities were executed concurrently:

Note 1

Deloitte Consulting's Portfolio Funding Model

Deloitte Consulting's Portfolio Funding provides the context for combining multiple funding models, including transaction fees, advertising revenue, benefits capture and traditional appropriation, to define a business case that generates the most revenue for a public-sector organization based on its financial needs. An advantage of this approach is that the agency is fully aware of the costs and benefits of all funding alternatives, because Portfolio Funding's main objective is to develop a business case that fully supports the optimum funding model for the public sector.

- **Understanding of County and FACC Operations and Functions**

The focus of this exercise was to obtain detailed information on the operations, economics and functions of counties. A series of information sessions were held with county users and executives to review the current operations of the counties and the FACC. The sessions focused on identifying additional service capabilities for IPAS that would provide revenue to support the initiative.

- **Understanding of IPAS Customers**

This activity analyzed the FACC's and the counties' customer bases to identify the economic potential that could be derived from offering services over the Internet. An integral part of the FACC's strategy was to understand and include county customers that provided the greatest revenue potential for the IPAS. Using this information, the FACC was able to project the business plan for the IPAS by understanding different potential users, determining how much they would be willing to pay for the services, and determining how much the counties and the FACC could potentially charge and recover through the system.

- **Understanding of the IPAS Services**

This exercise concentrated on matching customer needs with service models that included transaction fees,

subscription fees or convenience charges to justify the investment and facilitate the decision to proceed. For each customer segment, different services were identified, and their potential profitability was analyzed. Different economic models for services were developed, and projected costs and revenue were determined for each of the options.

Results: The team's initial conclusion was that projected revenue based on the original services envisioned for the IPAS — official records search and document ordering — would not be enough to cover the costs of developing and maintaining the system. In essence, there was no sound business case to proceed with the IPAS as originally envisioned as a self-funded project.

Faced with this reality, the FACC looked at other strategies for deployment using the Portfolio Funding approach. Given that the FACC is a shared-services organization supporting 67 Florida court clerks, it is composed of a wide range of service offerings that had the potential for inclusion in the IPAS. The FACC operates the Florida State Disbursement Unit for Child Support and assists the clerks in collecting traffic ticket fines for the state. The FACC reviewed these two service areas and discovered that significant revenue streams could be generated through their inclusion in the IPAS. The FACC also looked at possible appropriations from the state legislature that could help fund the initiative. The team proposed the provision of child support case inquiry functions for the public and caseworkers through the use of the portal. This functionality would emulate the current interactive voice response (IVR) system operated by the state disbursement unit and could save the state a significant amount of money in IVR system maintenance costs. The state approved the proposal and provided budgetary appropriations that were included in the funding scheme for the IPAS (see Note 2).

Total costs for development and maintenance were analyzed and compared against possible returns generated from portal revenue during the next five years. Through negotiations, the FACC and Deloitte Consulting agreed to establish a revenue-sharing arrangement in which initial upfront costs would be amortized, deferred and paid with projected revenue from the portal. In essence, the Deloitte Consulting team agreed to provide some of its own capital to support the development of the IPAS. The FACC has engaged the National Information Consortium (NIC) to build the portal and provide functionality for online record index searches, document ordering, child support payments, traffic payments and child support case inquiries.

These funding sources, when combined with the investments made by the ESP team, provided sufficient capital for developing the portal. The business case changed from a self-funded

Note 2

The IPAS Portfolio of Funds (as of June 2001)

The IPAS business case was made using the following programs and revenue sources:

- Online record index searches will generate revenue based on a subscription fee that is charged to users, such as title search agencies, lawyers, banks, realtors and others. This yearly fee will pay for unlimited use of the IPAS for searches.
- Revenue from document orders will be based on a transaction fee that is charged for each order processed.
- Child support and traffic payments will generate revenue based on a convenience fee that is charged for the use of the e-payment engine that processes credit cards and electronic checks.
- Child support case inquiries will generate funding based on appropriations that the legislature and Department of Revenue will provide for developing this functionality.

proposition to a subsidized effort, with the FACC providing an annual payment to its service providers for development and maintenance, with an agreement to share revenue generated by the portal during a five-year period.

The FACC also signed an alliance agreement with Deloitte Consulting that provides for continued use of the Portfolio Funding model. Analysis for additional service components and funding sources continues, and the FACC is engaging in efforts to increase the IPAS funding pool. The FACC has recently met with the state CIO's office to present a business case for establishing a consortium of local government agencies using the IPAS. The consortium would include additional services from court clerks, property appraisers, tax collectors and the supervisors of elections, thereby significantly increasing the shared-service value of the IPAS and potential revenue. In addition, the FACC and its alliance partners are going to participate in a public bid for the provision of credit card payments for state agencies and counties using the IPAS e-commerce engine as the technology enabler for Internet payments. This service could provide significantly more than enough revenue to maintain and expand the IPAS for years to come (see Figure 1).

Figure 1
Implementation Timeline

<i>Phase</i>	<i>To Be Completed in Quarter Ending</i>
Central site network and integration	30 September 2001
Online record index searches	31 December 2001
Online document orders	31 December 2001
Child support inquiries	31 March 2002
Child support payments	31 March 2002
Traffic payments	30 June 2002

Source: Gartner Research

Critical Success Factors/Lessons Learned:

- *Be the chief advocate for change:* The FACC promoted the enabling legislation and took an active role in communicating the benefits of an e-government solution to fulfill its custodial responsibilities for official records.
- *Partner with private enterprise:* The FACC sought assistance from the private sector, first in terms of accessing best practices and exploring options. The relationship later evolved as a public-private partnership once the team saw the mutual benefit that could be derived from private sector investment.

- *Think out of the box:* Key to the FACC's success was its willingness to seek alternatives to the original self-funded model envisioned for IPAS. The FACC looked at its services portfolio and combined as many components as possible to create a business case that supported the original plan. In doing so, it was able to offer services to other programs, fueling the revenue stream for years to come.
- *Explore all options before committing to an approach:* The FACC's original concept of a self-funded model to pay for the IPAS was sound, but it knew that the concept needed to be supported by a full dose of reality — the business case. It was willing to explore all options — transaction fees, subscription fees, convenience fees, appropriations and private-sector investments — and eventually settled on a model that can be shared by multiple customers, generating the optimum mix of revenue to fund the program.
- *Be conservative in developing projections:* Leaders who are energized and enthused about a new service often oversell the benefits and make projections based on the perceived value. Only by exploring actual value through contact with customers and users can the government be assured that the services will deliver value. Additionally, when projecting revenue and costs, the conservative approach is favorable to aggressive projections, which tend often to not materialize, leaving the government vulnerable to long-term funding risks.
- *Deliver reliable shared services:* Reliable shared services is key to the IPAS. The FACC has a solid record of performance to the counties and its customers and has the infrastructure in place to support the IPAS. It did not have to sell its services to the counties, because it is a known, quality provider.

Bottom Line: To enable e-government, governments should pursue innovative funding models that use a variety of revenue sources. The FACC's experience provides a best-practice approach that can be used as a framework by other governments looking to bridge the gap between the technology innovation curve and traditional funding cycles and sources.