

Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Capital Facilities and Administrative Services

Utah Department of Administrative Services  
**Division of Information Technology Services**  
**Internal Service Fund**

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**1.0 Summary: Division of Information Technology Services Internal Service Fund**

The Division of Information Technology Services (ITS) within the Department of Administrative Services is required to provide cost effective and reliable data processing and communication service to all agencies of state government as well as various local entities.

ITS' data processing services include software licensing and development, central computing, wide area network connectivity, and consultation. Its telecommunications services include negotiating the purchase, lease or rental of private or public telecommunications services, and operating the State's network of microwave sites. ITS has authority to establish rates and collect fees for these services.

The Analyst recommends \$56,378,400 in revenue, a \$737,000 reduction in capital outlay, and 240 FTE for ITS in FY 2004. The Analyst further recommends reducing the universal rate for telephone service by \$1 per month, transferring the Automated Geographic Reference Center to a separate line-item, and refunding \$1,280,000 from ITS retained earnings to the General Fund.

	<b>Analyst FY 2004 Base</b>	<b>Analyst FY 2004 Changes</b>	<b>Analyst FY 2004 Total</b>
<b>Financing by Source</b>			
Dedicated Credits - Intragvt Rev	54,530,800	1,846,800	56,377,600
Transfers	376,600	(376,600)	
<b>Total</b>	<b>\$54,907,400</b>	<b>\$1,470,200</b>	<b>\$56,377,600</b>
<b>Expenditures by Program</b>			
ISF - ITS Administration and Finance	(100)	100	
ISF - Network Services	12,116,800	769,100	12,885,900
ISF - Telephone Services	15,053,700	1,278,500	16,332,200
ISF - Radio Shop	2,278,800	540,500	2,819,300
ISF - Computing	18,647,100	432,300	19,079,400
ISF - ITS Support Services	6,440,300	(842,700)	5,597,600
ISF - New Technologies	544,400	(544,400)	
ISF - Automated Geographic Ref Ctr	725,600	(725,600)	
<b>Total</b>	<b>\$55,806,600</b>	<b>\$907,800</b>	<b>\$56,714,400</b>
<b>Profit/Loss</b>	<b>(\$899,200)</b>	<b>\$562,400</b>	<b>(\$336,800)</b>
<b>FTE/Other</b>			
Total FTE	248	(8)	240
Authorized Capital Outlay	5,745,800	(737,000)	5,008,800
Retained Earnings	8,538,900	(717,600)	7,821,300

## **2.0 Issues: Division of Information Technology Services (ITS)**

### **2.1 Legislatively Mandated Reduction of Operating Expenses**

In the 2002 General Session the Legislature directed the Division of Information Technology Services (ITS) to adjust its operations sufficient to generate ongoing savings to the General Fund of \$1,280,000. ITS has complied with this intent. The Legislature realized the savings through an appropriation of ITS retained earnings to the General Fund in fiscal years 2002 and 2003. The Analyst recommends a similar transfer for fiscal year 2004. (See page 6.)

**General Fund, One-time.....(\$1,280,000)**

### **2.2 Swift Response to Legislative Audit**

Department of Administrative Services Executive Director Camille Anthony swiftly responded to findings of the Legislative Auditor General by canceling contracts that were not properly issued. (See page 8.)

### **2.3 No New Capital Outlay Authority Pending Investigations**

The Legislative Auditor, Department of Administrative Services Internal Auditors, and the Attorney General continue their separate reviews of the Division of Information Technology Services' acquisition practices. Pending the results of these audits, the Analyst recommends capping ITS' capital outlay authorization. (See page 9.)

### **2.4 Clarification of Costs and Associated Rates**

There are cases in which the Division of Information Technology Services' rates do not clearly and accurately reflect the costs underlying its services. As a result, ITS customers may unwittingly subsidize products or services they do not consume. The Analyst recommends a comprehensive review of ITS products, costs, and associated rates prior to the FY 2005 General Session. (See page 10.)

### **2.5 Elimination of AGRC Cross-subsidy**

A first step in clarifying Division of Information Technology Services (ITS) costs and rates is removing a known subsidy. Since 1993, the Automated Geographic Reference Center (AGRC) has operated as a pseudo internal service fund within ITS, and ITS customers have subsidized AGRC's expenses by about \$300,000 annually. The Analyst recommends removing AGRC from ITS' cost structure as detailed in the Automate Geographic Reference Center budget analysis. (See page 21.)

**Dedicated Credits.....(\$349,000)**  
**Transfers.....(\$376,600)**

**2.6 Reduction of Revenue Stream to Reflect Elimination of Subsidy**

As an interim step toward rate clarity as described in item 2.3 above, and reflecting reduced costs as summarized in item 2.4 above, the Analyst recommends the Legislature reduce the rate for telephone service by \$1 pre month. (See page 13.)

**Dedicated Credits.....(\$336,800)**

**2.7 Product Realization Process Eliminates Need for “New Technologies” Program**

A clearly defined process for identifying, analyzing, and market testing product concepts prior to heavy investment may aid the Division of Information Technology Services in clarifying its rates and services. The Analyst believes this process obviates the need for a New Technologies program. (See page 19.)

**3.0 Programs: Division of Information Technology Services (ITS)**

**3.1 Administration & Finance**

**Recommendation**

The Analyst recommends FY 2004 expenditures of \$1,543,100 for Administration and Finance, to be distributed proportionally among other functional areas within the Division. The Analyst also recommends \$3,800 in capital outlay authorization and twenty-nine full time equivalent (FTE) positions for this functional area.

<b>Financing</b>	<b>2002 Actual</b>	<b>2003 Estimated</b>	<b>2004 Analyst</b>	<b>Est/Analyst Difference</b>
<b>Total</b>	\$0	\$0	\$0	\$0
<b>Expenditures</b>				
Personal Services	1,609,400	1,442,700	1,169,000	(273,700)
In-State Travel	1,100	49,000	32,000	(17,000)
Out of State Travel	6,700	131,500		(131,500)
Current Expense	182,000	254,700	183,700	(71,000)
DP Current Expense	275,100	219,800	154,600	(65,200)
DP Capital Outlay	8,900	7,000	3,800	(3,200)
Other Charges/Pass Thru	378,700	(2,104,800)	(1,543,100)	561,700
<b>Total</b>	<b>\$2,461,900</b>	<b>(\$100)</b>	<b>\$0</b>	<b>\$100</b>
<b>Profit/Loss</b>				
	(\$2,461,900)	\$100	\$0	(\$100)
<b>FTE/Other</b>				
Total FTE	27	25	29	4
Authorized Capital Outlay	8,900			
Retained Earnings	(1,536,500)	(1,536,400)	(4,756,300)	(3,219,900)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

ITS' Administration and Finance functional area provides direction, prepares budgets, develops rates, tracks finances, manages billing systems and contracts, performs technical writing, and produces the State directory for ITS. It includes the following activities:

- ▶ Director's Office
- ▶ Administration & Finance
- ▶ Accounting
- ▶ Budgets & Rates
- ▶ Internal Financial Systems
- ▶ Management Services
- ▶ Office Supplies & Miscellaneous

**Intent Language**

The 2002 Appropriations Act includes the following intent language:

*It is the intent of the Legislature that the Division of Information Technology Services adjust its operations in a manner sufficient to generate savings equivalent to \$1,280,000 in state funds.<sup>1</sup>*

To realize this savings, the Act rebates \$1,280,000 from the ITS Internal Service Fund to the General Fund.<sup>2</sup>

*ITS achieves reduced costs in response to intent language*

In December, 2002, ITS reported that it had achieved costs savings in both FY 2002 and FY 2003 as mandated by the Legislature. In fact, ITS reduced its costs more than was mandated – by \$1,397,200 instead of \$1,280,000. A schedule of the cost savings is included below.

SAVINGS	EXPLANATION
\$ (85,700)	Eliminated sick leave incentive program
\$ (20,000)	Reduced travel allowed
\$ (50,000)	Building maintenance costs related to computer facilities will be reduced
\$ (67,000)	Slashed office supplies purchases
\$ (20,000)	Reduced Office Furniture replacements and upgrades
\$ (30,000)	Conventions and workshops for ITS employees was reduced
\$ (100,000)	Lower maintenance costs resulted from scheduled replacement of PBX and key telephone systems
\$ (41,100)	ITS has eliminated payphone systems that were not recovering their cost
\$ (35,000)	ITS has extended the replacement cycle for personal computers
\$ (20,000)	ITS has extended the replacement cycle for Servers
\$ (21,600)	Slashed miscellaneous purchases
\$ (290,800)	The number of tape silos at the Richfield computer center has been reduced
\$ (495,500)	To reduce software maintenance costs, ITS consolidated IBM mainframe computers at the Richfield center
\$ (120,500)	Will not renew support for Meta Group software products
<b>\$ (1,397,200)</b>	<b>Total cost reductions</b>
\$ (1,280,000)	Legislative mandated Reduction
<b>\$ (117,200)</b>	<b>Cost reductions in excess of Legislative mandate</b>

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According to ITS managers, “ITS has cut operating expenses by \$1.28 million as required by the legislature and the savings is on-going.”<sup>4</sup> The Analyst believes that ITS has complied in full with the above Legislative intent language.

<sup>1</sup> Utah State Legislature. *Appropriations Act (Senate Bill 1, 2002 General Session)*. Page 18, Item 58.

<sup>2</sup> Utah State Legislature. *Appropriations Act (Senate Bill 1, 2002 General Session)*. Page 23, Item 65.

<sup>3</sup> Heim, Christopher. *Comparison of Mandated Cost Reductions and Savings*. Division of Information Technology Services. December 17, 2002. Page 1.

<sup>4</sup> Heim, Christopher. *LFA budget reduction response*. Email to Jonathan Ball. December 17, 2002.

*Cost savings not yet reflected in rates, thus should be appropriated in FY 2004*

The Analyst further agrees that the savings directed by the Legislature are ongoing. During the 2002 General Session, the Analyst recommended that “ITS present to the Internal Service Fund Rate Committee and the Legislature a rate reduction reflecting such savings for the 2003 fiscal year.”<sup>5</sup> The Analyst asked ITS officials in a September, 2002 Rate Committee meeting whether the rate changes proposed by ITS for FY 2003 and FY 2004 reflected these savings.

The ITS officials responded that the rate changes do not reflect the savings and that ITS anticipated the savings would be reflected in further appropriations from retained earnings.<sup>6</sup>

As such, the Analyst recommends that the Legislature move \$1,280,000 from the Information Technology Services Internal Service Fund to the General Fund for fiscal year 2004. Should a comprehensive rate review (see page 10) result in ongoing General Fund savings equal to or exceeding this amount beginning in FY 2004, the Analyst recommends the following intent language:

*It is the intent of the Legislature that, should a comprehensive review of Division of Information Technology Services (ITS) costs, products, and rates result in FY 2004 General Fund savings of at least \$1,280,000, the Legislative Fiscal Analyst shall recommend to the Legislature restoring this FY 2004 one-time appropriation from the Information Technology Services Internal Service Fund.*

The Analyst believes ITS will achieve further cost savings. The Department of Administrative Services will perform a comprehensive review of ITS’ rates during the 2003 interim (see page 13). ITS has implemented a new Product Realization Process (see page 19). Department and Division management are committed to improving ITS’ customer service and its operations.

*Management has demonstrated commitment to improvement*

For example, the Department of Administrative Services reacted swiftly to recent finding of the Legislative Auditor General.

A report by the Auditor General, released in September, 2002, questioned whether ITS was following state purchasing guidelines with regard to contract employment. The audit stated that “a legitimate MC1014 contract was used in an improper way to directly hire (an) individual...”<sup>7</sup>

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<sup>5</sup> Ball, Jonathan. *FY 2003 Budget Recommendations...Division of Information Technology Services Internal Service Fund*. Office of the Legislative Fiscal Analyst. January, 2002. Page 5.

<sup>6</sup> Woolley, Robert. Presentation to the Internal Service Fund Rate Committee. September 26, 2002.

<sup>7</sup> Coleman, Janice. *Hiring Practices of the CIO and ITS*. Legislative Auditor General. September, 2002. Page 3.

Following the audit, Department of Administrative Services Executive Director Camille Anthony ordered a full review of all MC1014 contracts in place at ITS. Ms. Anthony and her staff found that seven of the eight active MC1014 contracts were issued improperly or had other problems. She then terminated those seven. One of the seven she re-bid to allow time to transition its work products to ITS staff. The eighth contract was allowed to continue through its contract end date in January, 2003. Two of the mission critical functions previously performed under contract, Tiered Support Manager and Product Manager, were converted to full time employment and subjected to a competitive hiring process.

Similarly following-up on the Legislative Auditor General's September report, the Legislature's Executive Appropriations Committee has asked the Auditor General to research ITS procurement of unnecessary or unused hardware and software. The Department of Administrative Services has asked its own auditors to review ITS purchases. Finally, the Utah Attorney General is looking into ITS' hiring and procurement practices.

The Analyst shares the concerns of the Executive Appropriations Committee, Department of Administrative Services, and Attorney General. However, as three investigations are ongoing, the Analyst is hesitant to provide here detail on software acquisitions he believes were costly and unnecessary.

*Rescind capital outlay authorization pending inquiries*

Yet, the Legislature, in its oversight role, has a responsibility to protect state taxpayers from potential waste. The Analyst therefore recommends the Legislature, pending resolution of the ongoing inquiries, rescind all nonlapsing capital outlay authorization for ITS and temporarily refrain from authorizing growth in capital outlay as requested by ITS for FY 2004.

To implement the above recommendation, the Analyst recommends the following intent language for the 2003 Appropriations Act:

*It is the intent of the Legislature that on June 30, 2003, all previously extended but unexpended capital outlay authorization for the Department of Administrative Services, Division of Information Technology Services shall lapse.*

### 3.2 Network Services

#### Recommendation

The Analyst recommends FY 2004 revenue of \$12,137,700, expenses of \$12,885,900, and \$1,599,600 in capital outlay for Network Services. The Analyst also recommends thirty-four full time equivalent (FTE) positions for this function.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	11,802,700	11,867,400	12,137,700	270,300
<b>Total</b>	<u>\$11,802,700</u>	<u>\$11,867,400</u>	<u>\$12,137,700</u>	<u>\$270,300</u>
<b>Expenditures</b>				
Personal Services	2,604,600	2,597,200	2,664,400	67,200
In-State Travel	3,900		12,400	12,400
Out of State Travel	11,000		27,600	27,600
Current Expense	5,699,400	6,186,300	5,710,100	(476,200)
DP Current Expense	1,261,200	1,193,700	1,574,600	380,900
DP Capital Outlay	1,627,600	1,930,800	2,094,700	163,900
Other Charges/Pass Thru	1,182,500	208,800	802,100	593,300
<b>Total</b>	<u>\$12,390,200</u>	<u>\$12,116,800</u>	<u>\$12,885,900</u>	<u>\$769,100</u>
<b>Profit/Loss</b>	<u>(\$587,500)</u>	<u>(\$249,400)</u>	<u>(\$748,200)</u>	<u>(\$498,800)</u>
<b>FTE/Other</b>				
Total FTE	40	34	34	
Authorized Capital Outlay	1,627,600	1,599,600	1,599,600	
Retained Earnings	(1,824,600)	(2,074,000)	(3,288,600)	(1,214,600)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Network Services functional area performs wide area network design, installation, and maintenance; mainframe network support; local area network support; e-mail services; wiring design; systems drawing and site floor planning; PC hardware and software installation and support; and high-speed circuit/satellite leasing. It includes the following cost centers:

- ▶ Data Communications Administration
- ▶ External LAN Support
- ▶ ISDN
- ▶ Radio/Microwave Sites
- ▶ TOC Network Control Center
- ▶ UNIX
- ▶ Wide Area Network
- ▶ Network Wire

*ITS rates have come down in the past*

The Division of Information Technology Services regularly reviews and adjusts its established rates. Since fiscal year 2000, ITS has reduced fourteen rates, savings state agencies more than \$12.5 million overall. ITS and its managers are to be commended for this effort.<sup>8</sup>

<sup>8</sup> Heim, Christopher. *Comparison of Mandated Cost Reductions and Savings*. Division of Information Technology Services. December 17, 2002. Page 2.

However, as these rate adjustments are incremental, and as so many changes have occurred since the rates were originally established, the Analyst believes that ITS' rates no longer relate directly to the service for which they are charged. This begs the question "have ITS' rates come down enough?"

The fact that ITS' rates do not accurately reflect the cost of the services for which they are charged results in inaccurate price signals between ITS and its customers. Customers may pay for services they do not consume, or may chose to invest outside ITS in equipment or services that would have been cheaper for the state had they used ITS.

*Example: Tape  
Back-Up of  
Computer Data*

"For example, if in July, 2002, a user agency investigated options for backing-up its computer data, it would have found that the Division of Information Technology Services' rate for tape storage was \$0.08 per megabyte per month. At a quantity demanded of 20 gigabytes storage per month, the ISF cost for back-up would have been \$19,200. By comparison, the incremental cost of purchasing and operating a tape back-up unit in-house at a user agency would have been about \$13,100. The user agency's logical choice in this scenario would be to purchase and operate a tape back-up unit in-house.

"The true cost recovery rate for tape storage is \$0.04 per megabyte per month, making the annual cost of ISF storage \$9,600 and therefore the more cost effective option. The revenue generated by the four cent rate disparity presumably subsidized other services for which a rate was not established or for which a rate was too low.

"In this example, the inflated rate also sent an incorrect signal to user agencies that purchasing and operating their own tape back-up units was cheaper than using ITS, and could have resulted in unnecessary capital investment by the State as a whole."<sup>9</sup>

*WAN rate could  
be based upon  
class of user*

ITS attempted to address one of its rates, that for Wide Area Network (WAN) services, during the 2002 interim. ITS' concept was that a more easily traceable and auditable unit of consumption – in this case people instead of ports – would clarify price signals.

ITS' customers disagreed with this approach as it too broadly classified users. They also objected because the change introduced a risk that the Legislature would not adequately reallocate budgets.

The Analyst does not agree with ITS' original approach, but does believe that a user-based WAN rate makes sense. The Analyst suggests that rather than a single unit of consumption – a user – ITS develop a tiered approach that classifies users by their consumption of network resources. The Analyst encourages ITS to revisit this rate change in the coming year.

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<sup>9</sup> Allred, Steven *et al.* *Internal Service Funds Cost Structure and Budget Impact*. Office of the Legislative Fiscal Analyst. August 20, 2002. Page 9.

*Zero-based rate calculation should result in efficiencies*

Beyond the WAN rate, though, the Analyst believes that all of ITS' rates must be reviewed starting at a "zero-base". The Analyst recommends that ITS develop a new rate structure based upon the true cost of providing individual services. Those costs would likely include indirect costs of administration and development, but they should not include the cost of providing other established services.

The Analyst believes that such a review will result in different investment decisions by ITS and its customers, as well as reduced costs to the state overall. Such savings could be used to fund ongoing operations in AGRC and the Chief Information Officer, among other options.

In pursuit of these savings, the Analyst recommends the following intent language for the 2003 Appropriations Act:

*It is the intent of the legislature that the Division of Information Technology Services, Department of Administrative Services, and Internal Service Fund Rate Committee perform a comprehensive review of Division of Information Technology Services (ITS) costs, products, and rates prior to the 2004 General Session. It is further the intent of the Legislature that, as a result of the review described above, the Rate Committee recommend to the Legislature prior to its 2004 General Session a new rate structure for ITS that accurately associates rates with the cost of services for which those rates are charged. The Legislature intends that the Rate Committee present this review to the Executive Appropriations Committee by November 30, 2003.*

### 3.3 Telephone Services

#### Recommendation

The Analyst recommends FY 2004 revenue of \$15,904,300, expenses of \$16,332,200, and \$525,000 in capital outlay for Telephone Services. The Analyst also recommends thirty-eight full time equivalent (FTE) positions for this functional area.

	2002	2003	2004	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	16,240,300	15,486,000	15,903,500	417,500
<b>Total</b>	<u>\$16,240,300</u>	<u>\$15,486,000</u>	<u>\$15,903,500</u>	<u>\$417,500</u>
<b>Expenditures</b>				
Personal Services	2,480,200	2,440,100	2,489,300	49,200
In-State Travel	14,800			
Out of State Travel	11,900			
Current Expense	10,884,300	9,870,800	10,872,800	1,002,000
DP Current Expense	113,700	164,900	113,700	(51,200)
DP Capital Outlay	1,447,300	943,900	1,147,400	203,500
Other Charges/Pass Thru	1,658,200	1,634,000	1,709,000	75,000
<b>Total</b>	<u>\$16,610,400</u>	<u>\$15,053,700</u>	<u>\$16,332,200</u>	<u>\$1,278,500</u>
<b>Profit/Loss</b>	<u>(\$370,100)</u>	<u>\$432,300</u>	<u>(\$428,700)</u>	<u>(\$861,000)</u>
<b>FTE/Other</b>				
Total FTE	43	39	38	(1)
Authorized Capital Outlay	1,447,300	525,000	525,000	
Retained Earnings	(688,600)	(256,300)	(1,203,100)	(946,800)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

This functional area provides customer consulting for telephones, switches, and other voice services; telephone switch design and configuration; as well as analysis and planning for voice facilities. It includes the following cost centers:

- ▶ Auto Attendant
- ▶ Call Management Systems
- ▶ Cellular Hardware
- ▶ Cellular Usage
- ▶ Directory Services
- ▶ FCC Frequency Sales
- ▶ In-Wats
- ▶ Interactive Voice Response
- ▶ Interstate Long Distance
- ▶ Intrastate Long Distance
- ▶ International Long Distance
- ▶ Network Voice
- ▶ Pagers
- ▶ Personal Communications Systems (PCS)
- ▶ Universal Rate
- ▶ Voice/Data Circuits
- ▶ Voice Common
- ▶ Voice Mail

- ▶ Voice Maintenance
- ▶ Voice Station

*As a second-best option, reduce telephone service rate to eliminate revenue previously subsidizing AGRC*

As discussed on page 21, the Analyst recommends eliminating a known cross-subsidy – the Automated Geographic Reference Center (AGRC) – from ITS’ cost structure. In conjunction with this move, the Analyst also recommends removing revenue used to subsidize that activity from ITS’ revenue stream.

Ideally, the Analyst would have ITS identify the rates that subsidize AGRC, perform a zero-based rate analysis (as discussed on page 10), and develop new rates that accurately reflect the cost of the services for which they are being charged.

ITS and the Department of Administrative Services correctly point out that such a process should take time and careful consideration, including regular input from user agencies.

As such, the Analyst recommends an interim step. To remove the revenue subsidizing AGRC from ITS’ revenue stream, the Analyst recommends reducing the universal rate for telephone service from \$27 to \$26 per dial tone per month. Such a change would result in \$336,800 savings to state agencies as shown on the table on the following page.

While this is not the ideal approach to rate calculation, it does equitably allocate savings to a broad base of users.

**ITS IMPACT****REDUCTION OF \$1.00 IN MONTHLY SERVICE FEE****NEW RATE TO BE \$26.00 PER MONTH**

<b>AGENCY NAME</b>	<b>AGENCY NUMBER</b>	<b>ANNUAL IMPACT</b>
Senate	011	\$ (1,032)
House of Representatives	012	\$ (2,208)
Legislative Printing	013	\$ (60)
Legislative Research and Gen Counsel	014	\$ (360)
Legislative Fiscal Analyst	015	\$ (144)
Legislative Auditor General	016	\$ (84)
Judicial Branch	020	\$ (26,592)
Capitol Preservation Board	030	\$ (180)
State Treasurer	050	\$ (660)
Governors Office	060	\$ (3,048)
Attorney General	080	\$ (5,376)
State Auditor	090	\$ (456)
Department of Administrative Services	100	\$ (31,908)
Tax Commission	120	\$ (12,984)
Career Service Review Board	130	\$ (36)
Human Resource Management	140	\$ (924)
Navajo Trust Administration	170	\$ (108)
Department of Public Safety	180	\$ (16,920)
Utah National Guard	190	\$ (804)
Department of Human Services	200	\$ (60,000)
Department of Health	270	\$ (21,960)
Medical Education Council	290	\$ (132)
Building Board Construction	300	\$ (72)
Board of Education	400	\$ (14,016)
Department of Corrections	410	\$ (22,584)
Department of Environmental Quality	480	\$ (7,272)
School and Inst Trust Lands Admin.	550	\$ (1,440)
Natural Resources	560	\$ (14,736)
Department of Agriculture	570	\$ (1,524)
Department of Workforce Services	600	\$ (42,804)
Alcoholic Beverage Control	650	\$ (3,660)
Industrial Commission	660	\$ (1,968)
Department of Commerce	670	\$ (4,644)
Financial Institutions	680	\$ (444)
Insurance Department	690	\$ (1,572)
Public Service Commission	700	\$ (336)
Community Economic Development	710	\$ (5,112)
Utah Department of Transportation	810	\$ (24,552)
Non State	NS	\$ (4,104)
	Grand Total	\$ (336,816) <sup>10</sup>

<sup>10</sup> Source: Department of Administrative Services, Division of Information Technology Services. January 21, 2003.

### 3.4 Radio Shop

#### Recommendation

The Analyst recommends FY 2004 revenue of \$2,674,900 and expenditures of \$2,819,300 for the Radio Shop. The Analyst also recommends seventeen full time equivalent (FTE) positions for this functional area.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	2,674,900	2,302,000	2,674,900	372,900
<b>Total</b>	<u>\$2,674,900</u>	<u>\$2,302,000</u>	<u>\$2,674,900</u>	<u>\$372,900</u>
<b>Expenditures</b>				
Personal Services	1,120,000	1,115,600	1,133,300	17,700
In-State Travel	14,600			
Out of State Travel	2,200			
Current Expense	1,383,300	847,900	1,383,300	535,400
DP Current Expense	45,000	8,200	45,000	36,800
DP Capital Outlay	115,900	118,400	97,400	(21,000)
Other Charges/Pass Thru	185,000	188,700	160,300	(28,400)
<b>Total</b>	<u>\$2,866,000</u>	<u>\$2,278,800</u>	<u>\$2,819,300</u>	<u>\$540,500</u>
<b>Profit/Loss</b>	<u>(\$191,100)</u>	<u>\$23,200</u>	<u>(\$144,400)</u>	<u>(\$167,600)</u>
<b>FTE/Other</b>				
Total FTE	17	17	17	
Authorized Capital Outlay	115,900			
Retained Earnings	(1,330,300)	(1,307,100)	(1,645,200)	(338,100)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

This functional area provides maintenance of microwave and mobile radios; installation and maintenance of microwave towers, buildings, and power; support for Public Safety wireless communications and dispatch facilities; installation and support of radar guns, video cameras, sirens, and light bars. It includes the following cost centers:

- ▶ 800 MHz Radio
- ▶ Contracted Services
- ▶ Law Enforcement System
- ▶ Microwave Site Maintenance
- ▶ Microwave Maintenance
- ▶ Radio/Microwave Appropriation
- ▶ Radio Installs
- ▶ Radio Maintenance, Parts, etc.
- ▶ Radio Technician Service
- ▶ State Repeater System

### 3.5 Computing

#### Recommendation

The Analyst recommends FY 2004 revenue of \$20,424,800, expenses of \$19,079,400, and \$2,884,200 in capital outlay for Computing. The Analyst also recommends eighty-four full time equivalent (FTE) positions for this functional area.

	2002	2003	2004	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	20,054,200	17,805,400	20,424,800	2,619,400
<b>Total</b>	<u>\$20,054,200</u>	<u>\$17,805,400</u>	<u>\$20,424,800</u>	<u>\$2,619,400</u>
<b>Expenditures</b>				
Personal Services	6,471,400	6,266,300	6,129,800	(136,500)
In-State Travel	2,500		21,500	21,500
Out of State Travel	45,500		49,000	49,000
Current Expense	687,100	762,500	686,100	(76,400)
DP Current Expense	6,806,200	5,285,500	6,378,600	1,093,100
DP Capital Outlay	2,730,200	3,212,500	2,884,200	(328,300)
Other Charges/Pass Thru	2,875,100	3,120,300	2,930,200	(190,100)
<b>Total</b>	<u>\$19,618,000</u>	<u>\$18,647,100</u>	<u>\$19,079,400</u>	<u>\$432,300</u>
<b>Profit/Loss</b>	<u>\$436,200</u>	<u>(\$841,700)</u>	<u>\$1,345,400</u>	<u>\$2,187,100</u>
<b>FTE/Other</b>				
Total FTE	78	89	84	(5)
Authorized Capital Outlay	2,730,200	2,945,000	2,884,200	(60,800)
Retained Earnings	17,272,500	16,430,800	19,981,400	3,550,600

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Computing functional area provides mainframe computing, disk storage, tape storage and vault services, microfiche services, customer consulting for special forms design, job scheduling, Capitol operators, customer service/help desk, ITS order desk, and statewide network monitoring. It includes the following cost centers:

- ▶ CICS
- ▶ CIMS
- ▶ Computing - Mainframe
- ▶ COTS Consulting
- ▶ Database Administration
- ▶ Disk Storage
- ▶ Operations Administration
- ▶ Operations Support
- ▶ Print Local
- ▶ Production Support
- ▶ Reports
- ▶ Security
- ▶ Software Management and Support
- ▶ Software Support Administration
- ▶ Tape Storage

### 3.6 Support Services

#### Recommendation

The Analyst recommends FY 2004 revenue of \$5,236,700 and expenses of \$5,597,600 for Support Services. The Analyst also recommends thirty-eight full time equivalent (FTE) positions for this functional area.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev	5,071,700	6,466,000	5,236,700	(1,229,300)
<b>Total</b>	<u>\$5,071,700</u>	<u>\$6,466,000</u>	<u>\$5,236,700</u>	<u>(\$1,229,300)</u>
<b>Expenditures</b>				
Personal Services	2,691,200	2,571,000	3,018,700	447,700
In-State Travel	2,300		5,400	5,400
Out of State Travel	6,000		12,600	12,600
Current Expense	3,355,600	4,363,100	3,016,200	(1,346,900)
DP Current Expense	1,972,500	1,636,500	1,972,500	336,000
DP Capital Outlay	454,300	557,200	1,098,700	541,500
Other Charges/Pass Thru	(3,302,200)	(2,687,500)	(3,526,500)	(839,000)
<b>Total</b>	<u>\$5,179,700</u>	<u>\$6,440,300</u>	<u>\$5,597,600</u>	<u>(\$842,700)</u>
<b>Profit/Loss</b>	<u>(\$108,000)</u>	<u>\$25,700</u>	<u>(\$360,900)</u>	<u>(\$386,600)</u>
<b>FTE/Other</b>				
Total FTE	30	35	38	3
Authorized Capital Outlay	454,300			
Retained Earnings	243,500	269,200	(508,800)	(778,000)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Support Services provides equipment maintenance, the ITS training center, maintenance of master license agreements, and support for the Ogden and Provo regional centers. It includes the following cost centers:

- ▶ Equipment Maintenance
- ▶ Ogden Regional Center Administration
- ▶ Ogden Regional Center Operations
- ▶ Provo Regional Center Administration
- ▶ Provo Regional Center Operations
- ▶ Software and Document Library
- ▶ Training

### 3.7 New Technologies

#### Recommendation

The Analyst recommends eliminating the New Technologies functional area.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits - Intragvt Rev		255,000		(255,000)
<b>Total</b>	<b>\$0</b>	<b>\$255,000</b>	<b>\$0</b>	<b>(\$255,000)</b>
<b>Expenditures</b>				
Current Expense		321,100		(321,100)
DP Current Expense		20,500		(20,500)
DP Capital Outlay		37,000		(37,000)
Other Charges/Pass Thru		165,800		(165,800)
<b>Total</b>	<b>\$0</b>	<b>\$544,400</b>	<b>\$0</b>	<b>(\$544,400)</b>
<b>Profit/Loss</b>				
	<b>\$0</b>	<b>(\$289,400)</b>	<b>\$0</b>	<b>\$289,400</b>
<b>FTE/Other</b>				
Authorized Capital Outlay		676,200		(676,200)
Retained Earnings	(758,100)	(1,047,500)	(758,100)	289,400

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The New Technologies functional area previously tested cutting-edge applications before they are offered statewide. As technologies became available for statewide use, these activities were migrated into one of the above ITS functional areas. In FY 2003, the products previously in this functional area – IP Telephony, Web Development, and Video Conferencing – were moved into another cost center or eliminated.

*Product management intended to introduce discipline into ITS investment decisions*

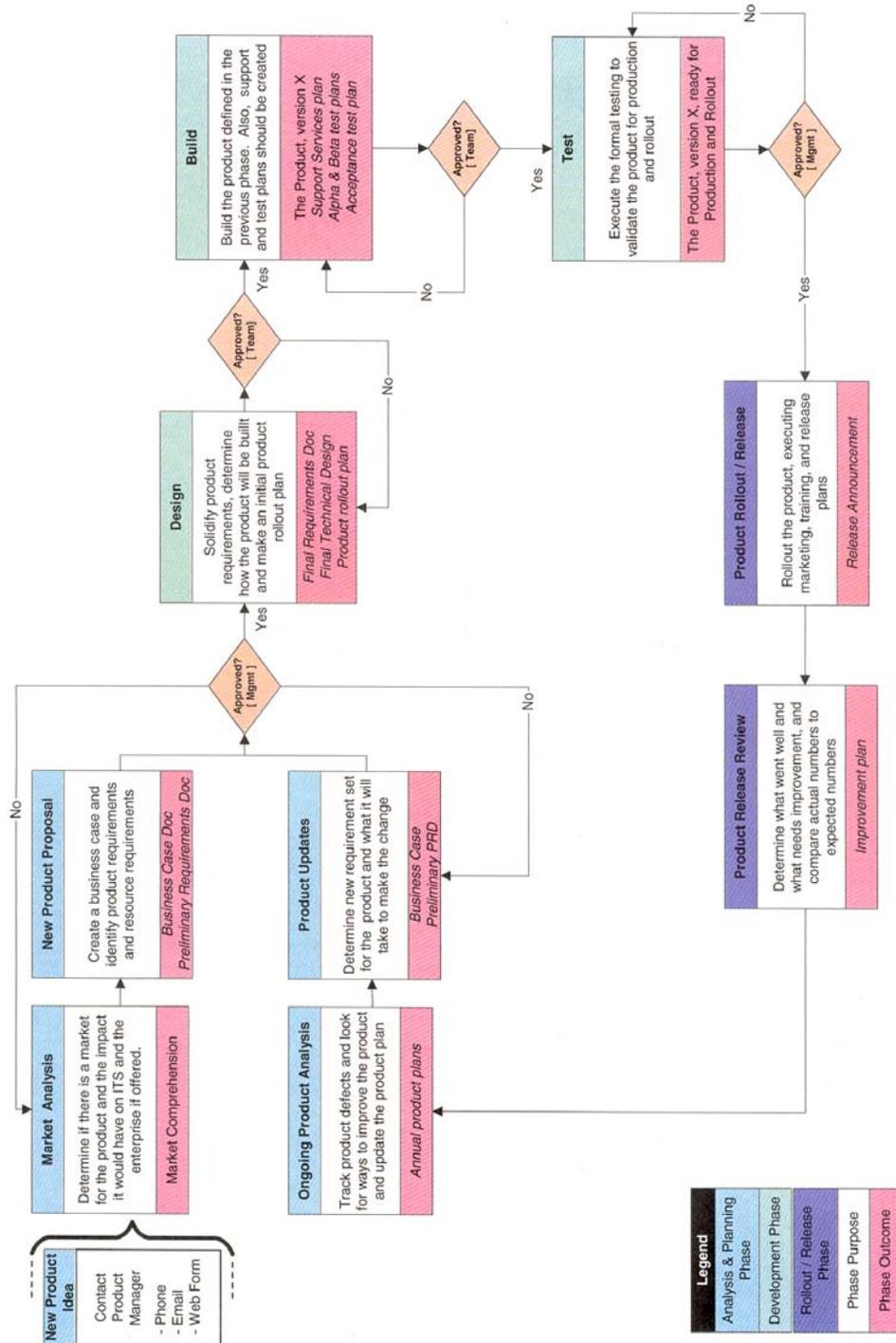
ITS has replaced the New Technologies functional area with a new approach to developing services. Through the “ITS Product Realization Process”, product managers will subject new product ideas to market analysis and management approval before beginning development. A product management team will then design, test, build, and test new products before releasing them to customers. Finally, the manager will monitor the product for customer satisfaction and areas for improvement.

The figure on the following page outlines this process graphically.

The product management process introduces a discipline onto ITS that was not previously practiced. It is intended to insure that demand exists for a new product before that product is developed. It is also intended to assure customer satisfaction and ITS accountability.

With the introduction of the ITS Product Realization Process, the Analyst believes the New Technologies functional area is no longer necessary.

ITS Product Realization Process



17 July 2002

<sup>11</sup> Source: Department of Administrative Services, Division of Information Technology Services. July 17, 2002.

### 3.8 Automated Geographic Reference Center

**Recommendation**

The Analyst recommends transferring the Automated Geographic Reference Center (AGRC) to a separate line-item beginning in fiscal year 2004. Information on recommended FY 2004 financing, expenditures, and full time equivalent employment for AGRC can be found the Automated Geographic Reference Center budget analysis (tab 12).

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Federal Funds	542,200			
Dedicated Credits - Intragvt Rev	1,606,400	349,000		(349,000)
Transfers	456,600	376,600		(376,600)
<b>Total</b>	<b>\$2,605,200</b>	<b>\$725,600</b>	<b>\$0</b>	<b>(\$725,600)</b>
<b>Expenditures</b>				
Personal Services	791,000	635,800		(635,800)
In-State Travel	42,100			
Out of State Travel	17,000			
Current Expense	39,600	24,100		(24,100)
DP Current Expense	1,512,900	27,800		(27,800)
DP Capital Outlay	26,700	14,900		(14,900)
Other Charges/Pass Thru	57,000	23,000		(23,000)
<b>Total</b>	<b>\$2,486,300</b>	<b>\$725,600</b>	<b>\$0</b>	<b>(\$725,600)</b>
<b>Profit/Loss</b>	<b>\$118,900</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>FTE/Other</b>				
Total FTE	8	9		(9)
Authorized Capital Outlay	26,700	14,900		(14,900)
Retained Earnings	(359,800)	(359,800)		359,800

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Automated Geographic Reference Center (AGRC) was formally created as an operating unit of the Division of Information Technology Services (ITS) by the *Recodification of Department of Administrative Services* act (House Bill 88, 1993 General Session, Section 63A-6-202 Utah Code Annotated). AGRC is mandated to provide geographic information system services to State agencies, the federal government, municipalities, and private persons through utilizing a standardized and integrated State Geographic Information Database (SGID). The Center has received a direct appropriation since 1984, but is authorized, through ITS, to set fees for its services.

*Eliminate a known subsidy*

The Legislature has in the past directed the Division of Information Technology Services to use revenue generated by other services to support the activities of the Automated Geographic Reference Center. The Analyst believes that this is not an ideal solution to AGRC’s funding needs as it masks the true cost of ITS services and causes user agencies to pay for services they are not consuming.

To eliminate this cross-subsidy, the Analyst recommends The Legislature remove AGRC from ITS’ cost structure by making AGRC a separate line-item and providing direct appropriations to AGRC.

**4.0 Additional Information: Division of Information Technology Services Internal Service Fund**

**4.1 Funding History**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Financing by Source</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
Federal Funds	150,000		542,200		
Dedicated Credits - Intragvt Rev	52,244,400	52,782,200	57,450,200	54,530,800	56,377,600
Transfers	391,600	934,400	456,600	376,600	
<b>Total</b>	<b>\$52,786,000</b>	<b>\$53,716,600</b>	<b>\$58,449,000</b>	<b>\$54,907,400</b>	<b>\$56,377,600</b>
<b>Financing by Program</b>					
ISF - Network Services	10,077,700	11,228,100	11,802,700	11,867,400	12,137,700
ISF - Telephone Services	17,129,500	16,350,800	16,240,300	15,486,000	15,903,500
ISF - Radio Shop	2,034,800	2,297,100	2,674,900	2,302,000	2,674,900
ISF - Computing	18,775,900	18,387,600	20,054,200	17,805,400	20,424,800
ISF - ITS Support Services	3,648,400	3,643,500	5,071,700	6,466,000	5,236,700
ISF - New Technologies	224,800	255,700		255,000	
ISF - Automated Geographic Ref Ctr	894,900	1,553,800	2,605,200	725,600	
<b>Total</b>	<b>\$52,786,000</b>	<b>\$53,716,600</b>	<b>\$58,449,000</b>	<b>\$54,907,400</b>	<b>\$56,377,600</b>
<b>Expenditures</b>					
Personal Services	15,459,000	16,451,900	17,767,800	17,068,700	16,604,500
In-State Travel	49,000	47,800	81,300	49,000	71,300
Out of State Travel	123,600	133,800	100,300	131,500	89,200
Current Expense	20,009,800	20,158,000	22,231,300	22,630,500	21,852,200
DP Current Expense	9,389,400	9,614,200	11,986,600	8,556,900	10,239,000
DP Capital Outlay	5,986,400	6,208,900	6,410,900	6,821,700	7,326,200
Other Charges/Pass Thru	2,984,000	2,707,600	3,034,300	548,300	532,000
<b>Total</b>	<b>\$54,001,200</b>	<b>\$55,322,200</b>	<b>\$61,612,500</b>	<b>\$55,806,600</b>	<b>\$56,714,400</b>
<b>Profit/Loss</b>	<b>(\$1,215,200)</b>	<b>(\$1,605,600)</b>	<b>(\$3,163,500)</b>	<b>(\$899,200)</b>	<b>(\$336,800)</b>
<b>FTE/Other</b>					
Total FTE	237	242	243	248	240
Authorized Capital Outlay	5,247,100	6,208,600	6,410,900	5,760,700	5,008,800
Retained Earnings	15,786,800	14,181,600	11,018,100	10,118,900	7,821,300

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.