

Budget Brief – Department of Technology Services

NUMBER CFGO-07-22

SUMMARY

The Department of Technology Services (DTS) manages information technology (IT) programs and resources statewide. It acts as the Executive Branch’s lead agency on IT, working with all other state agencies to ensure efficient and effective investment in and operation of IT. DTS was created by *Information Technology Governance Amendments* (H.B. 109, 2005 GS) which moved the Office of the Chief Information Officer and the Automated Geographic Reference Center into DTS immediately, and provided tools to consolidate all other state government information technology functions into DTS.

ISSUES AND RECOMMENDATIONS

Agency Services Consolidation

Department of Technology Services Personnel Transfer - Supplemental Appropriation (House Bill 49, 2006 General Session) authored 02 full-time equivalent employees and \$30 million in revenue for the new DTS internal service fund. By doing so, it facilitated a wholesale consolidation of IT employees from various disperse government agencies into the Department of Technology Services.

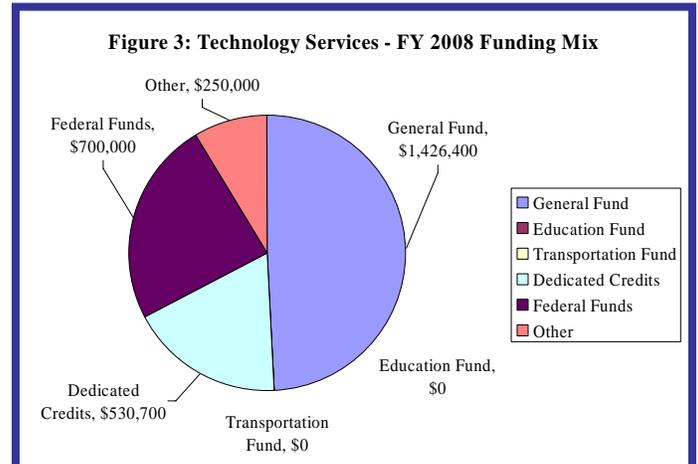
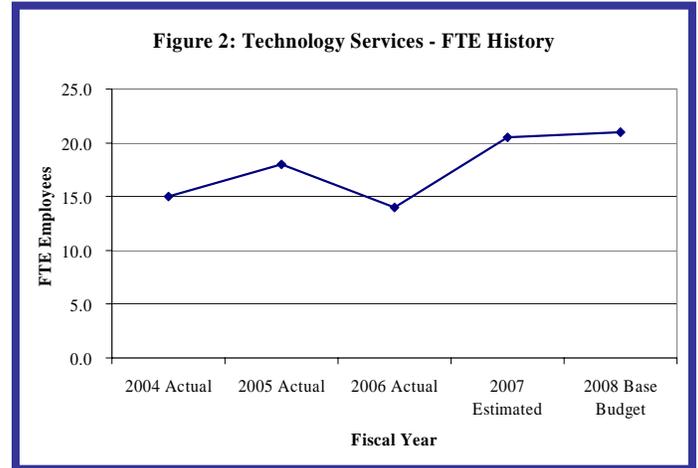
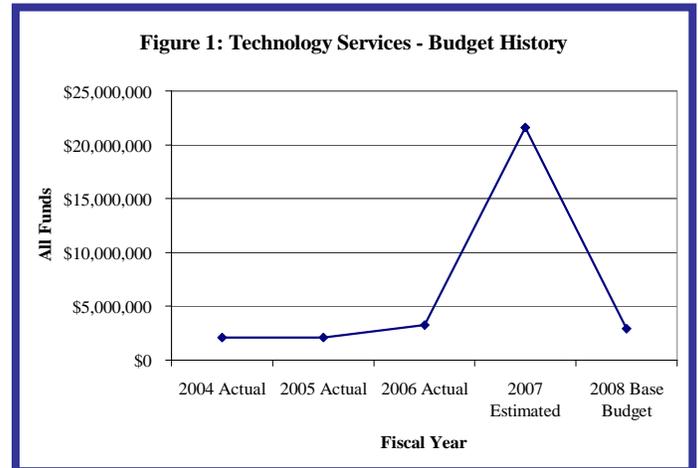
Transition language included in DTS’ authorization act assumed that DTS would optimize the functions served by these employees on a product-by-product basis.

While DTS successfully consolidated the employees into one department, those employees have not been realigned into product teams, and DTS has not yet realized anticipated cost savings that will result. DTS currently bills state agencies largely on a per-employee basis, and is not using the price signals inherent in an internal service fund to reap associated efficiencies.

The Fiscal Analyst recommends one more year (FY 2008) of DTS’ current rate structure for agency services, but recommends that DTS move more quickly to identify products and services that will leverage personnel across agency and free-up resources for other purposes.

Enterprise Services Rate Alignment

The Department has successfully created a new rate structure that eliminates long-standing cross-subsidies. As directed by its enabling legislation (H.B. 109, 2005 General Session), DTS recalculated its rates so that they reflect the full cost of providing the products for which they are charged. These accurate price signals will help DTS’ customers make better investment decisions when contemplating information technology.



The Analyst encourages DTS to continue making progress on enterprise products and services. There are a number of DTS products left to realign. For example, a Web Services group that includes former ITS web developers, agency specific web specialists that currently fall within the Agency Services Division, and contracts with vendors such as Utah Interactive, will provide greater coordination and may reduce overhead and redundancy.

Initial Returns on DTS consolidation

While the Department of Technology Services still has work to do, the creation of a single statewide IT department has returned benefits. The rate alignment discussed earlier resulted in significant savings to agencies that receive federal funds (\$1.8 million). These funds can now be used to address programmatic needs, rather than paying administrative costs. The rate changes also produced modest savings to the General and Education Funds (\$103,500). These savings are even after DTS added a new service – Enterprise Security – and raised the Wide Area Network (WAN) rate to cover its costs.

In addition to monetary savings, DTS has made changes to its employment structure. Under H.B. 109, 2005 General Session, DTS was authorized to offer its employees the option of converting to “career exempt” positions. People employed in such positions serve at the will of the Chief Information Officer and do not enjoy the same job protections as do career civil servants. Over 90% of DTS employees opted to change status, giving DTS more flexibility to manage personnel costs. While it is not obvious because of the consolidation of Agency Services, the Enterprise Services Division has shrunk by 13 full-time equivalent employees (5%) since consolidation.

Last Year’s Building Blocks

The Executive Appropriations Committee has requested that each appropriations subcommittee review last year’s budget increases and hear reports from recipients on implementation status of those projects and accountability measures for those projects. Such reports are to be presented to Executive Appropriations as part of the subcommittees’ recommendations. Building blocks from the 2007 General Session for the Department of Technology Services are listed below to assist with the Capital Facilities Subcommittee’s review.

- \$7,000,000 from the General Fund and \$3,000,000 from Dedicated Credits for Tax System Modernization (“Arches”)
- \$3,000,000 from Dedicated Credits for the UDOT Maintenance Management System
- \$100,000 from Dedicated Credits for a DNR Electronic Permitting System
- \$100,000 from Dedicated Credits for the UCC Online Filing System
- \$3,000,000 from Dedicated Credits for the Electronic Resource Eligibility Product (eRep)
- \$500,000 from the General Fund for AGRC High Definition Aerial Imagery
- \$400,000 from the General Fund for Local Government Mapping

BUDGET DETAIL - APPROPRIATED

Figures 1 – 3 and Table 1 show the Department of Technology Services’ “appropriated” budget – the part that comes directly from tax revenue, federal funds, and associated collections. DTS’ appropriated budget currently includes the office of the Chief Information Officer and the Automated Geographic Reference Center.

Appropriated entities are controlled by the size of their budget. They can only spend what is appropriated, with a few exceptions for federal funds, of which they can spend all that they collect, or dedicated credits, of which they can spend 125% of what is collected. Full time equivalent employment information is only informational in an appropriated entity. DTS’ appropriated budget is included in the base budget bill (H.B. 1) as follows:

Technology Services						
Sources of Finance	FY 2006	FY 2007	Changes	FY 2007	Changes	FY 2008*
	Actual	Appropriated		Revised		Base Budget
General Fund	1,299,000	1,426,400	0	1,426,400	0	1,426,400
General Fund, One-time	400,000	7,894,500	0	7,894,500	(7,894,500)	0
Federal Funds	440,400	350,000	1,306,800	1,656,800	(956,800)	700,000
Dedicated Credits Revenue	841,400	9,730,700	(3,500)	9,727,200	(9,196,500)	530,700
GFR - E-911 Emergency Services	250,000	250,000	0	250,000	0	250,000
Beginning Nonlapsing	724,100	624,400	46,900	671,300	(671,300)	0
Closing Nonlapsing	(671,300)	(476,100)	476,100	0	0	0
Total	\$3,283,600	\$19,799,900	\$1,826,300	\$21,626,200	(\$18,719,100)	\$2,907,100
Line Items						
Chief Information Officer	895,200	826,900	43,900	870,800	(260,400)	610,400
Integrated Technology	2,388,400	2,773,000	1,782,400	4,555,400	(2,258,700)	2,296,700
Technology Acquisition Projects	0	16,200,000	0	16,200,000	(16,200,000)	0
Total	\$3,283,600	\$19,799,900	\$1,826,300	\$21,626,200	(\$18,719,100)	\$2,907,100
Categories of Expenditure						
Personal Services	1,569,200	1,629,300	104,000	1,733,300	(12,200)	1,721,100
In-State Travel	61,900	10,600	(1,500)	9,100	53,600	62,700
Out of State Travel	31,700	29,800	(3,800)	26,000	5,800	31,800
Current Expense	445,600	909,000	(444,500)	464,500	(280,400)	184,100
DP Current Expense	207,700	10,198,200	6,239,200	16,437,400	(16,196,700)	240,700
DP Capital Outlay	371,900	63,100	0	63,100	(100)	63,000
Other Charges/Pass Thru	595,600	6,959,900	(4,067,100)	2,892,800	(2,289,100)	603,700
Total	\$3,283,600	\$19,799,900	\$1,826,300	\$21,626,200	(\$18,719,100)	\$2,907,100
Other Data						
Budgeted FTE	14.0	18.0	2.5	20.5	0.5	21.0
Actual FTE	21.3	0.0	0.0	0.0	0.0	0.0

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

Table 1

BUDGET DETAIL – INTERNAL SERVICE FUND

Table 2 reflects the Department's internal service fund (ISF) budget – the part that results from charges to other state agencies. The DTS Internal Service Fund consists of Agency Services – products and services that are specific to any given state agency – and Enterprise Services – those products and services that are used by all agencies in state government. The DTS ISF also has legislative authority to create a division for multi-agency, sub-enterprise, projects.

While the Legislature must approve budgets for internal service funds, those budgets are not binding. ISFs can spend all that they collect. The size and scope of internal service funds are controlled by rates charged to other agencies, full-time employment levels (which for and ISF are binding), and capital outlay authorization.

The base budget for DTS' internal service fund, including full-time equivalent employment, is included in the base budget bill (H.B. 1) as detailed in the following table. However, DTS rates and capital outlay authorization – because they reflect certain program increases – are not in the base budget will be discussed separately.

ISF - Technology Services						
Sources of Finance	FY 2006	FY 2007	Changes	FY 2007	Changes	FY 2008*
	Actual	Appropriated		Revised		Base Budget
Dedicated Credits - Intragvt Rev	48,868,200	106,684,400	86,356,200	193,040,600	(35,256,600)	157,784,000
Total	\$48,868,200	\$106,684,400	\$86,356,200	\$193,040,600	(\$35,256,600)	\$157,784,000
Line Items						
ISF - DTS Operations	48,868,200	106,684,400	86,356,200	193,040,600	(35,256,600)	157,784,000
Total	\$48,868,200	\$106,684,400	\$86,356,200	\$193,040,600	(\$35,256,600)	\$157,784,000
Categories of Expenditure						
Personal Services	19,563,200	74,038,800	3,188,600	77,227,400	257,100	77,484,500
In-State Travel	38,200	70,400	94,400	164,800	(5,800)	159,000
Current Expense	13,784,400	18,900,300	8,028,600	26,928,900	25,000	26,953,900
DP Current Expense	7,092,300	10,475,200	73,522,200	83,997,400	(37,817,900)	46,179,500
DP Capital Outlay	1,000	226,500	1,539,600	1,766,100	0	1,766,100
Capital Outlay	2,383,100	3,706,600	1,494,800	5,201,400	1,243,200	6,444,600
Other Charges/Pass Thru	348,800	(763,000)	1,598,900	835,900	1,300	837,200
Total	\$43,270,800	\$106,684,400	\$89,805,700	\$196,490,100	(\$36,325,000)	\$160,165,100
Other Data						
Budgeted FTE	472.0	933.0	0.0	933.0	0.0	933.0
Authorized Capital Outlay	6,800,500	24,877,400	0	24,877,400	(24,877,400)	0
Retained Earnings	12,764,200	7,166,800	2,147,900	9,314,700	(2,381,100)	6,933,600
Vehicles	23	23	0	23	0	23

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.

Table 2

LEGISLATIVE ACTION

Should the subcommittee choose to adopt the DTS base budget as contained in this brief, the following serves as a summary of actions that should be taken by the subcommittee:

- Approve the base budget of the Office of the Chief Information Officer - \$610,400 – for inclusion in H.B. 1, *State Agency and Higher Education Base Budget Appropriations Act*.
- Approve the base budget of the Automated Geographic Information Center - \$2,296,700 – for inclusion in H.B. 1, *State Agency and Higher Education Base Budget Appropriations Act*.
- Approve the base budget of the DTS Operations Internal Service Fund - \$157,784,000 and 933 Full-time Equivalent Employees – for inclusion in H.B. 1, *State Agency and Higher Education Base Budget Appropriations Act*.
- Authorized Capital Outlay amounts and Internal Service Fund rates must be determined after a separate discussion of building blocks.