

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Analysis

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Statewide Information Technology Review

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1.0 Summary: Statewide Information Technology Review

Recognizing the growing impact of information technology on state services, the Executive Appropriations Committee resolved that the Capital Facilities and Administrative Services Subcommittee will specifically address major issues related to technology. The recommendations of the Capital Facilities and Administrative Services Appropriations Subcommittee shall be forwarded to presiding Appropriations Subcommittees for further consideration.

The State’s Chief Information Officer estimates that more than \$132 million will be spent on information technology, including personnel costs, in fiscal year 2005.

Agency IT Financials FY002-FY2005

	FY2002 Total IT Actual Expenses \$	FY2003 Total IT Actual Expenses \$	FY2004 IT Plan Budget \$	Fy2005 IT Plan Budget \$
Dept. of Administrative Services*	10,193,883	6,495,169	6,660,000	10,141,000
Dept. of Agriculture	672,210	651,169	387,808	366,150
Alcoholic Beverage Control	1,733,702	1,246,100	1,278,200	1,278,200
Dept. of Commerce	1,085,715	1,359,121	1,632,752	1,960,729
Dept. of Corrections	6,793,190	5,891,807	5,268,170	4,781,750
Dept. of Community & Economic Development	3,249,615	1,452,796	792,585	792,585
Elected Officials: Gov., AG Tr. SA EL	3,102,271	2,824,901	2,108,393	2,110,200
Dept. of Environmental Quality	1,520,833	1,588,464	1,903,378	1,734,162
Financial Institutions	108,300	105,736	167,100	169,900
Dept. of Health	11,530,921	12,395,795	11,908,473	12,108,473
Dept. of Human Resource Management	1,127,269	869,942	963,000	963,000
Dept. of Human Services	24,509,611	22,556,479	23,503,481	23,462,064
Dept. of Insurance	520,436	505,389	533,381	588,381
Labor Commission	957,126	870,839	930,300	930,000
National Guard	631,581	1,078,290	1,078,290	1,081,290
Dept. of Natural Resources	3,156,968	3,555,347	2,989,573	3,012,073
Dept. of Public Safety	6,408,564	6,125,060	11,701,014	6,321,014
Public Service Commission	32,198	43,025	47,000	43,000
State Tax Commission	12,112,416	9,546,009	9,794,500	10,702,500
Dept. of Transportation	10,214,751	9,420,463	8,052,900	9,492,900
State Trust Lands	816,442	817,045	718,500	718,500
Dept of Workforce Services	28,160,591	42,960,892	47,440,200	40,156,523
Executive Branch Totals	\$128,618,591	\$132,359,628	\$139,858,996	\$132,914,394

*ITS was not included to avoid double accounting. ITS budgets are: \$56,714,400 \$56,714,400
 AGRC is included in FY2004 and FY2005 as it is an appropriated agency

¹ Oveson, W. Val. 2003 Annual Technology Report. October 30, 2003. Page 17.

2.0 Issues: Statewide Information Technology Review

2.1 CIO Operations

Since fiscal year 2001, the Governor’s Office of Planning and Budget has levied a surcharge on Executive Branch agencies to partially subsidize the operations of the Chief Information Officer. For FY 2004, legislators provided one-time General Fund resources pending an ongoing reduction in rates at the Division of Information Technology Management. The Analyst recommends adding \$150,000 to a prioritization list for the Executive Appropriations Committee to fund the CIO’s ongoing operations.

General Fund (tentative)152,000

2.2 AGRC Operations

Prior to FY 2004, the Automated Geographic Reference Center was subsidized by revenue generated elsewhere within the Division of Information Technology Services Internal Service Fund. Beginning with FY 2004, the Legislature provided AGRC’s entire budget as a direct appropriation. \$300,000 of the FY 2004 appropriation was one-time pending an ITS rate reduction equal to the amount previously subsidizing AGRC. The Analyst recommends placing on a prioritization list for the Executive Appropriations Committee ongoing funding for AGRC’s base operations.

General Fund (tentative)\$300,000

2.3 ITS Rate Savings

In its rate deliberations for FY 2004/2005, the Internal Service Fund Rate Committee approved new rates for the Division of Information Technology Services Internal Service Fund. The reduced rates resulted partially from the discontinuation of cross-subsidy to AGRC. The Analyst recommends the Subcommittee place these savings on a prioritization list for the Executive Appropriations Committee as an offset to the CIO and AGRC Operations recommendations, above.

General Fund (tentative)(\$452,000)

2.4 Electronic Resource and Eligibility Project (eRep)

The Utah Departments of Workforce Services, Human Services, and Health continue to develop an integrated system for determining social service program eligibility and managing government support for families and individuals. The Electronic Resource and Eligibility Project (eRep) initially focused on Workforce Services clients, but the program’s goal is to eliminate bureaucratic stovepipes and serve citizens-in-need regardless of government organizational structure. The Analyst recommends the Legislature provide funds to begin integrating Health and Human Service programs with eRep.

General Fund, One-time (tentative)\$7,290,400
Federal Funds.....\$7,677,600

2.5 Statewide Financial System

American Management Systems (AMS) – the vendor from whom the state bought its current financial system in 1994 – will no longer support the state’s version beginning in 2005. The state’s system, FINET, is written in obsolete programming language and runs on older generation computers. The Analyst recommends the Capital Facilities and Administrative Services Subcommittee add to its Executive Appropriations Committee prioritization list a \$3 million one-time General Fund appropriation to upgrade FINET.

General Fund (tentative)\$3,000,000

2.6 UCAT Enterprise Resource Planning System

As an agglomeration of formerly separate entities, UCAT currently has no centralized administrative system for payroll, human resources, financial tracking, and/or student information. In order to efficiently manage UCAT, the Analyst believes the college should have a central system, or at minimum, an agreed upon set of rules, technical standards, and account codes. The Analyst suggests UCAT work with the state's Division of Information Technology Services to leverage existing state technology assets and expertise in developing an Enterprise Resource Planning system for UCAT.

2.7 Utah Wireless Integrated Network

In her first Executive Order as Governor, Olene Walker created the Utah Wireless Integrated Network (UWIN) board on November 7, 2003. UWIN is intended to better coordinate public safety radio communications among state, local, and federal law enforcement. The Analyst believes this is an excellent first step toward integration of all state networks.

2.8 UTAX Audit Results

In February 2003, the Legislative Auditor General released an audit of the Utah State Tax Commission’s UTAX computer system. The audit found that UTAX cost more than anticipated, ran behind schedule, and did not deliver the revenue benefits originally touted. While auditors identified problems that are commonly experienced with large information technology projects, they also noted a number of significant improvements resulting from UTAX.

3.0 Programs

3.1 Chief Information Officer (CIO)

Recommendation

The Analyst recommends \$388,800 for the Chief Information Officer, located in the Governor’s Office of Planning and Budget, as detailed in the table below. This reflects the non-recurrence of \$153,700 in one-time General Fund appropriations, expenditure of non-lapsing funds, and reduced dedicated credits collections. The General Fund non-recurrence is in part (\$1,700) from an extra pay day in FY 2004, but mostly due to a one-time appropriation of \$152,000 pending reductions in rates for the Division of Information Technology Services.

	2003	2004	2005	Est/Analyst
	Actual	Estimated*	Analyst	Difference
Financing				
General Fund	367,000	388,800	388,800	
General Fund, One-time		153,700		(153,700)
Dedicated Credits Revenue	156,600	1,000		(1,000)
Beginning Nonlapsing	123,800	182,500		(182,500)
Closing Nonlapsing	(182,500)			
Total	\$464,900	\$726,000	\$388,800	(\$337,200)
Expenditures				
Personal Services	403,200	466,900	323,400	(143,500)
In-State Travel	400	900	900	
Out of State Travel	12,800	19,700	19,700	
Current Expense	29,000	29,600	28,600	(1,000)
DP Current Expense	19,500	28,900	16,200	(12,700)
Other Charges/Pass Thru		180,000		(180,000)
Total	\$464,900	\$726,000	\$388,800	(\$337,200)
FTE/Other				
Total FTE	0	5	5	0

*Non-state funds as estimated by agency

Purpose

The Chief Information Officer “is responsible for vision, strategy, direction, guidelines, policies, planning, coordination, and oversight for information technology for all of the executive branch agencies of our State government. The CIO reports to the Governor, and is a member of the Governor's Senior Staff, Cabinet Council, and works with department and IT executives across the state. The CIO chairs the State's Information and Technology Policy and Strategy Committee, which sets policy and strategy for IT statewide.”²

The Legislature included in the 2003 Appropriations Act the following intent language related to the CIO:

² *State of Utah Chief Information Officer*. January 25, 2003. www.cio.utah.gov.

It is the intent of the Legislature that, should a comprehensive review of Division of Information Technology Services costs, products, and rates result in ongoing savings to the General Fund of at least \$152,000 beginning in FY 2005 or prior, the Office of the Legislative Fiscal Analyst shall recommend to the Legislature an ongoing General Fund appropriation increase of \$152,000 beginning in FY 2005 for the Chief Information Officer.

Use ITS rate savings to fund ongoing CIO operations

The Division of Information Technology Management reduced its rates sufficient to generate nearly \$1,000,000 in savings for FY 2005. As such, given the intent expressed by the Legislature in the 2003 General Session, the Analyst recommends the Executive Offices and Criminal Justice Appropriations Subcommittee place two items on a prioritization list for the Executive Appropriations Committee

1. \$152,000 ongoing from the General Fund for CIO operations previously subsidized by collections from various state agencies.
2. (\$152,000) in savings due to lower rates at ITS.

3.2 Automated Geographic Reference Center (AGRC)

Recommendation

The Analyst recommends \$723,000 for the Automated Geographic Reference Center, located in the Department of Administrative Services, as detailed in the table below. This reflects the non-recurrence of one-time General Fund appropriations equaling \$302,800. A portion of the non-recurrence, \$2,800, was provided for an extra work day in FY 2004. The remainder of the non-recurrence is due to a one-time FY 2004 appropriation for operations pending a rate reduction in the Division of Information Technology Services.

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Financing				
General Fund	360,600	371,500	371,500	
General Fund, One-time		302,800		(302,800)
Dedicated Credits Revenue		351,500	351,500	
Total	<u>\$360,600</u>	<u>\$1,025,800</u>	<u>\$723,000</u>	<u>(\$302,800)</u>
Expenditures				
Personal Services		782,000	479,200	(302,800)
Current Expense		116,300	116,300	
DP Current Expense		127,500	127,500	
Other Charges/Pass Thru	360,600			
Total	<u>\$360,600</u>	<u>\$1,025,800</u>	<u>\$723,000</u>	<u>(\$302,800)</u>
FTE/Other				
Total FTE		0	9	9
				0

*Non-state 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).

During the 2003 Legislative Session, the Legislature made AGRC a wholly appropriated entity, ending years of cross-subsidization from the Division of Information Technology Services (ITS). Legislators provided \$300,000 in one-time General Funds pending ITS reducing its rates to offset the end of the subsidy.

Put AGRC Operating funds, wholly offset by ITS rate savings, on a prioritization list

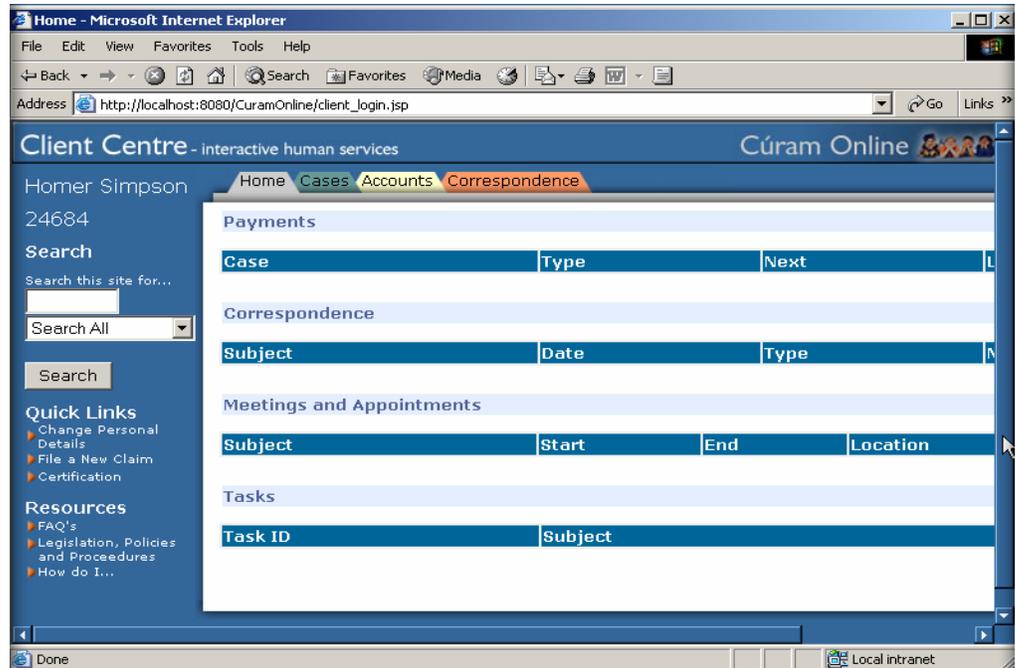
For FY 2004 and FY 2005, ITS proposes reduced rates that more than offset the ongoing cost of AGRC operations. As such, the Analyst recommends the Capital Facilities and Administrative Services Appropriations Subcommittee place two items on a prioritization list for the Executive Appropriations Committee

1. \$300,000 ongoing from the General Fund for AGRC base operations previously subsidized by ITS.
2. (\$300,000) in savings due to lower rates at ITS that reflect the end of the cross-subsidy.

3.3 Electronic Resource and Eligibility Product (eRep)

Recommendation

The Analyst recommends that various subcommittees place on their prioritization lists funding for the Department of Workforce Services’ Electronic Resource and Eligibility Product (eRep) as detailed below.



Background

In an attempt to serve citizens across government organizational structure, Utah’s three primary social service agencies are collaborating on the Electronic Resource and Eligibility Product (eRep). The Departments of Workforce Services (DWS), Human Services (DHS), and Health (DOH) plan a web-based application that “provides accurate timely and consistent eligibility outcomes for economic, health-related and other supportive services and assistance.”³

eRep is first step to “no wrong door” policy

eRep may ultimately lead to instances in which an individual or family could interface with any one of the state’s social service providers, or even a school counselor, and determine in one sitting the individual or family’s eligibility for assistance from the Department of Workforce Services, the Department of Human Services, and the Department of Health. In fact, the first module of eRep, known as “Utah Cares,” matches a user’s social service needs with potential providers at the state and local level. Utah Cares is available at <http://utahcares.utah.gov/ereppub/en/ScreenReferralHomePage.do?>

The Agencies’ initial focus with regard to eRep is upon Temporary Assistance for Needy Families (TANF) and child care. DWS is using more than \$30 million in federal TANF funds to build the core system, as well as applications for TANF and child care. DWS plans to release an initial pilot in the summer of 2004 – behind schedule from its initial target of March, 2004.

³ Laws, Connie. *eRep Overview*. Presentation to the Eligibility Conference. October, 2002.

The team's ultimate goal includes the above programs plus Food Stamps, Medicaid, and General Assistance, Foster Care, Adoption, and potentially more aid programs. The next phase of eRep focuses upon Medicaid benefits, and requires integration of state health and human service applications. To support this integration, the Department of Workforce Services has requested \$6,321,000, the Department of Health has requested \$460,000, the Department of Human Services has, in turn, requested \$509,400, all in one-time appropriations from the General Fund. These appropriations would be matched by \$7.7 million in federal funds.

eRep leverages sunk investment with state-of-the-art technology

eRep uses a three-tier technology architecture. Users, whether they are aid recipients or case workers, log-on to a World Wide Web browser based interface from any computer with Internet access. Business rules, generated to mirror state and federal statutes and regulations, execute using Cúram applications on a middle-tier UNIX based server. Data about the client and about individual social service programs, resides on the state's mainframe in IBM's DB2. This approach allows Utah to utilize current technology while continuing to leverage its investment in legacy infrastructure.

For the initial phase, DWS has worked with the Division of Information Technology Resources to craft a service level agreement under which ITS hosts DWS servers and data in the state's data centers while DWS develops and manages its own applications. The Analyst encourages this type of cooperation to leverage the state's sunk investment in hardware, facilities, and personnel. The Analyst further recommends that ITS develop rates for hosting UNIX applications on a broader scale.

The Analyst recommends that various subcommittees add eRep funding to their prioritization lists as follows:

Health and Human Services Appropriations Subcommittee:
General Fund, One-time (tentative)\$969,400
Commerce and Revenue Appropriations Subcommittee:
General Fund, One-time (tentative)\$6,321,000

3.4 Upgrade Statewide Financial System

Recommendation The Analyst recommends the Capital Facilities and Administrative Services Subcommittee add to its Executive Appropriations prioritization list \$3 million to upgrade the state’s financial system.

Background Following upon the successful implementation of a new statewide payroll system, the Division of Finance needs to upgrade Utah’s financial system.

In March 2003 the division installed a new payroll and time processing system from SAP. According to the Division of Finance website, “the new system will eventually include employee self-service. Employee self-service will allow employees to view their own payroll data and to update some of that data, such as W-4 information, without involving a payroll technician. This is expected to reduce administration costs and to improve employee satisfaction.”⁴

New payroll system successfully implemented

While the payroll system came-in slightly behind schedule, its cost was less than originally anticipated. Savings from the Payroll system, as well as good management of other computing resources, allowed the Division of Finance to carry-forward into FY 2004 \$1 million.

With the initial phase of payroll behind it, the Division of Finance is planning to replace Utah’s current financial system, known as FINET.

FINET was originally procured in 1994. The system runs on a mainframe computer, and is written in an obsolete programming language. American Management Systems (AMS), the vendor from whom FINET was purchased, will no longer support Utah’s version in 2005.

Financials could be anchor tenant for centrally managed statewide ERP

The Analyst supports the Division of Finance in its efforts to upgrade FINET. However, the Analyst believes that Utah should build upon its recent installation of a payroll module from SAP, Inc. Payroll is part of a fully integrated suite of Enterprise Resource Planning (ERP) applications – including financials – which the state could pursue. An ERP could significantly streamline Utah’s financial, payroll, procurement, human resources, and capital assets systems – leading to better information for state managers, as well as economies of scale on system development, support, and execution.

While Utah’s executive branch has in the past touted its own efforts to implement enterprise information technology projects, the Analyst found little support for an ERP that would have FINET and payroll as anchor tenants. Concerns over timing, cost, and insufficient statewide planning for an ERP led state information technology officials to select an independent FINET upgrade in favor of a financial system that would be natively integrated into an ERP.

⁴ Utah Division of Finance. *Division of Finance – Organization – About Us*. October 31, 2003. Viewed January 19, 2003. <http://www.finance.utah.gov/organization/aboutus.htm#payroll>

Analyst defers to expertise of state financial and IT managers

In deference to the opinions of state IT leaders, the Analyst supports Finance's request for \$3,000,000 from the General Fund, plus an additional \$2 million in division base resources, to upgrade FINET. The Analyst recommends the Capital Facilities and Administrative Services Subcommittee add to its Executive Appropriations Committee prioritization list a \$3 million one-time General Fund appropriation to upgrade FINET.

3.5 UCAT Enterprise Resource Planning System

Recommendation The Analyst recommends UCAT and ITS develop a business plan and service level agreement for centralized administrative data processing in UCAT. The Analyst further recommends UCAT present this plan, along with its ongoing budget implications, to the next Legislative General Session for FY 2005 supplemental budget consideration.

Background As each of the formerly separate Applied Technology Centers evolved into what is now UCAT, each center developed its own means of managing finances, personnel, purchases, and students. In some cases, ATCs used colleges. Others used public education institutions. Still others developed home-grown solutions. None followed a common set of rules, standards, or codes.

UCAT administrators therefore find centralized management of resources a daunting task. They have suggested spending \$4.5 million on a new Enterprise Resource Planning (ERP) system to be managed by a new and/or expanded Board of Regents data processing staff.

The Analyst suggests that UCAT pursue a centralized administrative data processing system in conjunction with the state's central technology service provider, the Division of Information Technology Services (ITS).

ITS already has in place equipment and personnel that UCAT could leverage in its quest for an ERP. As an internal service fund, ITS also has budgetary flexibility that would allow UCAT to begin planning and developing its ERP without a large up-front investment of state tax resources. Under its cost recovery method of operation, ITS could establish a rate for data center services and charge it to UCAT over a period of time.

3.6 Utah Wireless Integrated Network (UWIN)

Recommendation The Analyst recommends Utah’s Division of Information Technology Services, the Utah Education Network, and the Utah Communications Agency Network build upon UWIN to better coordinate and integrate wide area network assets. These assets include microwave towers and support infrastructure, terrestrial fiber or copper lines, support personnel, and network switching, caching, and routing facilities.

Background On November 7, 2003, Governor Olene S. Walker signed her first Executive Order creating the Utah Wireless Integrated Network (UWIN) Board. Through this order, the Governor formalized an administrative process through which state, local, and federal law enforcement and technology agencies could coordinate radio communications. The Governor committed to implementing a first phase of interoperability by July 2004.

The Analyst believes that UWIN is a good organizational tool that can be emulated beyond public safety radio. Utah has numerous network resources beyond radio communications. These resources are “owned” and maintained by a number of disparate agencies.

At a minimum, the Division of Information Technology Resources, Utah Education Network, and Utah Communications Agency Network can better synchronize their assets and activities. Doing so can lead to more efficient use of mountaintop facilities, better utilization of owned or leased long-haul circuits, and better coordinated field personnel.

3.7 UTAX Audit Results

Update

In February 2003, the Legislative Auditor General released an audit of the Utah State Tax Commission's UTAX computer system. The audit found that UTAX cost more than anticipated, ran behind schedule, and did not deliver the revenue benefits originally touted. For these same reasons, the Tax Commission cancelled its UTAX contract for Advantage Revenue and the Legislature discontinued funding for UTAX in FY 2001.

*Auditors' findings
validate earlier
Analyst
recommendations and
Legislature actions*

The Auditor's retrospective of UTAX noted that the system's first module, known as the Computer Assisted Collections System for Government (CACSG), did not return the amounts of revenue initially projected by the Tax Commission and its contractor. According to the Auditor, "\$20 million in annual revenues were anticipated from UTAX...However, the actual increase in revenues...average \$4.3 million per year."⁵ The Auditor's finding validates recommendations made by the Legislative Fiscal Analyst and implemented by the Legislature in February, 1999.

Auditors also noted that "the implementation of CACSG will, in time, be a very positive and cost effective decision..."⁶ They opined that CACSG could lead to greater productivity, resulted in more efficient case consolidation, helped collectors prioritize cases, and deterred agents from manipulating caseload.

The Auditor found that UTAX's second module, Motor Vehicle Administration (MVA), fell well behind schedule. He reported that "MVA was delayed by two years", from April 1999 to April 2001.⁷ In January, 2000, the Legislative Fiscal Analyst noted that "MVA, originally scheduled for completion in October, 1999, is currently three to six months behind schedule due to poor contractor performance."⁸

At the same time, the Auditor said that "MVA is indeed an improvement over the old system."⁹ He reported that MVA improved turn-around time, reduced errors, and provided law enforcement with better data.

*New system
improvements
undertaken on a
smaller scale*

Finally, Auditors noted that Advantage Revenue, the third module of UTAX, was "less developed than the Tax Commission had believed."¹⁰ The Tax Commission "indefinitely postponed" the project in June, 1999. The Legislature rescinded funding for UTAX in the following General Session.

The UTAX contract was terminated in June, 2000. Today, the Tax Commission pursues smaller scale web-based solutions, as well as other initiatives to improve existing systems and processes.

⁵ Welsh, Wayne. *A Performance Audit of the UTAX Project*. Utah Office of the Legislative Auditor General. February, 2003. p. ii.

⁶ Ibid, p. 31.

⁷ Ibid, p. ii.

⁸ Massey, John E. *FY 2001 Budget Recommendations, Statewide Information Technology Review*. Utah Office of the Legislative Fiscal Analyst. January, 2000. p.11.

⁹ Welsh, p. 29.

¹⁰ Ibid, p. 26.