

Budget Brief – Department of Technology Services

NUMBER CFAS-06-21

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

Transition language included in DTS’ authorization act assumed that managers would move to a new organization on a product-by-product basis. It, and the FY 2006 appropriations to implement it, allowed for assets and personnel to be moved as new internal service fund products were defined and offered.

The Chief Information Officer (CIO) has taken a different approach to consolidation, choosing instead to move all state government IT employees into the new department at once, regardless of their function or product. As such, the appropriation passed to implement H.B. 109, 2005 GS is not sufficient.

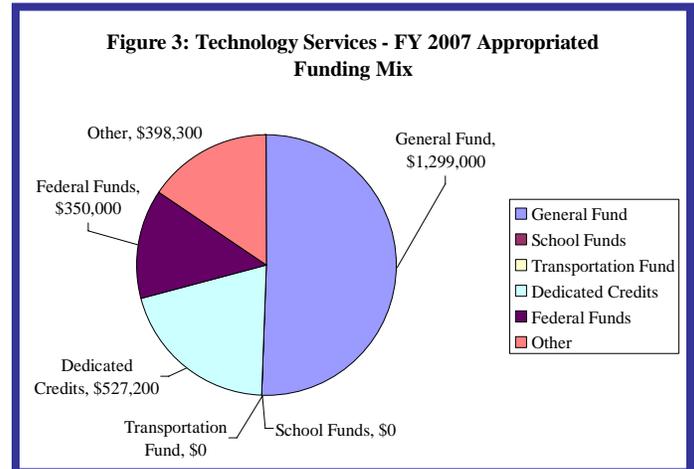
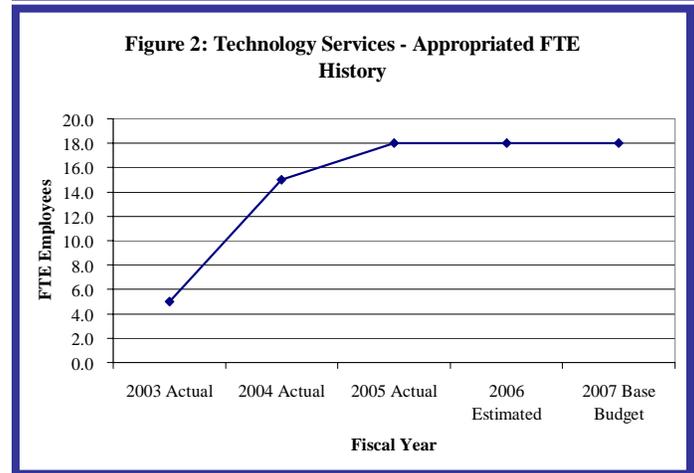
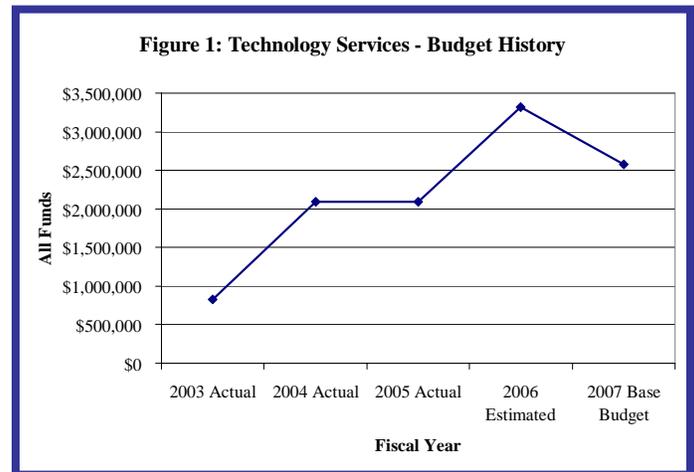
The CIO has requested amendments to DTS’ current year appropriation embodied in *Department of Technology Services Personnel Transfer - Supplemental Appropriation* (House Bill 49, 2006 General Session). H.B. 49 will facilitate a wholesale consolidation of IT employees in fiscal year 2006 by authorizing 702 full-time equivalent employees and \$30 million in revenue for the new DTS internal service fund.

Across-the-board Salary Increases

DTS’ enabling legislation states that all new positions created within the department are career service exempt. At the same time, any career employee moved into DTS retains his or her career service status.

However, the DTS legislation allows the CIO to offer career employees a conversion from protected status to exempt status. In exchange for such conversion, personnel rules dictate that employees shall receive salary increase of between 2.75% and 8.25%.

The CIO plans to offer a conversion, and corresponding 8.25% salary increase, to all career DTS employees. The Legislature has not provided an appropriation to cover the



salary increase – which could run as much as \$4.5 million. The CIO plans to use cost savings that result from consolidation to pay for the salary increase. However, the CIO has not articulated the sources of those savings nor a plan for achieving them.

Enterprise Products Undefined

A major factor motivating the Legislature to create a new Department of Technology Services was a desire for reform of the existing Division of Information Technology Services (ITS). The rates currently charged by ITS do not accurately reflect cost, and thus lead to poor investment decisions by state agencies and ITS itself.

As mentioned earlier, the Legislature envisioned a transition process under which products and services would be defined prior to transition. While the CIO has chosen not to define products and services prior to consolidating employees, the definition of such is essential to ITS reform.

Products and services provided across the enterprise of state government must be done so at the lowest possible cost, and those costs must be fully and accurately reflected in the rates paid by state agencies. It will be nearly impossible to create such new rates without the definition of the products and services first. New rates that reflect existing ITS costs and inherent ITS inefficiencies will simply replicate ITS’ existing problems within the new organization.

Increased Administrative Overhead

In order to better manage projects and properly allocate costs, the Department of Technology Services plans to acquire an Information Technology Governance software package. The entire package, as proposed in DTS’ budget request, would cost \$2 million one-time and \$200,000 per year ongoing.

While purchasing an IT Governance System may be necessary to efficiently manage DTS, doing so as one of DTS first acts runs the risk of creating a perception that the overhead costs will increase rather than decrease in a consolidated enterprise.

The Legislature has not provided an appropriation for the IT Governance system, and DTS plans to pay for it using internal service fund resources.

While it may be true that “you have to spend money to make money”, DTS’ customers must be convinced that the IT Governance System is worth the cost that they will bear.

BUDGET DETAIL

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 Act (S.B. 1) as follows:

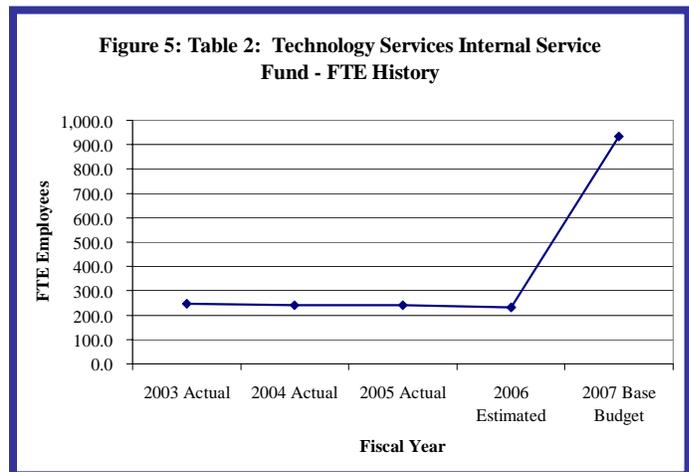
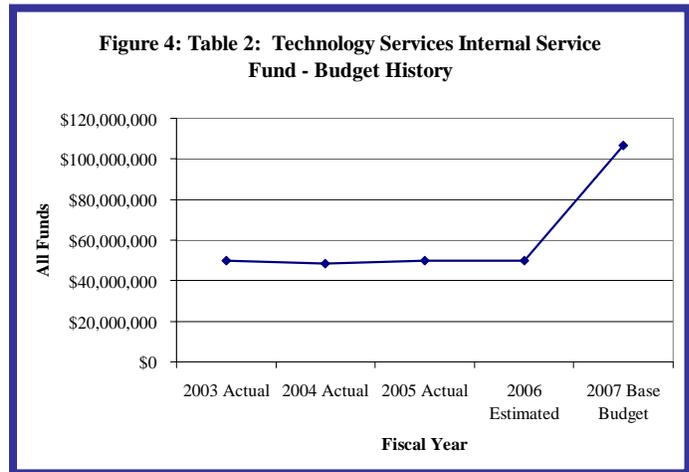


Table 1: Technology Services

Sources of Finance	FY 2005	FY 2006	Changes	FY 2006	Changes	FY 2007*
	Actual	Appropriated		Revised		Base Budget
General Fund	940,700	1,299,000	0	1,299,000	0	1,299,000
General Fund, One-time	509,300	400,000	0	400,000	(400,000)	0
Federal Funds	495,500	50,000	696,600	746,600	(396,600)	350,000
Dedicated Credits Revenue	428,400	544,400	(17,200)	527,200	0	527,200
GFR - E-911 Emergency Services	250,000	250,000	0	250,000	0	250,000
Beginning Nonlapsing	192,100	0	724,000	724,000	(99,600)	624,400
Closing Nonlapsing	(724,000)	0	(624,400)	(624,400)	148,300	(476,100)
Total	\$2,092,000	\$2,543,400	\$779,000	\$3,322,400	(\$747,900)	\$2,574,500
Line Items						
Chief Information Officer	563,200	972,200	(33,100)	939,100	(148,800)	790,300
Integrated Technology	1,528,800	1,571,200	812,100	2,383,300	(599,100)	1,784,200
Total	\$2,092,000	\$2,543,400	\$779,000	\$3,322,400	(\$747,900)	\$2,574,500
Categories of Expenditure						
Personal Services	1,354,600	1,574,900	(55,300)	1,519,600	(5,100)	1,514,500
In-State Travel	26,500	12,100	13,300	25,400	(14,800)	10,600
Out of State Travel	26,700	15,900	14,300	30,200	(400)	29,800
Current Expense	320,400	696,700	(125,900)	570,800	(172,400)	398,400
DP Current Expense	170,400	164,800	8,200	173,000	25,200	198,200
DP Capital Outlay	63,100	23,000	40,100	63,100	0	63,100
Other Charges/Pass Thru	130,300	56,000	884,300	940,300	(580,400)	359,900
Total	\$2,092,000	\$2,543,400	\$779,000	\$3,322,400	(\$747,900)	\$2,574,500
Other Data						
Budgeted FTE	18.0	14.5	3.5	18.0	0.0	18.0
Actual FTE	22.1					

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

Figures 4 and 5 and Table 2 reflect 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 could also include an ISF 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.

Due to uncertainty about the organization and make-up of the Enterprise Services division, DTS' internal service fund budget is not included in the Base Budget Act (S.B. 1), but is detailed in the following table:

Table 2: Technology Services Internal Service Fund

Sources of Finance	FY 2005	FY 2006	Changes	FY 2006	Changes	FY 2007*
	Actual	Appropriated		Revised		Base Budget
Dedicated Credits - Intragvt Rev	49,857,200	47,920,600	2,024,300	49,944,900	56,739,500	106,684,400
Total	\$49,857,200	\$47,920,600	\$2,024,300	\$49,944,900	\$56,739,500	\$106,684,400
Line Items						
ISF - Enterprise Technology	0	0	0	0	52,400,000	52,400,000
ISF - Agency Services	0	0	0	0	54,284,400	54,284,400
ISF - Information Technology Services	49,857,200	47,920,600	2,024,300	49,944,900	(49,944,900)	0
Total	\$49,857,200	\$47,920,600	\$2,024,300	\$49,944,900	\$56,739,500	\$106,684,400
Categories of Expenditure						
Personal Services	17,247,300	17,350,600	1,006,100	18,356,700	55,682,100	74,038,800
In-State Travel	37,700	70,400	(33,000)	37,400	33,000	70,400
Out of State Travel	41,400	29,600	11,700	41,300	(11,700)	29,600
Current Expense	17,111,700	18,384,000	(1,272,500)	17,111,500	1,788,800	18,900,300
DP Current Expense	7,738,200	7,386,200	930,600	8,316,800	2,158,400	10,475,200
DP Capital Outlay	184,200	0	226,500	226,500	0	226,500
Capital Outlay	4,399,400	3,988,200	482,300	4,470,500	(763,900)	3,706,600
Other Charges/Pass Thru	1,383,900	711,600	672,600	1,384,200	(2,147,200)	(763,000)
Total	\$48,143,800	\$47,920,600	\$2,024,300	\$49,944,900	\$56,739,500	\$106,684,400
Other Data						
Budgeted FTE	241.0	472.0	(241.0)	231.0	702.0	933.0
Actual FTE	227.8	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	6,072,500	6,800,500	0	6,800,500	(6,800,500)	0
Retained Earnings	7,166,800	5,453,400	1,713,400	7,166,800	0	7,166,800
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.

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 - \$790,300 – for inclusion in S.B. 1, *State Agency and Higher Education Base Budget Appropriations Act*.
- Approve the base budget of the Automated Geographic Information Center - \$1,784,200 – for inclusion in S.B. 1, *State Agency and Higher Education Base Budget Appropriations Act*.
- For the Agency Services ISF, direct the Analyst to include in a subsequent appropriations act:
 - \$54,284,400 in dedicated credits revenue
 - 702 full time equivalent employees
 - “Consulting Services - DTS Cost” as a rate
- For the Enterprise Services ISF, direct the Analyst to include in a subsequent appropriations act:
 - \$52,400,000 in dedicated credits revenue
 - 231 full time equivalent employees – this is a reduction of 5 FTE from that approved in FY 2006
 - No rates, as none have been provided by DTS. DTS must then use interim rate setting authority granted it by the Budgetary Procedures Act to establish rates prior to FY 2007.
- Authorized Capital Outlay amounts must be determined after a separate discussion of IT capital projects.