



DEPARTMENT OF TECHNOLOGY SERVICES (INTERNAL SERVICE FUND)

CAPITAL FACILITIES AND GOVERNMENT OPERATIONS APPROPRIATIONS SUBCOMMITTEE
STAFF: RICHARD AMON

BUDGET BRIEF

SUMMARY

The Department of Technology Services (DTS) acts as Utah’s central service provider for information technology (IT) related activities. DTS was created by Information Technology Governance Amendments (H.B. 109, 2005 GS) which consolidated the Division of Information Technology Services and all agency IT functions into DTS. The internal service fund (ISF) portion of DTS is financed by billing customer agencies for services provided.

The DTS Internal Service Funds has two programs:

- Agency Services
- Enterprise Services

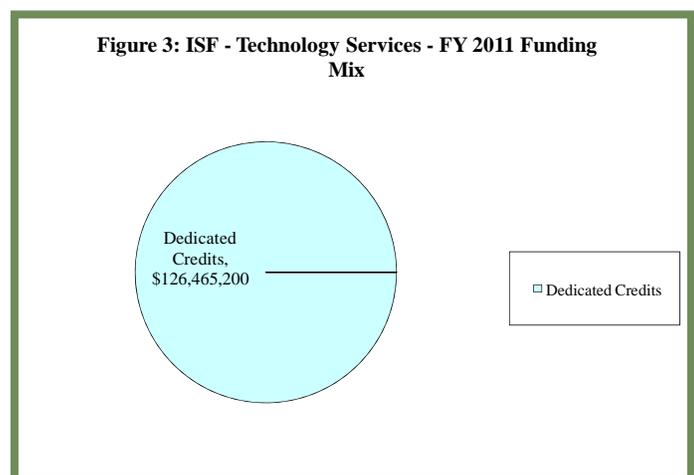
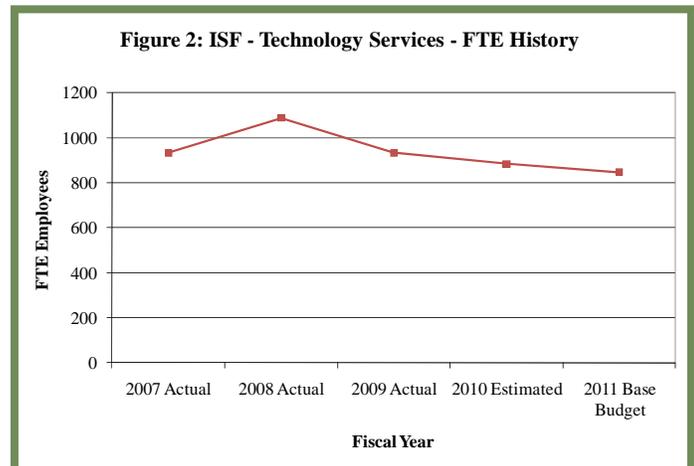
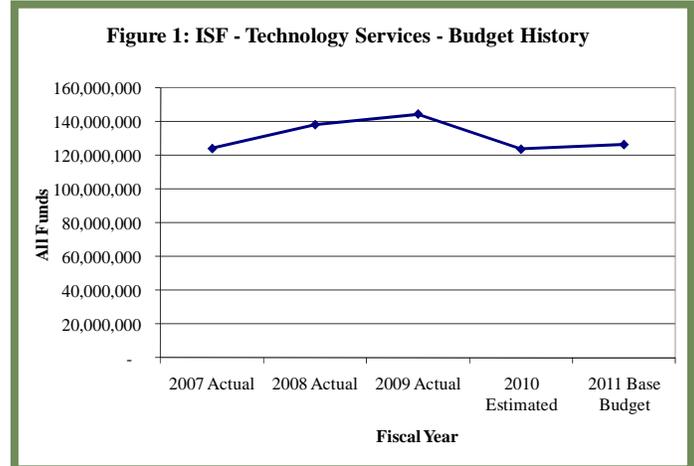
ISSUES AND RECOMMENDATIONS

DTS Rate Structure

House Bill 109 (2005 GS) facilitated a consolidation of IT employees from state agencies into the Department of Technology Services. To ease the transition, DTS kept the IT employees in the same function they previously held within the agencies and billed the agencies for those employee salaries and benefits through the Agency Services program.

The Agency Service program was only intended to serve as a transition program to allow the Department time to analyze how the functions of those employees relate to IT products it provides to the agencies. FY 2007 and 2008 were the transitional period and in FY 2009 the Department transferred all but 69 IT directors and administrative staff (of approximately 700 employees) out of the billed Agency Services program and into the rate-based Enterprise Services program. In FY 2010 DTS transferred the remaining 69 employees from Agency Services to Enterprise Services and incorporated them into the cost structure.

The Department identified five major functions the Agency Services employees provide to agencies that can now be charged as rates instead of billing for employees:



1. Desktop Support
2. Security
3. Server Administration
4. Application Maintenance
5. Service Desk

Since 2007, the Department has successfully created a new rate structure within the Enterprise Services program that eliminates cross-subsidies. The rates reflect the full cost of providing IT products to state agencies. These more accurate price signals will help DTS customers make better decisions when contemplating information technology.

Data Center Consolidation

In FY 2010 DTS began the process of data center consolidation. Many agencies housed their own servers in-house and had on-site DTS (formerly agency) staff available to maintain those servers. In most cases the capacity of the servers were not being fully utilized. Consolidating 1,824 servers statewide into approximately 400-500 servers in two data centers will allow DTS to efficiently allocate agency applications to servers based on space needs rather than on which server belongs to which entity. Furthermore, such a consolidation enables DTS to more effectively allocate staff to server maintenance in two locations and reduce utility costs. Agencies will benefit from more space for their operations and lower server administration costs.

To date, DTS has consolidated over fifty percent of agency servers into the DTS data center. The major data centers that DTS has completely moved and virtualized include: Commerce, the Labor Commission, Agriculture and Food, Workforce Services' eREP system, Community and Culture, Human Resource Management, and Human Services Administration and Office of Recovery Services. At the Department of Commerce, the consolidation reduced the number of servers from nine to just one. At the Department of Administrative Services, the move to virtualization has resulted in a cost savings of \$300,000 and a more efficient run time from 30 hours to 4 hours. DTS is on track to complete the consolidation by the end of the fiscal year (June 30, 2010).

During the 2009 General Session the Legislature reduced \$1.7 million ongoing General Fund and replaced the funds one-time in FY 2010 to give DTS one year to implement the server consolidation. The \$1.7 million represented the state funded portion of the DTS target goal of a \$4 million savings due to server consolidation. To date, the server consolidation is projected to save \$2.93 million ongoing in FY 2011 with \$1.2 million from state funds. In addition, an energy study commissioned jointly between DTS and the Division of Facilities, Construction and Management (DFCM) estimates that consolidating services will save \$230,000 in energy savings statewide, which will result in lower rates for operation and maintenance of state buildings. DTS also reinvested approximately \$800,000 annually into new server equipment and infrastructure.

FY 2011 DTS Rate Adjustments, Impacts, and Cost Savings

The Department of Technology Services currently charges approximately 80 different rates for information technology services used by state agencies. As each of these rates must recover the costs of the service provided, DTS looks at each rate individually and recommends adjustments (either up or down) depending on the cost of the service. When a rate changes, the Department of Technology Services calculates how that change will impact revenues and state agency budgets. The Analyst uses those numbers to calculate statewide rate impacts by funding source. The rates for FY 2011 are presented in the Consolidated Fee Report on pages 20 through 23 (lines 624 through 694).

In addition to the server consolidation, the Analyst worked with DTS to further reduce costs in FY 2011. The Department will reduce an additional \$1.3 million in costs which result in statewide savings including an additional \$0.5 million to the General and Education funds.

Legislative Audit of the Department of Technology Services

In August of 2009 the Legislative Audit subcommittee received the performance audit of the Department of Technology Services from the Legislative Auditor and referred the audit to the Capital Facilities and Government Operations subcommittee. The Analyst recommends that the Subcommittee review the full report, including the agency response, available online at http://le.utah.gov/audit/09_13rpt.pdf.

BUDGET DETAIL

The size and scope of internal service funds are controlled by rates charged to other agencies, full-time employment levels (which for an ISF are binding), and capital outlay authorization.

Capital Outlay Authority

The Department of Technology Services requests \$7,967,800 of capital outlay authority for FY 2011 as follows:

- Voice-over Internet (VOIP) technology and implementation \$2,650,000
- Telecommunication and telephone network upgrades \$1,350,000
- Server equipment replacement \$ 800,000
- Internal Consulting \$ 781,300
- Local and Wide Area Network equipment / optimization \$ 700,000
- Backup Storage System \$ 440,000
- Security logging and mobile device security \$ 300,000
- Mainframe virtual tape and disks for Storage Area Network \$ 370,000
- Other Miscellaneous Assets \$ 576,500

Additional Capital Outlay Authority for Desktop Virtualization

The Department also requests an additional capital outlay authorization of \$2,000,000 to facilitate the next phase of consolidation. The Audit conducted by the Legislative Auditor recommended that DTS accelerate the consolidation effort to save state agencies money and share similar technologies. DTS is currently working to consolidate the purchase and utilization of desktop and notebook computers statewide, including a possible virtualization of desktops along the Wasatch Front. DTS is currently reviewing business cases to determine the best strategy for desktop consolidation in FY 2012. Certain options, including the centralized hosting of memory and storage, would require capital outlay in FY 2011. The Analyst recommends authorizing an additional \$2,000,000 of capital outlay to the Department contingent on the need for such outlay in virtualizing or consolidating desktops.

LEGISLATIVE ACTION

The Analyst recommends the Legislature consider adopting:

1. FY 2011 estimated revenues of \$126,465,200 for the Department of Technology Services ISF
2. DTS ISF rates as presented in the Consolidated Fee Report
3. 847.0 FTE
4. Authorized capital outlay of \$7,967,800 as detailed above
5. An additional capital outlay of \$2,000,000 for desktop virtualization
6. Funding DTS rate impacts to state agencies (including the data center consolidation)

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BUDGET DETAIL TABLE

ISF - Technology Services						
Sources of Finance	FY 2009 Actual	FY 2010 Appropriated	Changes	FY 2010 Revised	Changes	FY 2011* Base Budget
Dedicated Credits - Intragvt Rev	144,372,600	132,335,000	(8,585,600)	123,749,400	2,715,800	126,465,200
Total	\$144,387,100	\$132,335,000	(\$8,585,600)	\$123,749,400	\$2,715,800	\$126,465,200
Line Items						
ISF - DTS Operations	144,387,100	132,335,000	(8,585,600)	123,749,400	2,715,800	126,465,200
Total	\$144,387,100	\$132,335,000	(\$8,585,600)	\$123,749,400	\$2,715,800	\$126,465,200
Categories of Expenditure						
Personal Services	80,734,900	84,834,100	(9,897,100)	74,937,000	149,500	75,086,500
In-state Travel	76,800	249,900	(68,600)	181,300	(2,100)	179,200
Out-of-state Travel	100,300	243,600	(63,600)	180,000	10,600	190,600
Current Expense	17,931,000	23,905,200	2,099,000	26,004,200	(1,638,200)	24,366,000
DP Current Expense	34,668,100	17,381,700	(1,191,900)	16,189,800	2,947,600	19,137,400
DP Capital Outlay	2,611,700	0	0	0	0	0
Capital Outlay	734,900	0	0	0	0	0
Other Charges/Pass Thru	772,100	814,400	(139,200)	675,200	24,200	699,400
Depreciation	4,523,300	5,130,000	451,900	5,581,900	1,224,200	6,806,100
Total	\$142,153,100	\$132,558,900	(\$8,809,500)	\$123,749,400	\$2,715,800	\$126,465,200
Other Data						
Budgeted FTE	933.0	903.0	(19.0)	884.0	(37.0)	847.0
Actual FTE	770.2	0.0	0.0	0.0	0.0	0.0
Authorized Capital Outlay	\$5,566,500	\$11,000,000	\$0	\$11,000,000	(\$3,032,200)	\$7,967,800
Retained Earnings	\$5,024,800	(\$2,645,300)	\$7,670,100	\$5,024,800	\$0	\$5,024,800
Vehicles	33	31	2	33	0	33

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