

**STATE
REVISED FISCAL IMPACT**

(replaces fiscal note dated March 17, 2008)

Drafting Number: LLS 08-0739

Date: April 9, 2008

Prime Sponsor(s): Sen. Cadman
Rep. Kerr A.

Bill Status: House Appropriations

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TITLE: CONCERNING THE CENTRALIZATION OF THE MANAGEMENT OF STATE AGENCY INFORMATION TECHNOLOGY RESOURCES IN THE OFFICE OF INFORMATION TECHNOLOGY.

Fiscal Impact Summary	FY 2008-2009	FY 2009-2010
State Revenue		
State Expenditures General Fund Cash Funds - Various	No net change see State Expenditures section	
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor or upon becoming law without his signature.		
Appropriation Summary for FY 2008-2009: See State Appropriations Section.		
Local Government Impact: None.		

This fiscal note is revised primarily to reflect updated information, but also incorporates amendments adopted in the House State, Veteran's, and Military Affairs Committee.

Summary of Legislation

As amended, the bill consolidates the responsibility for information technology (IT) oversight of most of the state's executive branch in the Governor's Office of Information Technology (OIT). It does not affect the legislative or judicial branches, or the departments of law, state, or the treasury.

Specifically, the bill transfers several IT functions and staff positions from various state agencies to OIT on July 1, 2008. The largest single agency transfer involves moving most of the Division of Information Technology from the Department of Personnel and Administration. These portions include the General Government Computer Center (GGCC), telecommunications coordination, and statewide IT management and support functions. The bill also makes the chief information officer of each state agency subject to supervision by the director of OIT instead of the agency's executive director, although any official transferred in this way would maintain his or her duties or responsibilities related to the information technology resources of the agency. Before July 1, 2012, the bill also transfers to OIT the oversight of other IT employees across several state agencies.

The bill creates the Information Technology Revolving Fund to consist of any money appropriated from the General Fund for the procurement of IT resources or major automation system projects. The fund would also include any General Fund savings achieved by OIT in procuring IT resources or major automation system projects. Money in the revolving fund is continuously appropriated to OIT to pay the costs of consolidation and IT maintenance and upgrades.

Amendments adopted in the House State, Veteran's, and Military Affairs Committee required OIT to consult with certain other state agencies in developing rules for emergency acquisitions and to issue an annual report on emergency acquisitions to the General Assembly. They also required OIT to develop a method for charging the full cost of its services to client agencies.

Background

The Governor's Office of Information Technology is established in state law to coordinate and direct the use of IT resources by state agencies. In the current budget year, FY 2007-08, OIT is appropriated about \$1.2 million from the General Fund and 13.0 FTE. The process of consolidating IT functions in OIT began formally on May 25, 2007, when the Governor issued Executive Order D 016 07. That order mandated key changes in the operational role of OIT with the stated intent to reduce wasteful spending, improve service delivery and security, and implement projects more effectively. This bill makes statutory changes consistent with the order.

State Expenditures

The bill is not expected to significantly change state expenditures in the aggregate, but it shifts the authority over roughly \$300 million in IT spending from a variety of state agencies to OIT beginning in FY 2008-09. These transfers, which include personal services, operating, and some capital expenditures, are outlined below. Nearly all of the transfers involve staff, but because of restrictions on certain funding sources, this fiscal note assumes that not all transfers will include a direct shift in appropriations. Instead, money for some functions will simply be reappropriated to OIT, essentially requiring that the legal authority over expenditures be shared between the original agency and OIT. These reappropriated moneys cannot be spent by the original agency without OIT's approval.

To provide the support needed to oversee the state's consolidated IT functions, it is assumed that vacant positions from a variety of state agencies will be transferred to OIT, but that the cost of these staff will be billed back to client agencies. These direct costs amount to \$1,812,053 and 26.0 FTE in FY 2008-09, including personal services, operating expenses, and leased space.

Further detail on the transfers of staff and spending authority is shown in the State Appropriations section of the fiscal note.

Table 1. Summary of FY 2008-09 Transfers Under SB 08-155		
Agency/Function/Position	Amount	Staff (FTE)
Division of Information Technology/DPA	\$38,162,234	161.8
Associated Central Overhead Costs of DPA	\$5,298,402	0.0
Chief Information Security Officer/Cybersecurity	\$2,804,915	2.0
Chief Information Officers in State Agencies *	\$1,692,186	12.4
DPA Internal Program Application Support Functions *	\$817,731	11.0
Support Staff (from vacancies across multiple state agencies) *	\$1,812,053	26.0
Statewide Geographic Information System Coordination *	\$108,057	1.0
FY 2008-09 Subtotal	\$50,695,578	214.2

* For these agencies and functions, staff is transferred but funding is simply reappropriated to OIT.

Pursuant to a Joint Budget Committee policy, a total of \$325,770 in indirect costs are not included in fiscal note expenditure estimates, but will be used to calculate the fee for service that must be charged to fully support a particular program.

Between July 1, 2008 and July 1, 2012, the bill transfers any other IT employees and functions designated by the director of OIT, acting jointly with the affected agency's executive director, and the agency's chief information officer. Based on historical spending, these positions and functions are estimated at \$228,336,521 and 1,033.5 FTE, as shown in Table 2. This fiscal note assumes that the FTE would be transferred to OIT while the spending authority over moneys would be shared between the original agency and OIT.

Table 2. Estimated IT Spending Across State Agencies		
Agency	Amount	FTE
Agriculture	\$1,148,192	7.0
Corrections	\$12,679,143	72.8
Governor	\$4,784,257	1.0
Health Care Policy & Financing	\$30,510,926	23.0
Human Services	\$60,191,525	183.2
Labor & Employment	\$11,719,559	70.8
Local Affairs	\$1,422,960	12.0
Military & Veteran's Affairs	\$506,495	1.4
Natural Resources	\$16,221,573	77.0
Personnel & Administration	\$9,426,905	222.0
Public Health and Environment	\$14,119,345	79.0
Public Safety	\$10,598,594	37.0
Regulatory Agencies	\$4,728,107	27.0
Revenue	\$22,807,188	138.6
Transportation	\$27,471,754	81.7
Total	\$228,336,521	1,033.5

Because of the limited availability of support staff in OIT, it is assumed that the transfer of IT spending shown in Table 2 will not begin until FY 2009-10. Table 3 summarizes the potential amount to be transferred, assuming a roughly equal distribution across each year until FY 2011-12. The actual transfer of amounts and FTE will be addressed through the annual budget process.

Table 3. Summary of Transfers Under SB 08-155 (\$ in Millions)		
Fiscal Year	Amount	FTE
FY 2008-09	\$50.7	214.2
FY 2009-10 *	\$76.1	344.5
FY 2010-11 *	\$76.1	344.5
FY 2011-12 *	\$76.1	344.5
TOTAL by FY 2011-12	\$279.0	1,247.7

* *These amounts are estimated. Actual transfers after FY 2008-09 will be addressed thru the annual budget process.*

State Appropriations

For FY 2008-09, the bill requires a multitude of appropriations adjustments across multiple state agencies, as summarized in Table 4 below. Further detail on these appropriations is available in the Legislative Council Staff offices.

<i>Transfers</i>		Amount	FTE
	Division of Information Technology	\$38,162,234	161.8
	POTS (Central overhead costs shifted from DPA to OIT)	\$5,298,402	0.0
	Chief Information Security Officer/Cybersecurity	\$2,804,915	2.0
a	Chief Information Officers in State Agencies *	\$0	12.4
b	IT Positions in DPA - Internal Prgm Support Functions	\$0	11.0
c	Support Staff (from vacancies across multiple state agencies)	\$0	26.0
d	Statewide GIS Coordination - DOLA/Emergency Mgmt	\$0	1.0
	Subtotal of Transfers	\$46,265,551	214.2
<i>Reappropriated Funds</i>			
a	Chief Information Officers in State Agencies	\$1,692,186	0.0
b	IT Positions in DPA - Internal Program Support Functions	\$817,731	0.0
c	Statewide IT Management (Billed back to client agencies)	\$1,812,053	0.0
d	Statewide GIS Coordination - DOLA/Emergency Management	\$108,057	0.0
	Subtotal of Reappropriated Funds	\$4,430,027	0.0
	FY 2008-09 TOTAL	\$50,695,578	218.7

Departments Contacted

All Departments