

Schedule 13
Funding Request for the 2013-14 Budget Cycle

Department: Governor's Office of Information Technology
 Request Title: OIT Staff Operating Transfer
 Priority Number: R-1

Dept. Approval by: [Signature] 10-29-12 Date
 OSPB Approval by: [Signature] 10/23/12 Date

- Decision Item FY 2013-14
 Base Reduction Item FY 2013-14
 Supplemental FY 2012-13
 Budget Amendment FY 2013-14

Line Item Information		FY 2012-13		FY 2013-14		FY 2014-15
		1	2	3	4	6
Fund		Appropriation FY 2012-13	Supplemental Request FY 2012-13	Base Request FY 2013-14	Funding Change Request FY 2013-14	Continuation Amount FY 2014-15
Total of All Line Items	Total	27,604,798	-	27,604,798	518,003	518,003
	FTE	69	-	69	-	-
	GF	-	-	-	518,003	-
	GFE	-	-	-	-	-
	CF	1,202,328	-	1,202,328	-	-
	RF	26,402,470	-	26,402,470	-	518,003
	FF	-	-	-	-	-
(5) Office of Information Technology, (A) Management & Administration of OIT, Statewide IT Management	Total	5,183,306	-	5,183,306	86,248	86,248
	FTE	68.9	-	68.9	-	-
	GF	-	-	-	86,248	-
	GFE	-	-	-	-	-
	CF	-	-	-	-	-
	RF	5,183,306	-	5,183,306	-	86,248
	FF	-	-	-	-	-
(5) Office of Information Technology, (B) Computer Center Services, (1) Computer Services, Operating Expenses	Total	6,254,871	-	6,254,871	345,507	345,507
	FTE	-	-	-	-	-
	GF	-	-	-	345,507	-
	GFE	-	-	-	-	-
	CF	2,328	-	2,328	-	-
	RF	6,252,543	-	6,252,543	-	345,507
	FF	-	-	-	-	-
(5) Office of Information Technology, (C) Network Services, (1) Network Services, Operating Expenses	Total	16,166,621	-	16,166,621	86,248	86,248
	FTE	-	-	-	-	-
	GF	-	-	-	86,248	-
	GFE	-	-	-	-	-
	CF	1,200,000	-	1,200,000	-	-
	RF	14,966,621	-	14,966,621	-	86,248
	FF	-	-	-	-	-

Letternote Text Revision Required? Yes: No: If yes, describe the Letternote Text Revision:
 Cash or Federal Fund Name and COPRS Fund Number: N/A
 Reappropriated Funds Source, by Department and Line Item Name: N/A
 Approval by OIT? Yes: No: Not Required:
 Schedule 13s from Affected Departments: N/A
 Other Information:



OFFICE OF INFORMATION TECHNOLOGY

John W. Hickenlooper
Governor

FY 2013-14 Funding Request
November 1, 2012

Kristin D. Russell
Secretary of Technology & Chief Information Officer


Signature

10-30-12
Date

Department Priority: R-1
OIT Staff Operating Transfer

Summary of Incremental Funding Change for FY 2013-14	Total Funds	General Fund	FTE
Total of Request	\$518,003	\$518,003	0.0
Statewide IT Management	\$86,248	\$86,248	
Computer Center Services Operating Expenses	\$345,507	\$345,507	
Network Services Operating Expenses	\$86,248	\$86,248	

Request Summary:

The Governor's Office of Information Technology is requesting a one-time \$518,003 General fund appropriation for basic operating costs (i.e.-supplies, training, etc) for FTE transferred to OIT from Executive Branch Departments in FY 2008-09 & FY 2009-10. As a result of a statewide decision item in FY 2010-11, combined with the impact of SB 08-155, 690.7 FTE were transferred from Executive Branch departments to the Office of Information Technology (OIT); however, the operating appropriations associated with each employee remained at the individual departments.

Over the past two years individual departments have continued to cover operating expenses for IT staff. However, as OIT consolidates service operations and utilize staff across multiple departments, this arrangement cannot continue. OIT does not have sufficient operating appropriations to absorb the base operating need identified in this request and Executive Branch departments have also incurred operating reductions which would create a financial burden if departments were required to make an operating transfer to OIT to facilitate this request. In fact, if departments were required to support this request from existing operating budgets, they would likely be forced to consider reductions in

hardware and software maintenance and support, or other imprudent financial decisions.

As a result, OIT is requesting a new General fund appropriation in the amount of \$750 per transferred FTE to cover the basic operating costs per FTE for FY 2013-14. Refer to Assumptions for Calculations for the breakout of costs. Beginning in FY 2014-15 OIT will build the increase into OIT service rates along with staff costs and other overhead, and the funding source for FY 2014-15 forward will be re-appropriated funds, in the same amount, which will be allocated to departments consistent with other OIT billings.

Problem or Opportunity:

1. During the OIT consolidation, information technology FTE transferred to OIT and associated personal services were re-appropriated to OIT. Operating dollars for basic administrative costs, training, or IT staff operating needs were not transferred.
2. IT staff were and are dependent upon the departments to approve and fund expenses for basic office supplies, miscellaneous IT supplies, or training. Requisition, approval, and purchasing processes are different in each

department and confusing for IT staff relocated to another department to work.

3. If IT staff are pooled resources, departments are confused as to the portion of expenses to be paid or refuse to make payment, placing the burden on OIT.
4. An opportunity exists to create an efficient and effective process as well as fund basic needs for the IT staff transferred during the consolidation. The IT staff would have a single process to request supplies, materials, and training from a central location which would provide greater transparency of allocated resources.
5. An opportunity exists to provide IT staff basic training opportunities to stay current with the ever changing technological environment and improve their technical skill sets. Technical training enables the staff to solve problems with legacy systems, propose alternatives or solutions for outages, and perform upgrades without hiring expensive contractors.

Currently Executive Branch departments pay many costs associated with basic employee operating needs for IT staff previously transferred to OIT. OIT has worked with departments to have departments pay direct operating expenses on a case by case basis, often requiring significant administrative burden to resolve expenses that are minor in context. In cases where OIT is forced to absorb staff general operating costs, it results in the diversion of existing funds from other priorities, including equipment purchases, or support and maintenance of existing infrastructure. This request would eliminate administrative inefficiencies and improve transparency regarding budgetary representation of IT costs in the Executive Branch. Additionally, it would provide OIT staff a central location and process to obtain basic administrative supplies and training.

The current arrangement regarding basic operating costs has created a disjointed relationship between OIT and departments as a result of confusion regarding responsibility of expenses related to FTE.

Brief Background:

This request is necessary to provide support for basic needs of OIT staff. When approximately 690.7 FTE were transferred from Executive Branch Departments to OIT in Fiscal Years 2008-09 and 2010-11, personal services appropriations were addressed but base operating funding for staff was not transferred at the time. For a majority of the past two fiscal years, a significant amount of transferred staff continued to support the same department that they previously had prior to the transfer, meaning that the “host department” reasonably was expected to continue paying for basic operating costs associated with the staff.

More recently, OIT has evolved to be truly a shared services provider, meaning that the organization leverages FTE across multiple departments in some cases to accommodate the business needs of specific enterprise services, and in other cases to support more than one department. As a result of this transition, it is no longer equitable to have departments pay the identified operating expenses for FTE who may no longer provide direct support to that department on a day to day basis. In addition, as referenced above, departments have generally incurred some base operating reductions in recent years that make it difficult for them to continue to pay operating costs for OIT staff, even if OIT staff in aggregate provides IT support to the departments. As a result of these factors, and after discussion with the Office of State Planning and Budgeting, OIT determined that a direct General fund appropriation to OIT would be the most viable alternative for FY 2013-14.

As indicated above, in Fiscal Year 2010-11, 690.7 staff were transferred to OIT; however, only payroll costs were addressed via a re-appropriation/transfer of associated personal services appropriations to OIT and OIT did not receive additional operating funds to support the staff. OIT's current operating appropriations are used to support obligations that OIT incurs on an annual basis in order to provide infrastructure,

services and support to other State departments and agencies. The only base operating increases OIT has received in the last several years have been associated with specific programmatic needs or services (for example the re-appropriation of CBMS program appropriations from the departments of Human Services and Health Care Policy & Financing) or other central department needs, including leased space and legal services.

In general office supplies, training, and other basic operating costs should be the obligation of departments where FTE are appropriated. OIT and departments recognize that other basic operating costs such as leased space and phones should continue to be paid by departments given that OIT support staff who work on-site do require these accommodations in order to perform their respective duties on behalf of the departments, consistent with the expectation of third party vendors/contractors.

This request will:

- Enhance financial transparency associated with IT related expenditures,
- Eliminate administrative burdens currently required,
- Allow departments to manage their base operating appropriations without the added priority of addressing basic IT staff operating needs, and
- Provide funding for training for staff to update skill sets and knowledge base.

Proposed Solution:

The recommended solution allows for these costs to be addressed in OIT's budget and eliminates the need for departments to pay basic operating costs for the referenced FTE from their own discretionary budget. It also eliminates the expectation that OIT should absorb these costs, as this would provide detrimental impact to OIT service levels if the Office is forced to redirect funding typically used on infrastructure, maintenance, etc to instead address the most basic operating needs for staff.

This request requires a direct General fund appropriation to OIT in FY 2013-14 to address operating costs necessary to support OIT staff transferred from Executive Branch departments.. However, for FY 2014-15 and future years, the appropriation will be at a continuation level but the source will be re-appropriated funds, which will be allocated along with staff and other overhead as part of OIT rates and billings. Note that this solution will result in additional allocations to departments above the current base level, but that it will be more equitable than in the past because the operating costs for staff will be spread to all users that OIT supports and bills, and the Executive Branch departments that transferred staff to OIT will not be forced to shoulder the entire burden.

During FY 2013-14 OIT will code basic operating costs for all FTE, including staff transferred from departments, in a fashion that aligns the costs with specific services supported by individual staff. If an FTE supports only one service, their general operating and training costs will be included in recoverable costs for that specific OIT service. If the staff supports a category of related services (i.e. mainframe) their associated operating costs will be distributed at the category level, and will be included in recoverable costs for the suite of services supported as an overhead component. The objective of this strategy is to apply staff operating costs at the most granular level possible such that all services reflect the most appropriate fully burdened rate. This is consistent with the historic method for allocating operating costs for the 200 plus staff that existed in OIT prior to the staff consolidation. OIT will work directly with departments and OSPB in FY 2013-14 to validate the equity of the model prior to including the costs in FY 2014-15 and future year common policy rates and billings to departments.

As reflected in the Assumptions for Calculations section, this request covers the basic \$500 per FTE for office supplies and an additional \$250 per FTE to cover travel, training and other miscellaneous operating expenses. The need for

technical training for staff is an integral part of the request. Training budgets in departments are generally limited or do not exist and most IT staff do not have the opportunity to attend professional training or seminars as a result. The functions performed by the state's information technology professionals require specialized expertise, including continuing education and skills updates and certifications.

Additionally functions such as application development, database administration, server administration, infrastructure architecture, network security administration, etc. all require specialized training associated with the specific discipline. This training provides the ability for staff to maintain and expand their technical skills and allows the state to leverage the opportunity for existing staff to learn newer and emerging technologies. These are significant benefits to OIT and the State as they will allow staff to be repurposed over time as legacy applications and systems are decommissioned in favor of emerging modern technologies. Ultimately training translates into better customer service to departments and more elegant service delivery to citizens.

As a result of limited operating/training budgets, OIT has been creative in providing IT, project management and business training with limited funding. OIT offers monthly Tech Forums and other educational brown bags and has purchased subscriptions to Skillsoft and Corporate Executive Board (available to any Colorado State Government employee) which provide valuable low cost training opportunities. Additionally, OIT facilitates a number of users groups that are open to state employees working in the areas of project management, information security, mainframe, application development, enterprise architecture, etc. to share knowledge and best practices. Finally, OIT has maintained a comprehensive list of free training opportunities, which is updated and sent out quarterly to all OIT employees. While the cost of technical training cannot be completely eliminated, OIT has pursued multiple options to mitigate the budget impact.

The passage of SB 08-155 was intended to consolidate information technology throughout the State of Colorado. The transfer of several hundred FTE to OIT is consistent with the objective of SB 08-155; however, the current practice for operating common policies for FTE is not consistent with the guidance from OSPB and Legislative Council. As a result of the lack of operating appropriations associated with the transferred staff, it is impossible for OIT to absorb several hundred thousand dollars of basic operating costs associated with staff, and this FY 2013-14 General fund request removes the financial burden from departments as well, at least until the costs can be allocated as part of rates and billings for individual services as outlined above.

Anticipated Outcomes:

This request will allow OIT the necessary operating appropriations to support its staff without placing additional burden on departments. At the same time, it absolves OIT of the need to redirect operating funding necessary to provide technology infrastructure and services to instead cover basic staff operating needs. This supports OIT's strategic objectives as it does not limit the continuation funding available to provide services to departments. The request will also provide adequate funding for the specialized training needs for enterprise IT staff. Finally, the amount identified represents less than a 0.4% increase in total OIT appropriations.

Assumptions for Calculations:

The Office of Information Technology is requesting \$750 per FTE transferred to OIT from departments in FY 2008-09 and FY 2010-11. The request is consistent with guidance from OSPB and Legislative Council, which indicate that \$500 is an allowable cost for each FTE to cover supplies each year. The other \$250 will cover the costs of training, travel and other miscellaneous expenses. Training is an especially critical need for OIT given that information technology staff require technical training in order to remain up to date with current and evolving technology, as

well as the specialized needs required to support legacy systems and applications.

It is pertinent that employees are able to receive technical training in order to retool their individual skills and enhance the staff resources entrusted with delivering critical services to our customers and Colorado's citizens. Training will instill an effective and efficient environment at OIT.

Consequences if not Funded:

OIT is not in a position to financially absorb several hundred thousand of routine operating costs. If the request is not approved, and departments chose to not continue paying these costs, OIT would be forced to degrade our service levels to customers in order to re-direct existing base operating appropriations to these basic employee costs rather than to delivering enterprise level technology services to our customers.

Continuing down the current path will continue to cause confusion surrounding the responsibility for operating costs. In addition, employees may lack the level of technology training that is required due to the hesitation of departments to approve and pay operating costs for an employee that is not theirs, along with OIT's inability to absorb these costs.

As a result, if this request is not approved, OIT will continue to require that departments pay for the basic operating expenses per FTE.

Impact to Other State Government Agency:

This request will not impact other State government agencies in FY 2013-14 since the requested appropriation is General fund and will not be allocated to, nor recovered from departments as part of IT common policies for that fiscal year.

Relation to Performance Measures:

This request facilitates OIT's coordination and execution of multiple consolidation initiatives, directly supports OIT's value proposition, and is specifically aligned with two of the six core strategic objectives: service excellence and trusted partnerships.

Current Statutory Authority or Needed Statutory Change:

The statutory authority that aligns with this request is found primarily at 24-37.5-505 (1)(a) and 24-37.5-604 (1) C.R.S. 2012, which outline that users of the Office's services shall be charged the full cost of the particular service, which shall include the cost of all material, labor, and overhead.

No statutory change is necessary to implement this request.