EXHIBIT 1
DATE 1/12/09
HB 2

Department of Administration

Information Technology Services Division

Dick Clark, CIO, State of MT
Doug Volesky, Financial Officer, ITSD

January 2009

Agenda

- Cost Recovery Methodology Issues
- Implementation of the Full Cost Maturity Model
- HB2 Rates
- HB2 DPs

Cost Recovery Methodology

- 2009 Session, Documentation & Justification
- Defining Services
- Matching Needs and Resources
- Alignment of Rates

The Full Cost Maturity Model

"ITSD's solution for cost recovery and budgeting issues"

- Identify Services
- Zero-Based Budgeting
- Agency Involvement
- Understandable Allocations
- Defensible, Transparent and Fair Rates
- Customer Focused

HB2 Rates (A-197)

FY08 Base	FY10 Projected	FY11 Projected
$36,558,244	$39,334,369	$39,962,141
Difference from Base	**$2,776,125**	**$3,403,897**

DP Items (A-200 to A-202)	FY10	FY11
DP 6103 - Network Expansion	$1,500,000	$1,500,000
DP 6104 - ESSC (Data Centers) Operations	$365,000	$832,720
DP 6105 - Microsoft Enterprise Agreement (EA)	$1,875,380	$1,875,380
DP 6107 - Attachmate Software Settlement	($921,453)	($921,453)
Statewide Adjustment & Global DP's	($48,090)	$112,674
Total DP's	**$2,770,837**	**$3,399,321**

HB2 Rates

ITSD is requesting 30-days of working capital to maintain ongoing operational costs for the 2011 biennium.

HB2 DPs

DP 6109 (A-196) – High Performance Computing Operations
$2,000,000 GF (BIEN/OTO)

DP 6110 (A-195) – Additional MT Land Information Act Grants
$950,000 each year, SSR

DP 6102 (A-195) – Move 911 Funds from GF to SSR
$276,240 FY 2010
$275,927 FY 2011

Summary

- New cost recovery and budgeting mechanism provides for defensible, transparent and fair rates
- HB2 Rates: ITSD is requesting 30-days of working capital to maintain ongoing operational costs for the 2011 biennium
- Request approval of HB2 DPs

Department of Administration
Information Technology Services Division
Proposeed Rates for FY10-11

Rate sheet (else BU filename)	Catalog Item	Unit	External Rate	Includes
ITSD-CUST-SERV-TB	LAN Administration / Hour, LAN Admin (without subcontractors)	Hour	$88.77	Ongoing administration of customer-owned desktops, servers, and local networks (including monitoring and access administration), and brokerage and coordination of Technologists services (such as repair, configuration changes, and enhancements).
	Recycling service	Recycled Device	$24.21	Recycling hardware devices
	Security Officer Services	Hour	$87.35	Review security needs and procedures for agency, including agency vulnerabilities, verify agency is following ITSD and Enterprise policies, reviewing software and hardware purchases to verify they are secure.
	Software ESET NOD32	License-ESET NOD32	$3.29	License for ESET NOD32
	Software Microsoft EA	License-MS EA	$270.76	License for Microsoft Enterprise Agreement for State of Montana, includes Microsoft Office Professional
	Software Other	License-Other	$43.68	License for other software
	Software SAS Addon ETS Module	License-SAS ETS	$101.29	License for SAS ETS Module
	Software SAS Addon ODBC Module	License-SAS ODBC	$214.50	License for SAS ODBC Module
	Software SAS Addon QC Module	License-SAS QC	$193.25	License for SAS QC Module
	Software SAS Addon Share Module	License-SAS-Share	$826.37	License for SAS Share Module
	Software SAS Core Modules Bundle	License-SAS Core Bundle	$1,306.56	License for SAS Core Modules, Windows Enterprise Computing Offer and StatPlus (Base, Stat, Graph, AF, FSP, Assist, Connect, Insight, PCFF, EIS, EntGuide, IML)
ITSD-FIN-PCMB-SBP	Procurement Services	Hour	$91.69	Provides experts to review and assist with the development of customer business needs statements, requests for information (RFI), requests for proposals (RFP), and invitation for bids (IFB).
ITSD-OPS-ATSB-SBM-AI	Application Hosting Service	Hosting Unit	$16.90	Application support for hosting customer applications on ITSD computer environment.
	Citrix Service	Citrix Service Unit	$10,515.25	Application support for Citrix services.
	Contracted Disaster Recovery Service	Disaster Service Unit	$2,656.32	Application support for Disaster Recovery services.
	Database IDMS Service	IDMS Service Unit	$7,510.08	Application support for Database Adminsistration of CA IDMS database services.
	Database Oracle Service	Oracle Service Unit	$11,251.21	Application support for Database Adminsistration of Oracle database services.
	Database SQL Service	SQL Service Unit	$8,685.64	Application support for Database Adminsistration of Microsoft SQL Server database services.
	Document Content Management Services	FileNetCS Unit	$25,195.86	Application support for IBM FileNet Content Management services.
	Document Imaging Service	FileNetIS Unit	$47,647.25	Application support for IBM FileNet Imaging services.
	GIS Arc IMS	IMS Unit	$1,780.67	Application support for ESRI geographical mapping services.
	GIS Arc SDE	SDE Unit	$2,240.35	Application support for ESRI geographical database services.
	GIS Hosting Service	GIS Unit	$632.67	Application support for ESRI geographical services.
	ITSD Application Hosting Service	Gigabyte	$0.00	SLA
	OS AIX Service	RISC Service Unit	$74,949.60	Application support for Servers using IBM Operating System AIX.
	OS Linux Service	Linux Service Unit	$2,226.96	Application support for Servers using Linux Operating System.
	OS Mainframe Service	Mainframe Service Unit	$44,437.13	Application support for Servers using IBM Mainframe Operating System.
	OS Windows Service	Windows Service Unit	$4,003.09	Application support for Servers using IBM Operating System Windows.
	SAN Storage Service	GB SAN Unit	$22.45	Application support for Servers using high speed SAN Storage.
	Web Apache Service	Apache Service Unit	$6,040.93	Application support for Servers using Apache web services.
	Web MS IIS Service	IIS Service Unit	$929.37	Application support for Servers using Microsoft IIS web services.
	Web Oracle AS Service	Oracle AS Service Unit	$12,081.86	Application support for Servers using Oracle web services.
ITSD-OPS-ATSB-SBM-WEB	.NET Service Hosting	MB	$211.14	.NET service hosting provides a secure scalable platform for deploying agency applications. .NET service hosting includes redundant servers and backups.
	File Transfer Service	File Transfer	$2.66	The File Transfer Service is an eGovernment service that provides secure encrypted transmission of files between state employees and the public or other state employees. The system is designed to perform virus scan checks on all files to protect the security of the State Network.
	Sharp Content ASP	CMS_Site	$1,705.41	ITSD offers a full Web Content Management System through Sharp Content. This includes initial setup for a website and maintenance and support of the application. For existing websites, optional conversion services can be purchased separately.
	Web Analytics on IIS	Report	$102.52	ITSD offers setup and ongoing maintenance on the State's web analytics software enabling customers to review and analyze traffic to their websites.

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ITSD-OPS-ATSB-TB-WEB	Sharp Content Individual License	CMS_Site	$825.20	A license for ITSD's web content management solution; includes installation on agency's web server
	Sharp Content Maintenance and Support	Hour, SC	$298.21	The abilitiy to call for support and receive ongoing maintenance upgrades for ITSD's web content management solution
ITSD-OPS-CTSB-SBM-FACIL	Image printing	Print Image	$0.02	Laser AFP print image (data) on each side of paper on IBM high-speed printers -- simplex/one side, duplex/both sides (includes Infoprint srvr).
	Legal Page printing	Legal Page	$0.06	Laser AFP print page charge for pressure seal paper - legal size paper -- standard stocked form is Z-fold paper.
	Letter page printing	Letter Page	$0.06	Laser AFP print page charge for pressure seal paper - letter size paper -- standard stocked forms are Z-fold and V-fold paper.
	Page Printing	Page	$0.06	Standard paper charge for stock paper printed on IBM high-speed printers. Includes handling chrg for cust-supplied forms & Infoprint srvr.
	RDS Line Prining	Print Line	$0.06	Packets printed through RDS -- data printed on each side of the paper.
	RDS Page printing	Print Packet	$0.06	Laser paper charge for packets printed through RDS.
	Remote Image printing	Print Image	$0.06	Laser AFP data originating on the mainframe and printing to a remote laser printer usually in user's area.
	Systems Monitoring Service	Hour, SysMon	$82.58	Operations monitoring of systems or customer applications.
	Tape Archival - Offsite	Arch Slot Day	$0.05	Per tape per day charge of off site archived customer data. Minimum 24 hour recall on request. Tape is stored offsite in fire protected env.
ITSD-OPS-CTSB-SBM-MF	Agency Mid tier backup service	Gigabyte	$173.56	Backup of non hosted agency data to tape.
	Expert time, Consult	Hour	$296.50	0
	IFL LINUX processing	IFLinus	$679.70	All processing of a server image. The image is non-favored V=V
	Mainframe Processing			
	BATCH CPU SECOND - PRIME	CPU	$ 2.0056	
	BATCH CPU SECOND - NONPRIME	CPU	$ 1.3036	
	CICS CPU SECOND - PRIME	CPU	$ 0.5846	
	CICS CPU SECOND - NONPRIME	CPU	$ 0.3800	
	IDMS CPU SECOND - PRIME	CPU	$ 1.8469	
	IDMS CPU SECOND - NONPRIME	CPU	$ 1.2005	
	IDMS/CICS COBOL CPU - PRIME	CPU	$ 0.6166	
	IDMS/CICS COBOL CPU - NONPRIME	CPU	$ 0.4009	
	IDMS/ADS CPU - PRIME	CPU	$ 1.1421	
	IDMS/ADS CPU - NONPRIME	CPU	$ 0.7426	
	TSO CPU SECOND - PRIME	CPU	$ 2.4477	
	TSO CPU SECOND - NONPRIME	CPU	$ 1.5968	
	Disk Storage		$0.0087	
	Migrate 1 Disk		$0.0087	
	Migrate 2 Disk		$0.0023	
	SYSIN Read/Write		$0.1495	
	Disk Read/Write		$0.1495	
	Tape Read/Write		$0.5640	
ITSD-OPS-CTSB-SBM-MID	Application Hosting - Citrix	User-Citrix	$575.02	Remote access to application via Citrix. Hosting of application on Citrix server(s).
	Application Hosting - MS Office SharePoint Site	MOSS GB	$1,965.41	Hosting of a Microsoft Office SharePoint Site
	Application Hosting - SharePoint Site	SharePoint GB	$7,293.87	Hosting of a SharePoint Services Site
	Email Add Space	Email 50 MB	$21.37	Include 50 MB of additional space to a user mailbox
	Email Blackberry Svc	Email BB User	$304.89	Includes Blackberry client and server CAL
	Email Exchange integrated Voice Mail Services	Email VoiceMail	$6.32	Includes delivery of voice mail to user mailbox. Phone access to mailbox and to voicemail.
	Email Lyris Listserv	ListServ Messages	$0.06	0
	Email Mailbox	Mailbox	$55.07	Includes basic 50MB of storage
	Email Public Folder Space	Email PF MB	$2.10	0
	Email Special Mailbox Restore Services	Email Restore Hour	$341.21	0
	Hosted File Space - Novell	NovellFile GB	$49.09	0
	Hosted File Space - Windows	WinFile GB	$42.50	0
	Novell PatchLink	User-Patch	$14.57	User CAL for Novell ZenWorks Patch Link services
	Novell Server MLA License	User-Novell	$102.41	Includes CAL's for Novell Server, ZenWorks 7.0, and ZenWorks Configuration Manager 10.0
	RSA - Two Factor Authentication	User-RSA	$226.82	Does not include fobs or user tokens
	Server Hosting - Windows VM	Server Unit VM	$2,802.81	0
	Server Lease	Server Unit Lease	$1,681.73	Includes hardware support and OS support
	Software Microsoft EA	AD Account	$43.04	Expert Time and other expenses in supporting Enterprise Active Directory.

ITSD-OPS-DMSB-S[illegible]BA	DBMS Services - GIS IMS	IMS Gig	$31.00	0
	DBMS Services - GIS SDE	SDE Gig	$39.08	0
	Oracle License Agreement	Percent Oracle License Agreement	Percent of $707,897	Cost of Oracle ELA licenses and the time to administer those licenses, e.g. agency license inquiries and annual true-up. This includes all licenses covered in the Enterprise License Agreement (CPU and Named User licenses for database, application server, developer tools, etc.)
ITSD-OPS-NTSB-SBM-NET	Firewall Administration - Advanced	Firewall	$60.97	This includes Firewall Administration seperate from what is bundled with a basic network connection.
	Network Connection - 100Mb	100Mb port	$637.68	This 100Mb connection includes Interent connectivity, Level 1 security (surf control, Spam filtering, Internet Firewall, Web Cache, IP Address Management (i.e. DNS & DHCP).
	Network Connection - 100Mb NS	100Mb port NS	$1,139.97	Non State
	Network Connection - 1Gb	1 GB port	$685.06	This 1Gb connection includes Interent connectivity, Level 1 security (surf control, Spam filtering, Internet Firewall, Web Cache, IP Address Management (i.e. DNS & DHCP).
	Network Connection - Alternate Data Center 1Gb	ADC 1 GB port	$685.61	This is a 1Gb connection in the Alternate Miles City Data Center.
	Network Connection - Helena Data Center 100Mb NS	HDC 100Mb port NS	$1,294.17	Non State
	Remote WAN Connection - 1.5Mb	WAN 1.5Mb	$551.27	All Remote WAN connections require a certified and supported Summitnet LAN.
	Remote WAN Connection - 1.5Mb NS	WAN 1.5Mb NS	$985.49	Non State
	Remote WAN Connection - 100Mb	WAN 100Mb	$2,551.57	All Remote WAN connections require a certified and supported Summitnet LAN.
	Remote WAN Connection - 1Gb	WAN 1Gb	$3,588.15	All Remote WAN connections require a certified and supported Summitnet LAN.
	Remote WAN Connection - 3Mb	WAN 3Mb	$779.65	All Remote WAN connections require a certified and supported Summitnet LAN.
	Remote WAN Connection - 45Mb	WAN 45Mb	$1,417.54	All Remote WAN connections require a certified and supported Summitnet LAN.
	Remote WAN Connection - 45Mb NS	WAN 45Mb NS	$2,534.12	Non State
	Remote WAN Connection - 5Mb	WAN 5Mb	$1,710.53	All Remote WAN connections require a certified and supported Summitnet LAN.
	Video Conference Service, Port	Port Hour	$32.56	Bridging of multiple H323 and or 320 video endpoints in a single conference based on a per hour usage fee.
	Video Conference, Management	Conference Hour	$77.20	This deliverable includes scheduling, coordination, trouble shooting and active monitoring of conference.
	Video Conferencing Managed Bridge Service, Unlimited	End Point	$3,595.83	Unlimited bridging of two or more H323 and or 320 video endpoints in a single conference based on an annual video SLA rate. This deliverable includes Video Scheduling, coordination and trouble shooting.
	VPN Connection	VPN Account	$34.48	This is a secure user connection to Summitnet
	VPN Connection NS	VPN Account NS	$375.52	Non State
ITSD-OPS-NTSB-SBM-VOICE	2008 Basic	EXTN2008B	$47.71	Single-line digital set
	2008 Basic w/ Speaker	EXTN2008Bspkr	$57.23	Single-line digital set with speaker
	2008 Basic w/Display & Speaker	EXTN2008Bdis&spkr	$69.75	Single-line digital set with speaker and display
	2008 Basic w/Display	EXTN2008Bdisplay	$62.54	Single-line digital set with display
	2500 Analog Desk Set	EXTN2500	$60.19	Single-line analog set
	2554 Analog Wall Set	EXTN2554	$63.64	Single-line wall mounted analog set
	2616 22 Button Addon Module	EXTN261622add	$107.21	Module to add 22 lines to 2616
	2616 44 Button Addon Module	EXTN261644add	$113.65	Module to add 44 lines to 2616
	2616 Basic Speaker & Display	EXTN2616spkr&dis	$85.30	Multi-line digital set with speaker and display
	2616 Basic Speaker	EXTN2616spkr	$81.18	Multi-line digital set with speaker
	3902 Digital Set	EXTN3902	$227.30	Single-line next gen digital phone
	3903 Digital Set	EXTN3903	$295.48	Multi-line next gen digital phone
	3904 Digital Set	EXTN3904	$340.94	Multi-line next gen digital phone
	3905 Digital Set	EXTN3905	$439.93	Multi-line next gen digital phone for call centers
	8001 Analog Set	EXTN8001	$104.20	Single-line analog set with message waiting indicator
	8004 Analog Set	EXTN8004	$131.89	Single-line analog set with message waiting indicator, mute and redial
	8314 Analog Set	EXTN8314	$143.51	Single-line analog set with speaker
	ACD Agent	EXTNACD	$383.15	Automated Call Distribution agent
	Dial Tone	EXTNDIALTONE	$96.77	0
	Installation Fee - Add new or move existing phone	EXTNEXISTING	$66.71	Add new or move existing phone
	IVR Port	IVRPORT	$3,433.73	0
	Long Distance, Minutes	LDMINUTE	$0.04	0
	RAN Recorded Announcement	EXTNRAN	$58.84	0
	Software Feature Change	EXTNSWCHANGE	$14.90	0
	Symposium ACD Agent	EXTNSYMACDa	$725.78	0
	Symposium ACD Port	EXTNSYMACDp	$6,361.22	0
	Symposium CDN	EXTNSYMCDN	$4,159.26	0
	Toll Free, Installation Montana	EXTNTFINSTALLMT	$164.74	0
	Toll Free, Installation Nationwide	EXTNTFINSTALL	$164.74	0
	Toll Free, Minutes	TFMINUTE	$0.08	0
	Voice MAC	Jack	$1,928.40	Voice Moves, Adds, Changes
	Voice Mail - 3 minutes	EXTNVM3	$29.56	0
	Voice Mail - 6 minutes	EXTNVM6	$106.31	0

	Voice Menu - 25	EXTNVMENU25	$100.18	0
	Voice Menu - 50	EXTNVMENU50	$823.70	0
	Voice Menu - Setup	MENU	$44.52	0
ITSD-SUPPORT-ADMIN-SBP	State of MT - Government Agency Ad Changes - Qwest DEX	Change/Addition	$2.89	Telephone directory listing service. This is a one-time charge for each change or addition to a listing. No charge for deletions.
	State of MT - Government Agency Ad Heading - Qwest DEX	Heading	$4.72	Telephone directory listing services. This Heading Charge is a monthly charge for information that is bolded.
	State of MT - Government Agency Advertising - Qwest DEX	Phone Listing	$0.52	Telephone directory listing service. State agencies can place listings in the government section of the Qwest DEX telephone book. There is a monthly charge for each phone number listed.
	State of MT - Government Telephone Directory	Directory	$5.34	Base telephone directory listing service.
	State Operator Assistance	Hour	$51.03	State Government Operator service to answer and direct calls directed to state government.
	Telephone Conference Call 11-15 Ports	Port, 11-15	$13.37	State Government Operators can schedule and set up conference calls for state employees on 15-minute increments of time. This service includes a setup fee based on the number of ports reserved for the call.
	Telephone Conference Call 16-20 ports	Port, 16-20	$13.37	State Government Operators can schedule and set up conference calls for state employees on 15-minute increments of time. This service includes a setup fee based on the number of ports reserved for the call.
	Telephone Conference Call 21-25 ports	Port, 21-25	$13.37	State Government Operators can schedule and set up conference calls for state employees on 15-minute increments of time. This service includes a setup fee based on the number of ports reserved for the call.
	Telephone Conference Call 26-60 ports	Port, 26-60	$13.37	State Government Operators can schedule and set up conference calls for state employees on 15-minute increments of time. This service includes a setup fee based on the number of ports reserved for the call.
	Telephone Conference Call 3-5 Ports	Port, 3-5	$13.37	State Government Operators can schedule and set up conference calls for state employees on 15-minute increments of time. This service includes a setup fee based on the number of ports reserved for the call.
	Telephone Conference Call 6-10 Ports	Port, 6-10	$13.37	State Government Operators can schedule and set up conference calls for state employees on 15-minute increments of time. This service includes a setup fee based on the number of ports reserved for the call.
	Telephone Conference Call Changes	Change	$51.95	Setup and provision service for conference calls. The first change per call is free. There is a charge for each additional change.
	Telephone Conference Call Long Distance Minutes	Minute	$0.01	Per minute charge for long distance conference call connections.
ITSD-SUPPORT-POLICY-SBP-EDUC	Classroom Configuration, Special	Hour	$112.63	Additional fee applied to special training room configurations required by a customer for a specific, non-standard classroom environment.
	Instructor Service - Advanced	Instructor, Advanced	$450.54	This Instructor provides instruction for introductory-, intermediate- and advanced-level courses.
	Instructor Service - Desktop Software	Instructor, Desktop Products	$450.54	The Desktop Instructor provides instruction on common desktop applications, such as the Microsoft Office application suite.
	Instructor Service - Intermediate	Instructor, Intermediate	$450.54	This Instructor provides instruction for intermediate- and introductory-level-only courses.
	Instructor Service - Introductory	Instructor, Introductory	$450.54	This Instructor provides instruction for introductory-level-only courses.
	Training and Testing Referral Service	Hour	$111.32	Training and education consulting provides customers with a knowledgeable resource to help explore training and education problems and alternative solutions. The consultant can assist the customer in identifying training solutions, suppliers and ancillary services.
	Training day - Procurement	Training Day	$112.63	Training services for specifically for the Procurement Services Bureau.
	Training Facility Rental - Excludes Laptops	Day, Excludes Laptops	$450.54	Training facility-only rental excluding optional training equipment such as laptop computers.
	Training Facility Rental - Includes Laptops	Day, Includes Laptops	$450.54	Training facility rental including optional training equipment such as laptop computers for each participant.

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Working Capital Fact Sheet

Information Technology is constantly changing. Every year ITSD is asked to provide new services for state agencies. These are new services that need to be cost recovered and will not been included in legislatively approved rates. Without a working capital balance approval, ITSD will not be able to offer new services.

There is currently no statutory vehicle for interim budget adjustments for proprietary programs such as supplementals or budget amendments which leave very limited budget options for unanticipated events.

Allowing proprietary programs to manage rates under set working capital limits (e.g. 30-days, 45-days, or 60-days) provides the following advantages:

- Provides the ability to create and cost recover unforeseen new IT services and changes in technology.
- Provides a program with the ability to react to unforeseen changes in demand, costs or events. Acts as a contingency fund to help with these circumstances.
- Control is provided through the fact that agencies are budgeted at the projected rates and ITSD is sensitive to agency budgets and has not unilaterally raised rates.
- Consistent with Federal Circular A-87, which provides for a 60-day working capital limit.
- Working capital provides the capability to meet cash flow and service-level requirements over time, especially when the budgetary cycle is lengthy, such as a biennium.
- Programs have historically not exceeded their working capital limits. When this has happened, the program has lowered rates. Audited as part of department's biennial financial audit.
- Allows agencies to manage to changes in account receivable cycles.
- Allows the program to operate more as a business within government.
- The Legislative Finance Committee heard this issue in June 2002 and chose to not act on the matter and has been the adopted rate since the 1997 Legislature, except for the desktop services rate.
- In the 2007 Legislative Session, ITSD was approved a 30-day working capital balance for FY08-09. ITSD completed FY 2008 with 9-days working capital.