Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	9.50	9.50	7.00	7.00	9.50	7.00	(2.50)	(26.32%)
Personal Services	585,595	544,641	530,011	533,188	1,130,236	1,063,199	(67,037)	(5.93%)
Operating Expenses	174,109	240,701	311,652	310,845	414,810	622,497	207,687	50.07%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Grants	0	0	0	0	0	0	0	n/a
Transfers	761,110	1,160,559	0	0	1,921,669	0	(1,921,669)	(100.00%)
Total Costs	**$1,520,814**	**$1,945,901**	**$841,663**	**$844,033**	**$3,466,715**	**$1,685,696**	**($1,781,019)**	**(51.37%)**
General Fund	404,563	422,323	458,554	460,823	826,886	919,377	92,491	11.19%
State Special	1,116,251	1,523,578	383,109	383,210	2,639,829	766,319	(1,873,510)	(70.97%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	**$1,520,814**	**$1,945,901**	**$841,663**	**$844,033**	**$3,466,715**	**$1,685,696**	**($1,781,019)**	**(51.37%)**

Program Description

The State Information Technology Services Division (SITSD) is a proprietary program that manages central computing, data network, and telecommunications services for state government. SITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies located throughout the state. SITSD provides local and long distance telephone network services used by all agencies, including the university system, and manages the state's video network. SITSD coordinates electronic government services for the state, and manages the state's Internet presence mt.gov. SITSD also manages the Security and Continuity and IT PM Enterprise Offices.

The division manages the Public Safety Services Office that includes the state's 911, public safety radio, and Montana broadband programs. These programs are funded by state special, federal special, and general funds.

Through the office of the Chief Information Officer, the division develops the Statewide Strategic IT Plan, coordinates information technology (IT) for the state, and reviews and approves IT acquisitions. The division also provides statewide IT training, and establishes hardware, software, and consulting services contracts used by agencies.

Program Highlights

State Information Technology Division
Major Budget Highlights

- The majority of the funding in this program is proprietary funds
- State special revenues and transfers are reduced due to a proposal contained in HB 38 to transfer responsibilities for the Montana Land Information Act to the Montana State Library (MSL). In FY 2012 the State Information Technology Division (SITSD) transferred funding to MSL but statutorily was responsible for the program

Major LFD Issues

- Proprietary rates for SITSD include budgetary adjustments that were excluded from the FY 2012 base budget
- Proprietary rates rather, than the proposed 60 day working capital rate, can be established in HB 2 for SITSD

State special revenues decline significantly in the program due to a proposal to transfer responsibilities included in the Montana Land Information Act to the Montana State Library.

LFD COMMENT

The Montana Land Information Act designates the Department of Administration as the department that must:

- Work with federal, state, local, private, and tribal entities to develop and maintain land information
- Develop a land information plan annually
- Work with the Land Information Advisory Council
- Monitor grants to implement the land information plan
- Coordinate technology standards for creating land information
- Serve as primary point of contract for GIS coordinating groups
- Provide administrative support staff
- Report to the Governor and the legislature on the progress made in the ongoing collection, maintenance, standardization, and dissemination of land information
- Implement conservation easement information requirements

Funding for the program is provided through a fee on land transaction recording documents within county offices throughout the state.

The executive proposes to shift both the funding and the responsibilities outlined in the Montana Land Information Act from the State Information Technology Division to the Montana State Library, reducing funding in this program by $1.9 million over the biennium. Functionally, the division transferred the responsibilities and funding under the Montana Land Information Act in FY 2012. However, because of the statutory designation, the legislature must first pass proposed legislation (HB 38) to transfer the responsibilities and funding for the program from the Department of Administration to the Montana State Library before the change can be completed.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Administration Funding by Source of Authority
2015 Biennium Budget - State Information Technology Division

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	**$919,377**	**$0**	**$0**	**$919,377**	0.9%		
State Special Total	**$766,319**	**$0**	**$27,451,730**	**$28,218,049**	26.9%		
02105 Basic 9-1-1 Emrgncy Phone Prog	$0	$0	$6,572,348	$6,572,348	6.3%	10-4-301	Direct
02397 Enhanced 9-1-1 Emerg Tel Pgm	$0	$0	$6,559,230	$6,559,230	6.2%	10-4-301	Direct
02594 Basic 911 Emerg Phone Program	$766,319	$0	$0	$766,319	0.7%		
02993 Wireless 911	$0	$0	$6,582,980	$6,582,980	6.3%	10-4-301	Direct
02994 Wireless 911 Providers	$0	$0	$7,737,172	$7,737,172	7.4%	10-4-301	Direct
Proprietary Total	**$0**	**$75,905,664**	**$0**	**$75,905,664**	72.3%		
06522 Isd Proprietary	$0	$75,905,664	$0	$75,905,664	72.3%		
Total All Funds	**$1,685,696**	**$75,905,664**	**$27,451,730**	**$105,043,090**	100.0%		
Percent - Total All Sources	**1.6%**	**72.3%**	**26.1%**				

House Bill 2 Funding

General fund provides funding for the administration of the Public Safety Services Office. State special revenues in the program provide support for the administrative costs related to 911 services. Fees are imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services.

Statutory Appropriations

The majority of the state special revenue funding in the division is statutorily appropriated for 911 services. 911 surcharges are collected by the state and statutorily appropriated for distribution to counties and telecommunications providers.

Proprietary Funding

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other agencies and divisions within this agency and are discussed in the "Proprietary Rates" section of the narrative.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category

	General Fund				Total Funds			
Budget Item	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	404,563	404,563	809,126	88.01%	1,520,814	1,520,814	3,041,628	180.44%
Statewide PL Adjustments	49,399	51,722	101,121	11.00%	255,879	258,080	513,959	30.49%
Other PL Adjustments	4,592	4,538	9,130	0.99%	8,582	8,481	17,063	1.01%
New Proposals	0	0	0	0.00%	(943,612)	(943,342)	(1,886,954)	(111.94%)
Total Budget	**$458,554**	**$460,823**	**$919,377**		**$841,663**	**$844,033**	**$1,685,696**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					156,607					159,635
Vacancy Savings					(29,689)					(29,810)
Inflation/Deflation					(86)					(59)
Fixed Costs					129,047					128,314
Total Statewide Present Law Adjustments		**$49,399**	**$206,480**	**$0**	**$255,879**		**$51,722**	**$206,358**	**$0**	**$258,080**
DP 102 - Allocate Department Indirect/Admin Costs	0.00	4,592	3,990	0	8,582	0.00	4,538	3,943	0	8,481
Total Other Present Law Adjustments	**0.00**	**$4,592**	**$3,990**	**$0**	**$8,582**	**0.00**	**$4,538**	**$3,943**	**$0**	**$8,481**
Grand Total All Present Law Adjustments	**0.00**	**$53,991**	**$210,470**	**$0**	**$264,461**	**0.00**	**$56,260**	**$210,301**	**$0**	**$266,561**

DP 102 - Allocate department indirect/admin costs - This request funds the division's share of department indirect/administrative costs for services provided by proprietary funded centralized service functions of the agency.

New Proposals

New Proposals		Fiscal 2014					Fiscal 2015				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 703 - Montana Land Information Act - Housekeeping (Requires Legislation)										
07	(2.50)	0	(943,612)	0	(943,612)	(2.50)	0	(943,342)	0	(943,342)
Total	**(2.50)**	**$0**	**($943,612)**	**$0**	**($943,612)**	**(2.50)**	**$0**	**($943,342)**	**$0**	**($943,342)**

DP 703 - Montana Land Information Act - Housekeeping - The purpose of the Montana Land Information Act (MLIA) - housekeeping proposal is to finalize the transfer of the Base Map Service Center and administration of the MLIA from the Department of Administration to the Montana State Library. This proposal would reduce 2.5 permanent FTE and eliminate $1.8 million in state special revenue in the 2015 biennium. The proposal is in response to the recommendations prepared by the Geographic Information System (GIS) Task Force.

This transfer of functions and authority from the Department of Administration to the Montana State Library presents changes to each respective agency budget but no change to the overall budget of the state.

Proprietary Rates

Program Description

The State Information Technology Services Division manages information technology services for state government. Responsibilities of the division include:

- Hosting services, which includes servers, storage, web sites, applications, and enterprise email

- Systems development services incorporating development for applications, web applications, and GIS application development
- Communications and connectivity services for local and long-distance voice services, design and development of telephone equipment and voice applications, Internet access, data network services, and video conferencing services
- Operations support providing for imaging scanning, content management, application printing, systems operations, tape management, local area network (LAN) administration
- Enterprise services that include the following:
    - Statewide Continuity Planning
    - Information System Risk Management
    - Enterprise Security and Computing Systems Monitoring
- Montana Information Technology Act (MITA) oversight of IT activities:
    - IT strategic planning and agency IT plan approval
    - IT policy, standards and procedures
- State Chief Information Officer and Geographic Information Officer activities, Enterprise IT Councils, Advisory Groups and Conference Support, Enterprise-wide IT procurement and contract management, IT training coordination, mt.gov and MINE portal development and website hosting
- Enterprise application hosting - Citrix and Oracle
- Public Safety Services:
    - 9-1-1 program
    - Interoperability Montana (IM) public safety radio program
    - Montana broadband program
- State of MT Data Center

Program Narrative

Expenses

Significant costs for the program are for:

- Personal services costs of $29.0 million for 188.50 FTE
- Operating costs of $43.55 million including:
    - $13.6 million in software programs
    - $2.3 million in IT vendor services
    - $3.4 million in computer hardware
    - $7.6 million in converged traffic
    - $3.0 million in computer maintenance
- Equipment costs for computers and terminals $4.8 million

Revenues

Funding for SITSD is from charges to state agencies through the fixed cost process for server and application hosting, and data/network services. The majority of SITSD's budget is funded through proprietary funds.

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed cost in the executive budget for SITSD is $1.2 million higher in FY 2014 and $1.5 million higher in FY 2015. A portion of the increase is related to using the billed invoice rates, with the remaining increase due to projected increases in services or the rates charged by SITSD for the rates.

SITSD uses a methodology to identify and allocate the full cost of each separate service it offers to the users of that service. This is known as the Full-Cost Transparency Model (FTM) and has been in place since the 2011 biennium. Over the past year SITSD has defined about 200 services, allocated costs and staff time to each service, and estimated units of service provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service. SITSD also implemented a staff time tracking system to refine the accuracy of staff time allocation. Because

SITDS continues to refine the model for the services and the costs to provide them, the allocation of costs to the various state agencies is changed from those allocated in the 2013 biennium.

LFD ISSUE

Proprietary Rates For SITSD Include Budgetary Adjustments that were Excluded From FY 2012 Base Budget

In determining the fixed costs adjustments for SITSD services charged to each agency, the starting point used for the adjustment is the amount of the SITSD invoice billing for the year, not the actual amounts expended by each agency. Figure 14 below shows the differences between the amount each agency expended for SITSD services in the base year and the amount billed (billing invoices for services) to each agency for HB 2 services. The figure also shows the funding for the differences based on the funding of the FY 2012 base.

Figure 14

Department of Administration
State Information Technology Services Division

	Costs In FY 2012	Invoiced Amount	Difference	General Fund	State Special	Federal	Proprietary	Total
Legislative Branch	$427,951	$435,886	$7,935	$6,560	$1,375	$0	$0	$7,935
Consumer Council	18,561	20,187	1,626	0	1,626	0	0	1,626
Judicial Branch	1,535,822	1,540,592	4,770	4,479	253	16	23	4,771
Governor's Office	190,165	194,197	4,032	4,024	8	0	0	4,032
Secretary of State	0	0	0	0	0	0	0	0
Commissioner of Political Practices	43,977	45,714	1,737	1,737	0	0	0	1,737
State Auditor's Office	170,756	192,597	21,841	0	21,841	0	0	21,841
Office of Public Instruction	180,949	182,666	1,717	1,352	21	345	0	1,718
Board of Crime Control	92,343	93,282	939	252	17	670	0	939
Department of Justice	2,886,611	3,235,701	349,090	120,890	215,005	5,132	8,064	349,091
Public Service Commission	52,934	53,992	1,058	0	1,037	21	0	1,058
Board of Public Education	19,778	19,767	(11)	(6)	(5)	0	0	(11)
Commissioner of Higher Education	57,991	64,460	6,469	4,703	519	1,245	0	6,467
School for the Deaf and Blind	23,476	23,467	(9)	(9)	0	0	0	(9)
Montana Arts Council	26,985	27,192	207	72	32	103	0	207
Montana State Library	156,812	274,322	117,510	67,227	20,165	30,118	0	117,510
Montana Historical Society	104,298	156,881	52,583	31,739	6,210	8,455	6,179	52,583
Department of Fish, Wildlife, & Parks	1,404,885	1,520,522	115,637	0	90,648	24,989	0	115,637
Department of Environmental Quality	532,758	602,829	70,071	7,582	36,227	26,263		70,072
Department of Transportation	3,768,638	3,769,581	943	0	333	610		943
Department of Livestock	182,739	189,997	7,258	721	5,537	999		7,257
Department of Natural Resources	1,511,359	1,515,355	3,996	1,779	2,052	165		3,996
Department of Revenue	2,450,459	2,430,404	(20,055)	(18,529)	(395)	(100)	(1,033)	(20,057)
Department of Administration	512,233	555,767	43,534	12,742	14,183	39	16,573	43,537
Office of the Public Defender	563,688	580,977	17,289	17,213	76	0	0	17,289
Department of Agriculture	257,295	265,910	8,615	579	6,581	1,165	290	8,615
Department of Corrections	1,708,423	1,711,338	2,915	2,826	78	0	10	2,914
Department of Commerce	96,888	99,466	2,578	483	542	1,553	0	2,578
Department of Labor and Industry	3,300,574	3,390,275	89,701	1,794	46,725	41,110	72	89,701
Department of Military Affairs	74,184	57,540	(16,644)	(2,956)	(566)	(13,122)	0	(16,644)
Economic Security Services	566,123	575,598	9,475	1,566	148	7,761	0	9,475
Director's Office	21,140	21,494	354	162	38	154	0	354
Operation Services	6,731,807	6,844,479	112,672	39,244	5,318	68,110	0	112,672
Public Health	127,184	129,313	2,129	129	531	1,469	0	2,129
Medicaid and Health Services	276,609	281,239	4,630	1,191	480	2,959	0	4,630
Total	$30,076,395	$31,102,987	$1,026,592	$309,546	$476,640	$210,229	$30,178	$1,026,593

The figure above shows the first component of the fixed cost adjustment for SITSD costs including the funding level by agency and funding source as compared to what the agency paid for the services in the base year. As shown, by including the billed amount rather than the actual costs incurred by the agencies in FY 2012, funding has been increased by $1.0 million each year of the biennium. The direct impact on the general fund for these adjustments is $0.3 million each year.

LFD ISSUE CONT.

As part of establishing the FY 2012 base amount, adjustments to the actual amounts expended by an agency are made to remove funding that is:

- Considered one-time-only in terms of continuing the appropriation authority
- Paying for expenditures made in the previous year
- Reclassified from one expense category to another, i.e. operating expenses to grant expenses

About $0.7 million was removed from HB 2 expenditures for information technology services when the base amount was established in the budgeting system for these types of items. Using the invoiced billing rates as the basis of the 2015 biennial rates bypasses the analysis of the ongoing base funding and reinstates costs of the services that are not considered ongoing in the base budget. This can result in funding for services above the level needed by an agency included in the fixed cost adjustments. If an agency does not need this level of funding for information technology services, the state agencies can use the funding on other costs that may or may not have been reviewed by the legislature.

As the division built the rates for the 2015 biennium based on the invoice bill amounts plus adjustments for agencies' projected use of services, any changes in the rate will impact the level of services the division is able to provide. The legislature may wish to discuss potential impacts prior to reducing the level of funding to the FY 2012 base funding included in HB 2.

Legislative option
Reduce the funding for the SITSD division included in HB 2 by about $0.7 million each year of the biennium to mitigate the impact of funding budgetary adjustments that were excluded from the FY 2012 base budget.

Once the adjustment to the billed amount is calculated, any changes to the level of services is made to reach a final number of the fixed cost adjustment for each agency.

LFD COMMENT

Agency Impacts of SITSD Allocations

Under the full-cost transparency model one difference between the 2013 biennium and the 2015 biennium is how SITSD charges for hosting rates. In previous years all of SITSD's hosting charges to state applications were based on their storage size only. The effect was that large storage applications subsidized smaller applications. SITSD now has the capability to track other metrics and are able to allocate costs not only to storage but also to backup, support, software licensing, servers, etc. This has caused some changes with lower rates and less subsidization for larger users. However, smaller applications are paying higher costs that reflect the actual costs of hosting the services.

Of the 177 services listed on the 2015 biennial rate sheet:

- 61 services declined in costs ranging between 3% and 99%
- 67 services increased in costs ranging between 3% and 511%

LFD COMMENT

Figure 15 shows the amount of the change by each agency for SITSD fixed cost included in the statewide Present Law Adjustment.

Figure 15

Department of Administration
State Information Technology Servcies Division

Agency	FY 2014 ITSD Fixed Costs	FY 2015 ITSD Fixed Costs
Legislative Branch	76,105	208,755
Consumer Council	(880)	(880)
Judicial Branch	248,504	248,504
Governor's Office	2,129	2,129
Secretary of State	0	0
Commissioner of Political Practices	28,326	28,326
State Auditor's Office	57,283	58,013
Office of Public Instruction	5,687	5,687
Board of Crime Control	(14,747)	(14,747)
Department of Justice	444,218	481,229
Public Service Commission	8,988	8,988
Board of Public Education	(6,652)	(6,652)
Commissioner of Higher Education	3,177	3,177
School for the Deaf and Blind	13,827	13,827
Montana Arts Council	9,627	9,627
Montana State Library	74,552	74,552
Montana Historical Society	(3,266)	(3,266)
Department of Fish, Wildlife, & Parks	(165,165)	(165,165)
Department of Environmental Quality	22,589	22,589
Department of Transportation	175,891	175,891
Department of Livestock	(2,371)	(2,371)
Department of Natural Resources	24,417	24,407
Department of Revenue	39,757	39,757
Department of Administration	138,574	138,574
Office of the Public Defender	76,307	76,307
Department of Agriculture	(21,885)	(21,885)
Department of Corrections	(6,337)	(6,337)
Department of Commerce	4,953	4,953
Department of Labor and Industry	165,620	345,022
Department of Military Affairs	62,997	62,997
Department of Public Health and Human Services	(268,492)	(294,947)
Total	$1,193,733	$1,517,061
Increases for Billing Invoices Included in Rates	$1,026,593	$1,026,593
Increases for additional services or increases to rates	$167,140	$490,468

As shown, the large users of the systems such as DPHHS and FWP have reduced costs overall in part due to the impact of the changes to the hosting rates.

Significant Present Law Adjustments

SITSD is requesting to make 12.49 FTE modified positions permanent. The costs of the personal services for the modified FTE were included in the rates for the 2013 biennium. Due mostly to turnover, the personal service costs associated with the positions funded through the SITSD rates are $366,000 less in the 2015 biennium.

Proprietary Rates

For the 2015 biennium SITSD is requesting to charge various rates in order to maintain a 30-day working capital.

LFD ISSUE

Proprietary Rates Can Be Established in HB 2 for SITSD

The division proposes that instead of approving fees, the legislature provide the program the flexibility to operate as it determines necessary to maintain a 30-day working capital balance to operate the division. As stated above, the previous legislature approved a number of rates for SITSD services and the remaining costs were approved using 30-day working capital. Approving a limit on the maximum working capital a program can maintain does not limit how much can be charged for the services. It only limits the amount of cash the program can accumulate.

Because the 30-day capital rate proposed does not provide a means of limiting either rates or expenditures, the legislature may wish to approve rates that limit the charges for services of SITSD. The 2011 Legislature approved a number of rates for SITSD services including those for enterprise services, web content management, GIS services, voice services, and email.

SITSD's FTM model employs a separate unit for each service. The unit is the increment in which the agency buys the service or product. SITSD offers almost 200 services and establishes a specific rate for each. The allocation of units of service within the state's budget is done based on state agency planned utilization and on the rates for services in the 2015 biennium. There are a few services such as enterprise services and some asset brokerage where the unit allocation is not based on agency specific services. Enterprise services costs are associated with state-wide services and benefits, not agency specific services, and therefore are distributed to agencies on an agency FTE basis. Asset brokerage or fixed enterprise software costs, such as Microsoft, are also allocated to FTEs. See Appendix for the Department of Administration for a list of the proposed rates for FY 2014 compared with FY 2012 invoiced billed rates.

Statute requires that the executive budget submission contain a report for internal services that includes:

> *"Fees and charges in the internal service fund type, including changes in the level of fees and services, projected use of the fees and charges, and projected fund balances. Fees and changes in the internal service fund type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may not exceed the level approved by the legislature in the general appropriations act effective for that biennium."*

One argument agencies make in requesting a working capital rate is that otherwise the legislature would have to approve hundreds of rates. Proprietary funded programs also argue that the costs are subject to the choices of service users who control the level of services they purchase from the service provider. State agencies must use most of the services provided by SITSD and as such they are captive to the charges as determined by SITSD.

However, state agencies do control the amount of the services they purchase from SITSD in any given year. The agencies' funding as provided by the legislature and the flexibility to choose the type and amount of services places constraints on SITSD to control costs.

Legislative Option

- Approve the rates as proposed by SITSD.
- Approve the working capital rate as requested.

By approving the working capital rate the legislature would allow SITSD to charge establish the rates for its customers. SITSD would be allowed to set and change the level of the rates throughout the interim.