

MAJOR IT INITIATIVES FOR THE 2009 BIENNIUM BUDGET
LEGISLATIVE FINANCE COMMITTEE
October 13, 2006

Major ITSD Legislative & EPP Proposals

- Enterprise Systems Services Centers, e.g. New Data Centers \$24.4 Million
 - Computing, data network & voice operations
 - Helena & Eastern Montana
 - Earthquake protection
 - *Funding Source: Bonding bill; General Fund*
- Network & Server Redundancy for 24 Hour Operations \$ 8.5 Million
 - *Funding Source: Proprietary Fund; General Fund*
- Geographic Information Systems (GIS) \$ 2.6 Million
 - GIS projects funding by Bureau of Land Mgt (BLM)
 - State and Local agency GIS projects
 - *Funding Source: Federal (BLM); State Special*
- Public Safety \$12.5 Million
 - Public safety radio
 - Wireless Enhanced E9-1-1
 - *Funding Source: General Fund*

Major Agency EPP Proposals.

- Education \$ 7.1 Million
 - Student data transfer, K-12 education data,
 - Student loan guarantee, Document imaging
- Taxation \$12.9 Million
 - eFiling, IRIS & PVAS maintenance
- Natural Resources \$ 6.8 Million*
 - Business process, GIS, Oil & gas data
 - Online permitting, Accounting, Workflow
- Human Services \$55.3 Million
 - CAPS, Food stamps, MMIS, TANF
- Courts & Justice \$16.3 Million
 - Corrections: Prison infrastructure, Imaging, Offender Mgt
 - Courts: Case management, Court technology
 - Justice: CJIN, Fusion Center, IJIS Broker, Merlin, MHP

* Includes projects to be funded over multiple bienniums

Previous LFC Discussion with No Immediate Fiscal Impact.

- Records Management
- Performance Measures (provided in binders)
- Alternative Funding Strategies
- Open Source



INFORMATION TECHNOLOGY SERVICES DIVISION COST RECOVERY INFORMATION SYSTEM

OVERVIEW: The ITSD Cost Recovery Information System (CRIS) is designed to provide ITSD managers and financial staff with a management tool in order to prepare, administer, and monitor the adequacy and equity of all ITSD rates. It also provides interested parties such as the Office of Budget and Program Planning, the Legislative Fiscal Analysts Office, and other state and federal agencies a mechanism for readily assessing ITSD's cost recovery process and procedures in a systematic logic manner. The system uses historical and projected data as the basis for calculating rates. If you have any questions or need a copy of the CRIS, please contact the Financial Services Section in ITSD.

BASIC TENANTS OF THE ITSD COST RECOVERY PROCESS: Rates are based on the cost of providing services. The rate design process strives to develop rates that are consistent, equitable, and understandable to all customers without regard to funding sources or services desired. Charges to agencies are based on actual usage, as well as agency input, without regard to funding source. Every effort is made to forecast projected trends in customer demand and costs in order to forecast rates accurately. Equipment is capitalized over its useful life and annual depreciation is recovered through the rate model. Indirect and overhead charges are allocated based on the most appropriate basis for allocation. The allocation basis used are as follows:

- Workload/production output
- Time/FTE effort
- FTE's supported
- Budget dollars supported
- Best judgment
- Materiality is considered when evaluating model data.

GOALS OF CRIS

- To provide a single vehicle for calculating and monitoring the adequacy and equity of all ITSD rates, using quantitative data and sound business judgement. This helps ensure that established rates are fully funded and equitable for all customers.
- To provide a single mechanism for assimilating reasonable and representative cost and utilization data to be utilized for rate modeling purposes.
- To provide an algorithm for allocating representative costs among service bureaus and service categories.
- To provide a means for forecasting future cash flow activity streams based on "what-if" scenarios. This allows the modeling capability to assess different cost recovery scenarios based on variation in rates, costs, customer demand, or the demand for new services.
- To provide a means for readily comparing revenues and expenditures for each service category to identify and under/over recovery of costs that are unwarranted.
- To provide a means for melding anticipated cost recovery projections with upcoming budgetary requirements.

- To provide supporting documentation to substantiate the cost allocations and data inputs present within the model.

ORGANIZATION AND FORMAT OF MODEL: Information Technology Services Division is split into 11 separate and distinct functional areas for purposes of CRIS. Those areas are as follows:

- Architecture & Internet Services Bureau
- Customer Relations & Quality Assurance Bureau
- Computing Technology Services Bureau
- Finance and Administration
- Network Technology Services Bureau - Network Services Section
- Network Technology Services Bureau - Video Services Section
- Network Technology Services Bureau - Voice Services Section
- Office of Cyber Protection
- Policy and Planning Services Bureau
- Procurement Services Bureau

All of the bureaus with the exception of the Customer Relations & Quality Assurance Bureau (CRQAB), Finance and Administration (F&A), Office of Cyber Protection, Policy and Planning Services Bureau (PPSB) and the Procurement Services Bureau (PSB) are service bureaus with associated service categories. CRQAB, F&A, OCP, PPSB and PSB are division overhead functions supporting the other functions. Its cost are ultimately allocated and recovered through the service bureau rates.

COMPOSITION OF CRIS: The system is composed of seven major sections. Those sections and their purpose are as follows:

Part I - Budget Summary: is for rate establishment purposes. Projected budget outlays are entered into the “Budgeted Amount” line for each of the five functional bureaus. FYE06 expenditure figures are populated into each responsibility center in this part based on the proportionate share of actual costs appearing in that center for a given period. Adjustments were made based on projected changes in the expenses, and rate adjustment items.

Part II - Inter-Bureau Cost Allocations: allocates the costs that are representative costs passed from one bureau to another. Each bureau allocates its cost to a service bureau.

Part III - Intra-Bureau Cost Allocations by Service: is utilized to allocate all costs allocated to various service bureaus in Part II to individual service categories.

Part IV - Revenue and Expense Comparison by Service: contains detailed revenue and expense data for each individual service rate.

Part V - Revenue and Expense Summary: summarizes the individual service data in part IV into subheadings for the various services provided. These groupings help to assist readers in readily assessing the rate recovery within major service categories.

Part VI - Rate Adjustment Items: includes detailed narrative justifications and tables of each rate adjustment and significant other IT budget items, as well as schedules of their allocations to individual service categories.

Part VII – Supporting Documentation: includes summary tables of all rates, inflationary factors organizational charts and other supporting documentation.

DATA INPUT SOURCES:

- Expenditure data is downloaded from SABHRS at the second level by individual cost center. Included in the download is the depreciation expense coded to each respective cost center, therefore provided a capital maintenance focus.
- Computer billing system utilization, rate and revenue data: This data is downloaded from the computer billing system into the model to provide revenue and utilization history. This data can be manipulated as needed to reflect changes in growth from agency surveys or rates.
- Communication data: data from the voice communications management system is entered manually from SABHRS. The telecommunications management system is a canned program purchased from a communications vendor.
- Cost allocations: Cost allocations for each service bureau is based on input from division management. The Bureau Chief and supervisors determine the proper allocation of cost for their bureau. If any costs are allocated between bureaus, the Bureau Chiefs for the bureau affected will cooperatively agree on such allocations. The basis for allocating cost is predicated one or more of the following methods:
 - Workload/production output
 - Time/FTE effort
 - FTE's supported
 - Budget dollars supported
 - Best judgement

The state CIO, Deputy CIO of Enterprise Services Management and the Assistant Administrator for Enterprise Services Management review the decision on cost allocations. Any differences of opinion are resolved collectively with the respective Bureau Chief.

INTERNAL CONTROL PROCESSES/PROCEDURES: The following steps are taken to help ensure that input data is valid and reliable.

- A. A reconciliation of the cost data downloaded from SABHRS is compared to the SABHRS Organization reports. Adjustments are made for SABHRS expenditures that arise from non-proprietary accounting entities. This helps ensure that accurate and complete cost data is the basis for cost allocations. If differences are noted, a more in depth review by organization using SABHRS Organization Detail reports is required and adjustments are entered.

1. Downloaded utilization/Rates/Revenues

a). Utilization: A review of utilization data from the computer billing system (CIMS) is performed. Sample select service categories to ensure that utilization data is correct. Discounted and non-discounted utilization may need to be added together to accomplish this.

b). Perform this same validation step for the individual rate data that is also downloaded using the rate table report.

c). Validate revenue data by comparing the downloaded data appearing in the system with CIMS Management Report, year-to-date Recap of Billable Costs.

2. Allocation distributions: A review is done to ensure that the allocations performed in The Inter-Bureau Cost Allocations (Part II) and the Intra-Bureau cost allocations by Service (Part III) distribute costs in their entirety. This is readily accomplished by comparing the total of the allocated to and allocated from costs. In Part, four review the allocation percentage to ensure it totals 100%.

Please feel free to contact Doug Volesky at 444-0193 or Pete Brustkern at 444-3406 in the Financial Services Section in ITSD to answer any question that you may have regarding ITSD's Cost Recovery Information System.



FY 08/09 COST RECOVERY PLANNING PROCESS INFORMATION TECHNOLOGY SERVICES DIVISION

PARTICIPANTS

- Information Technology Board Members (ITB)
- Agency Strategic Plans
- Information Technology Services Division Customer feedback
- Office of Budget and Program Planning
- Director of the Department of Administration
- State of Montana CIO
- Deputy CIO of Enterprise Services Management (DCIO)
- ITSD Assistant Administrator for Enterprise Services Management (AAESM)
- ITSD Assistant Administrator for Operations (AAO)
- ITSD Bureau Chiefs and key bureau members (BC)
- ITSD Financial Services Section (FSS)

GOALS

- Establish ITSD service rates that are:
 - Accurate
 - Equitable: rates reflect true cost of rendering specific service (defined subsidies)
 - Relevant to the service provided
 - Simple and understandable to customers and others
- ✓ Rates should affect end users behavior/decisions in a proper manner
- ✓ Encourage utilization of resources in a effective and efficient manner
- ✓ Provide market pricing that is commensurate in cost to other internal and external pricing alternatives.

INFORMATION SOURCES

- Information Technology Board meetings
- ITSD management input – historical and best judgement
- Financial systems – SABHRS, CRIS, CIMS and TRU Server billing systems

INITIAL BASELINE DATA IN COST RECOVERY INFORMATION SYSTEM

Expenditures: FYE 06 by cost center
Utilization: FYE 06 by service type
Rates: FYE 06 prevailing rates

INPUTS REQUIRED

- Utilization
 - Mainframe/Midtier growth estimates
 - Long distance – station equipment
 - Active Directory Accounts
- Interbureau allocations
- Intrabureau allocations
- Cost adjustments
- New/revised service categories
- New rate adjustment items

RESPONSIBLE PARTY

Customers, FSS, CTSB BC
FSS, NTSB BC
FSS, CTSB BC

BC's, DCIO, AAESM, AAO,
FSS

BC's, DCIO, AAESM

FSS, BC's, DCIO, AAESM

BC's, DCIO, AAESM, FSS

ITB, DCIO, AAESM, AAO,
BC'S, FSS

RATIONALE DEFINITIONS

BEST JUDGEMENT: Based on management's best judgement of circumstances.

REVENUES: Based on the amount of revenues brought in by bureaus.

DOLLARS: Based on the amount of dollars in the respective budgets.

FTE: Based on the number of FTE supported in the recipient bureau

TIME: Based on the usage or time of the FTE used.

WORKLOAD: Based on the amount of production or output produced.

REVENUE & EXPENSE SUMMARY
FOR FISCAL YEAR ENDING JUNE 30, 2008
WITH RATE ADJUSTMENTS

SERVICE CENTER	SERVICE	REVENUE	EXPENSES	NET INCOME (LOSS)
MAINFRAME	CPU SECOND	2,396,786	2,388,631	8,155
	DISK STORAGE	682,051	664,902	17,149
	READ/WRITE	350,970	378,921	(27,951)
TOTAL MAINFRAME	MAINFRAME	\$3,429,808	\$3,432,454	\$ (2,647)
MIDTIER	MIDTIER	\$6,157,639	\$6,157,639	\$ -
PRINT	LASER	\$ 928,522	\$943,925	\$ (15,403)
LAN ADMIN	LAN	\$ 283,200	\$ 283,758	\$ (558)
APPLICATION DEV	APP DEV	\$ 168,000	\$ 167,596	\$ 404
DESKTOP SERVICES	USER FEE	\$ 4,910,760	\$ 6,039,137	\$ (1,128,377)
NETWORK SERVICES	ACCESS FEE	\$ 6,277,440	\$ 6,373,516	\$ (96,076)
ENTERPRISE MGMT	ENTERPRISE MGMT FEE	\$ 2,980,400	\$2,998,358	\$ (67,958)
VPN	VPN	\$ 49,844	\$ 45,462	\$ 4,382
VIDEO	VIDEO	\$ 896,823	\$ 894,932	\$ 1,891
VOICE	EQUIPMENT	1,903,200	1,751,703	151,497
	LONG DISTANCE	2,311,500	2,364,427	(52,927)
	IVR	344,244	342,583	1,661
	VOICE MAIL	363,900	365,111	(1,211)
	MEGACOM	770,000	767,007	2,993
	PASS-THRU	934,417	934,417	-
TOTAL VOICE	VOICE	\$ 6,627,261	\$6,525,248	\$ 102,014
AISB	CHARGES	\$ 174,720	\$ 1,057,530	\$ (882,810)

ITSD TOTAL	\$32,834,417	\$34,919,555	(\$2,085,138)
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FY08/09 rates are not finalized so revenues are subject to change.

**INFORMATION SERVICES DIVISION
FY08/09 RATES**

Service Center	Acct Code	Service Name	FY08	FY09
MAINFRAME	62172	BATCH CPU	\$ 1.8150	\$ 1.8150
	62180	CICS CPU	0.5290	0.5290
	62178	IDMS CPU	1.6715	1.6715
	62178	IDMS/CICS	0.5580	0.5580
	62178	IDMS/ADS	1.0336	1.0336
	62177	TSO CPU	2.2151	2.2151
	62142	DISK STORAGE	0.0109	0.0109
	62168	SYSIN READ/WRITE	0.1868	0.1868
	62168	DISK READ/WRITE	0.1868	0.1868
	62168	TAPE READ/WRITE	0.7049	0.7049
MIDTIER *	62171	MIDTIER (Including Central Imaging)	7,150,131	6,954,426
PRINT	62185	LASER	0.0793	0.0793
LAN ADMIN	62175	LAN ADMINISTRATION	80.00	80.00
APP DEV	62175	APPLICATION DEVELOPMNT	84.00	84.00
DESKTOP	62174	DESKTOP SERVICE	0.00	0.00
USER FEE	62174	USER FEE	32.00	34.00
ACCESS	62174	ACCESS FEE	29.00	31.00
ENT MNGMT	62174	ENTERPRISE MANAGEMENT	15.00	15.00
VPN	62149	ISP/VPN	20.00	20.00
	62149	VPN	8.00	8.00
VIDEO	62320	VIDEO CONF / SUBSCRIPTIONS	35.00	35.00
VOICE	62370	EQUIP (Electronic Sets)	20.00	20.00
	62385	LONG DISTANCE	0.105	0.105
	62370	IVR	225.00	225.00
	62370	VOICE MAIL	5.00	5.00
	62385	MEGACOM	0.10	0.10
AISB		E-GOV TRANSACTION FEE	-	0.012
		WEB DEVELOPMENT	84.00	84.00

* Midtier and Central Imaging are recovered thru Service Level Agreements (SLA's) with agencies and will be included in their individual budgets.

FY08/09 rates are not finalized so are subject to change.

Information Technology Services Division

Cost Recovery Information System

FY08/09 Rate Setting

