

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 481** SLS 14RS 602
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 5, 2014 2:23 PM	Author: DONAHUE
Dept./Agy.: Division of Administration (DOA)	Analyst: Travis McIlwain
Subject: Office of Technology Services (OTS)	

TECHNOLOGY EN -\$24,700,000 GF EX See Note Page 1 of 2
 Provides with respect to technology services and technology procurement. (7/1/14)

Proposed legislation recreates the Office of Information Technology as the Office of Technology Services and increases the duties and scope of the Chief Information Officer. Proposed legislation makes these changes in Title 39 and Title 36. The additional duties include establishing and coordinating all information technology systems for the following: telecommunications systems & services, network systems & services, server systems & services, storage systems & storages, information technology security systems & services, related peripheral systems & services, software & software application services, infrastructure & platform systems & services, desktop computing systems & services, geographic information systems & services, mobile devices & services, video systems & services and radio systems. Proposed legislation provides that the OTS will be the sole centralized customer for acquisition, billing and record keeping of information technology systems. This bill provides that the ownership of such systems procured by the OTS may vest in the respective agency, but control of the systems shall be retained by the OTS. Proposed legislation provides for additional legislative oversight. Effective July 1, 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	(\$24,700,000)	DECREASE	DECREASE	DECREASE	DECREASE	(\$24,700,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$24,700,000)					(\$24,700,000)

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

Based upon the FY 15 budget, the consolidation of statewide information technology within the newly created Office of Technology Services (OTS) is anticipated to result in SGF savings of approximately \$24.7 million, a total position reduction of 62 vacant positions (55 TO positions, 1 Non-TO position & 6 Other Charges positions) and the transfer of 719 TO positions and 9 Other Charges positions from various state agencies into the newly created OTS, which will be an ancillary agency contained in the ancillary appropriations bill (**see table on page 2**). While the budget only identifies \$24.7 million in SGF savings, additional savings in other means-of-finance are anticipated but are not reflected above.

Approximately \$22.8 million of the SGF savings is anticipated as a result of consolidation of software licenses, hardware maintenance agreements, staff augmentation contract services, consolidation of data center facilities and volume/bulk purchasing. The remaining \$1.9 million SGF savings is due to the reduction of 62 total vacant positions at various state agencies. Subsequent fiscal years will likely include additional position reductions at various state agencies as greater economies of scale are realized as non-IT positions providing indirect IT work may no longer be needed due to the creation of OTS. For purposes of simplicity, the potential impact of this legislation is reflected above as SGF but may ultimately impact other means of finance.

Legislative Oversight: Proposed legislation provides for legislative oversight of the proposed consolidation of information technology functions. This bill stipulates that beginning October 1, 2014 and each quarter thereafter, the chief information officer is required to report quarterly to the Joint Legislative Committee on the Budget (JLCB) on the status of IT consolidation. This bill requires the report to include information on the organizational changes, personnel changes and changes in purchasing/procurement within the DOA, OIT and other executive branch agencies as a result of the consolidation. In addition, this bill provides for any contract entered into by OTS for more than 3 years is subject to the approval of the JLCB.

Confidentiality: This bill does not address potential confidentiality of information issues that could occur with certain state agency information. The current proposed governmental structure of OTS will result in OTS employees (under the control of the CIO) working with confidential information that is the responsibility of the state agency. To the extent the current proposed OTS structure violates confidentiality requirements of various state agencies, the agency where the information originated would likely be liable for any confidentiality violation, not OTS. Some significant examples of confidential state agency information include: HIPPA Information (DHH), SNAP benefits (DCFS), banking valuations (OFI), Oil & Gas Company information (DNR) and drivers license & criminal history information (Public Safety) (**Ctd. on Page 2**).

REVENUE EXPLANATION

This bill authorizes the newly created OTS to charge user agencies for all or part of the cost of operation of the office. The specific amount of such charges is not included within this bill. Current law provides for these charges as well, but this bill allows that these charges may include all or part of the cost of the operation of OTS. NOTE: Although OTS's FY 15 budget is \$280 million, the agency is anticipated to collect \$258.9 million in revenues in FY 15. According to DOA, the \$22 million of excess OTS budget authority is being set aside in case other state agencies decide to utilize the IT services being offered.

Senate	Dual Referral Rules	House
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}	<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	<input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}	<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

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CONTINUED EXPLANATION from page one:

According to the DOA, OIT is currently working with each agency to identify and address specific statutory requirements as it pertains to confidentiality of information. According to the DOA, memorandums of understanding (MOUs) will be executed between the state agency and the DOA that clearly define the applicable data security, confidentiality and access restrictions required to maintain compliance with statutory and regulatory compliance.

Typically, state agencies that deal with highly confidential information require their employees to sign confidentiality agreements and complete training upon employment. It is unknown at this time if the DOA will require all OTS employees to sign confidentiality agreements and be required to complete training. Due to the structure of OTS, the state may incur indeterminable costs associated with OTS employee training in order to be compliant with the various state agency privacy statutes.

State Audit: A major component of a state agency's audit conducted by the Legislative Auditor is a risk assessment tool. Some of the major components of the risk assessment tool include items such as: IT components and confidentiality of information, segregation of duties, organizational structure, financial controls and various checks and balances that are in place. To the extent OTS is created and the proposed governance model is in place, the Legislative Auditor will audit each state agency relative to confidentiality of its IT information.

Catalog of Service: The DOA envisions offering a catalog of lines of service with rate schedules and service level agreements that will allow agencies to pick and choose the IT services specific to their needs. Although the IT consolidation is anticipated to result in a statewide savings in FY 15, to the extent the menu prices are more than a state agency's current IT expenditures, there will be an increase in expenditures for that specific state agency. The catalog of lines of service with rate schedules are not available at this time.

Table: Below is a table that illustrates the SGF budget adjustments and the number of TO positions being moved into the newly create OTS that are currently included in the FY 15 budget.

<u>Department</u>	<u>SGF Impact</u>	<u>TO Impact</u>
01-EXEC	\$18,820,439	(193)
03-VETS	(\$19,250)	0
05-LED	(\$311,130)	(2)
07-DOTD*	\$0	(73)
08-CORR	(\$4,852,981)	(37)
08-DPS *	\$0	(119)
08-OJJ	(\$533,440)	(4)
09-DHH	(\$25,752,666)	(37)
10-DCFS	(\$6,692,518)	(103)
11-DNR	(\$592,083)	(50)
12-REV*	\$0	(26)
14-WORK*	\$0	(43)
19-DOE	(\$2,865,693)	(32)
21-815**	\$0	719
TOTAL	(\$22,799,322)	0
IT TO Reductions	(\$1,526,609)	(55)
IT Non-TO Reductions	(\$331,429)	
TOTAL	(\$24,657,360)	(62 total positions)

*As a result of IT Consolidation, these state agencies are still transferring TO positions to the new OTS, but are not being reduced any funding. Whatever FY 14 IT expenditures are currently within these agencies will be paid to OTS as the provider of these services.

**OTS's only revenue source is IAT revenues from various state agencies.

NOTE: Pursuant to language contained in Act 14 (Section 6(B) of HB 1 of FY 14) that allows the commissioner of administration to transfer functions, positions, assets and funds from one department to another related to IT consolidation. To the extent this bill is enacted, these positions will be funded in OTS for FY 15.

NOTE: Higher Education and elected officials are excluded from the provisions of this bill.

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|---|----------------------------|--|---|
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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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