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FISCAL IMPACT REPORT

ORIGINAL DATE 02/11/13

SPONSOR Ingle LAST UPDATED _____ HB _____

SHORT TITLE Move Dept. of Info Technology to GSD SB 420

ANALYST Chabot

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		(\$325.0)	(\$325.0)	(\$650.0)	Recurring	IT Enterprise Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
 Department of Health
 Department of Information Technology (DoIT)
 General Services Department (GSD)

SUMMARY

Synopsis of Bill

Senate Bill 420 eliminates the DoIT and creates the Information Technology Division in the GSD.

FISCAL IMPLICATIONS

There could be cost savings of approximately \$325 thousand by eliminating the DoIT Secretary, Chief Financial Officer and General Council. It is anticipated the other staff would be incorporated into the GSD. Any additional savings would have to be assessed after the transition.

However, in January 2013, the vacancy rate in the DoIT is 28 percent and any savings probably should be used to hire additional staff. DoIT vacancies were 15.3 percent in May 2010 as reported in the LFC Performance Audit, Department of Information Technology Review of IT and Telecommunication Services, August 13, 2010. The assessment of the report was these vacancies impact IT services.

SIGNIFICANT ISSUES

The DoIT was created by Laws 2007, Chapter 290 by transferring the information technology responsibilities from GSD and creating a new department responsible for the information technology functions. Rationale for the transfer was a recommendation by Governor Richardson's Performance Review to consolidate enterprise information technology functions duplicated in other agencies, and assign responsibilities of overseeing project management, security, disaster recovery, infrastructure and strategic planning in the new agency.

In 2006, the Legislative Finance Committee (LFC) did a program evaluation of IT consolidation efforts by the GSD. The review found data center consolidation efforts were posing a single point of failure for state agencies since the GSD had not upgraded the state's data center before requiring agencies to relocate mission-critical equipment to the data center. Additionally, the GSD did not strategically plan IT consolidation nor did it align it or any of the initiatives with industry standards. The review also found the GSD eliminated the equipment replacement funds leading to the GSD's inability to replace aging equipment, the equipment deteriorating to the brink of a major failure, and the funds being used for purposes other than those for which the fund created. In addition, the GSD failed to develop or publish communication rates for over four years making it difficult for agencies to properly plan for costs in their appropriation requests. Lastly, the GSD had problems in managing enterprise funds and collecting outstanding balances from agencies.

The LFC did a performance review of DoIT in 2010 and found the agency had adopted the Information Technology Infrastructure Library as framework "that stresses service quality and focuses on how IT services can be efficiently and cost-effectively provided and supported." While the agency was slow to evolve, emphasis to support customers was a priority in guiding operations and a re-organization was being done to improve efficiency and effectiveness. The agency still had problems in collecting from agencies. At the time of the evaluation, the DoIT had outstanding accounts receivable of \$8.3 million from state agencies. The GSD share was \$788 thousand and the report states "GSD Transportation Division (TSD) refused to pay its outstanding balance because it did not believe it owed for the services and DoIT staff was providing conflicting information. An analysis of the services, rates charged, and amounts due showed that indeed TSD owes DoIT the full amount."

The DoIT provides "consolidation of DoIT into GSD as a first step in reducing excessive growth that took place in state government over the last decade. Consolidation will not only save money during this and next fiscal year, but it will also allow for reinvestment of savings (money not spent on bureaucracy) back into the programs of the consolidated agency." No savings or efficiencies were specifically identified.

The GSD points out DoIT and the State Data Center are currently housed at the John Simms Building which is owned by GSD, and there would be no moving or real estate costs involved in merging the agencies. In additions the transfer of functions would be reasonably seamless and GSD is familiar with managing enterprise services." The bill will allow the GSD Secretary to organize the department and divisions for efficiency and economy.

Reviewing the 2011 audit, the GSD operates programs that charge fees to agencies to administer employee health benefits, risk insurance and transportation services. However, some of the department's enterprise divisions have struggled with inadequate rate setting which has let to

deficit net asset balances in some of the funds. The audit identified repeat material weaknesses in capital asset management, cash deposits and risk management net asset accounting.

PERFORMANCE IMPLICATIONS

Both the GSD and the DoIT expressed there would be efficiencies and economies but failed to provide examples or estimates of savings.

ADMINISTRATIVE IMPLICATIONS

The GSD suggests “the transition period of staff and reassignment of duties during the consolidation and migration period will cause a shift in cultural change.”

OTHER SUBSTANTIVE ISSUES

The IT Commission (ITC) is responsible for oversight of the state IT plan and review of critical information initiatives and needs for the state. It is to meet quarterly; however, the commission has not met since 2010.

GAC/blm