

MEMORANDUM



JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee
FROM Scott Thompson, JBC Staff (303-866-4957)
DATE March 8, 2024
SUBJECT Office of the Governor: Office of Information Technology Common Policy
Agency Allocations

RECOMMENDATION: The purpose of this memo is to approve the recommended changes to the Office of Information Technology (OIT) common policy allocated throughout the Long Bill via the Payments to OIT centrally appropriated line item. The JBC staff recommendation is detailed by agency at the end of the memo, including the base allocation and incremental changes. No decision items directly impacted the common policy this year.

BACKGROUND: OIT is funded predominantly through reappropriated funds and recovers a majority of its costs from these cost allocations to departments. Departments are appropriated funding in their annual budgets and then pay OIT for services provided. The allocation methodology is called Common Policy. Departments receive an appropriation in the Long Bill for this allocation called “Payments to OIT”. OIT also recovers costs by direct billing to departments. Direct billing is done separately from Common Policy, for specific services such as telecom, or for service needs above and beyond the capacity of Common Policy appropriations.

There are two components to the creation of the base common policy budget each fiscal year: service utilization and recoverable costs. These are forecasted annually as part of the rate development process for each OIT Common Policy service offering, and department budgets include an appropriation for their estimated base service utilization. The JBC staff recommendation is to approve the amounts for the Payments to OIT line item, but to give individual JBC staff analysts the authority to work with their agencies to determine the right fund splits.

OIT’s forecasted recoverable costs for each service include forecasted costs for salaries, benefits, personal services, operating expenses, equipment, depreciation, and other expenses related to the direct cost of delivering that service. Shared division management costs are incorporated into the rate for each billable service offering within that OIT organizational division, based on the relative percentage each service comprises of the total services in the allocation pool (i.e., weighted average). In FY 2020-21 and earlier, Common Policy service cost estimates were generated using historical budgets based on Long Bill Appropriations. Beginning in FY 2021-22, in order to align service rates more closely with actual costs (and simplify comparisons to other public and private organizations), Common Policy base service cost estimates are now generated using the most recent actual expenditures as the starting point. Adjustments are then made to the forecast to remove any one-time costs from the prior year, and annualize recent decision item increases or decreases.

Since FY 2021-22, departments work collaboratively with OIT IT directors and technical staff to review each service offering that compose the Common Policy and formulate a fresh utilization estimate based on anticipated service needs. Historical utilization is still the foundation, but departments review all services and plan for any known fluctuations in the upcoming fiscal year. OIT Service Owners review department utilization estimates to ensure feasibility and resource availability.

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The Office of State Planning and Budgeting reviews final totals to manage the statewide cost impact of year-over-year base changes.

The Office of Information Technology strives to have agency buy-in from their clients and part of that effort was the creation of the Rates and Services Board. Established in 2021, it provides annual review and approval of OIT's rates and service structure. This board consists of rotating membership including department representatives, OIT leadership, and OSPB staff. The board works to enhance the transparency, accuracy, controllability, and competitiveness of OIT's service rates. For the FY 2024-25 Common Policy the board reviewed and recommended approving each of the decision items that impact the OIT common policy.

The total allocations are based on the forecasted estimated usages multiplied by the rates approved by the Rates and Services Board. Additional information about the rates and services that comprise the total recommended appropriations can be found in OIT's service catalog accessible by visiting <http://sites.google.com/state.co.us/oitservicecatalog>.

The Staff recommendation based on the Committee's action to date is summarized by agency below, JBC Staff requests permission for JBC Staff to work with department staff to determine the final fund splits to arrive at the final recommended change. Based on fund splits requested in the November submission, approximately 49.7 percent of Payments to OIT appropriations originate as General Fund. Extrapolating using this rate, the Staff recommendation is estimated to increase General Fund appropriated statewide by \$11.9 million. In some circumstances the adjustment amount Staff enter may differ from the amounts in this table. In all cases the recommended appropriation column is the final total recommended appropriation excluding agency-specific decision items that include OIT costs.

RECOMMENDED APPROPRIATIONS FOR PAYMENTS TO OIT FOR FY 2024-25			
DEPARTMENT	FY 2023-24 BASE APPROPRIATION	RECOMMENDED ADJUSTMENT	RECOMMENDED FY 2024-25 APPROPRIATION
Agriculture	\$2,933,555	\$701,896	\$3,635,451
Corrections	30,349,182	2,435,234	32,784,416
Early Childhood	9,644,460	3,284,894	12,929,354
Education	1,360,825	338,353	1,699,178
Governor	1,446,382	386,091	1,832,473
Health Care Policy and Finance	11,745,467	8,108,109	19,853,576
Higher Education (appropriated)	750,349	141,242	891,591
Higher Education (not appropriated)	42,543	297,323	339,866
Human Services	53,113,092	5,328,892	58,441,984
Judicial	8,794,112	(1,130,047)	7,664,065
Labor and Employment	31,111,631	(214,313)	30,897,318
Law	1,488,228	(119,541)	1,368,687
Legislature	58,916	112,194	171,110
Local Affairs	3,779,870	234,902	4,014,772
Military and Veterans Affairs	503,362	275,984	779,346
Natural Resources	19,198,633	441,391	19,640,024
Personnel and Administration	11,264,337	500,002	11,764,339
Public Health and Environment	18,520,388	630,753	19,151,141
Public Safety	19,226,850	414,223	19,641,073
Regulatory Agencies	6,593,593	1,422,130	8,015,723
Revenue	21,937,823	1,327,078	23,264,901
State	558,704	(59,318)	499,386

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RECOMMENDED APPROPRIATIONS FOR PAYMENTS TO OIT FOR FY 2024-25			
DEPARTMENT	FY 2023-24 BASE APPROPRIATION	RECOMMENDED ADJUSTMENT	RECOMMENDED FY 2024-25 APPROPRIATION
Transportation	28,944,728	(879,816)	28,064,912
Treasury	195,401	40,205	235,606
Total	\$283,562,431	\$24,017,860	\$307,580,291