

**COLORADO GENERAL ASSEMBLY
JOINT BUDGET COMMITTEE**



**FY 2013-14 STAFF FIGURE SETTING
INFORMATION TECHNOLOGY COMMON POLICIES**

**JBC Working Document - Subject to Change
Staff Recommendation Does Not Represent Committee Decision**

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INFORMATION TECHNOLOGY COMMON POLICIES

IT Common Policy Overview

The Governor's Office of Information Technology (OIT) provides services to all State agencies on a cost reimbursement basis with OIT acting as a vendor to State agencies. Services provided by OIT to State agencies have a mixture of costs (e.g. personal services, centrally appropriated benefits, operating expenses, and contract expenses) associated with the service delivery. The costs are allocated to agencies based on level of service consumed divided by the total cost of the provision of the service. Direct appropriations for the payments are made to State agencies in four functional area line items that appear in each agency (Management and Administration of OIT, Purchase of Services from the Computer Center, Multiuse Network Payments, and Communication Services Payments).

GENERAL NOTES ABOUT THIS PACKET

- OIT's request and the staff recommendation do not include information technology-related decision items requested by OIT or other State agencies. Information technology decision items are considered in the OIT section within the Office of the Governor or within the lead agency requesting an information technology-related decision item (e.g. Department of Revenue). The recommended appropriations found in this document represent staff's recommended base-level appropriation for information technology common policies administered by OIT. Any decision items approved by the Committee for OIT or other State agencies that impact OIT will be billed out in addition to the base-level recommendations contained in this document.
 - The recommended information technology common policy base-level appropriation amounts include placeholder figures equaling OIT's request for common policy line items administered by the Department of Personnel and Administration (DPA). Staff requests permission to update all of these items after the Committee has taken action. Note, staff does not anticipate that changes to the pending DPA common policies will greatly impact staff's recommendation for information technology common policies.
 - Staff is requesting that the Committee take action on the following recommendations:
 - The total information technology common policy base-level appropriation;
 - The allocation of the base-level appropriation to each of the four information technology common policies; and
 - The allocation of the base-level appropriation to each State agency.
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IT Common Policy Appropriations

DEPARTMENT REQUEST AND RECOMMENDATION SUMMARY

Executive Request

OIT requests \$100,379,810 from State agencies for services provided across four functional area line items that appear in each department.

Staff Recommendation

Staff recommends \$101,979,545 from State agencies for services provided across four functional area line items that appear in each department. The FY 2013-14 staff recommendation differs from the OIT request in the following cost categories and amounts:

FY 2013-14 Recommendation Above/(Below) Request		
Line Item	Total Funds	Reappropriated Funds
Centrally appropriated line items	\$1,354,686	\$1,354,686
Salary Survey	277,528	277,528
Merit Pay	(31,665)	(31,665)
IT common policy line items	(814)	(814)
Total Difference	\$1,599,735	\$1,599,735

The staff recommendation is summarized in the table below, followed by brief description of each change item listed.

Information Technology Common Policies		
	Total Funds	Reappropriated Funds
FY 2012-13:		
Base Common Policy	<u>96,589,399</u>	<u>96,589,399</u>
TOTAL	\$96,589,399	\$96,589,399
FY 2013-14 Recommendation:		
FY 2012-13 Base Common Policy	\$96,589,399	\$96,589,399
Centrally appropriated line items	3,887,916	3,887,916
IT common policy adjustments	932,629	932,629
Leased space adjustment	776,497	776,497
Depreciation increase	274,206	274,206
Annualize prior year funding	259,211	259,211

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Information Technology Common Policies		
	Total Funds	Reappropriated Funds
Statewide indirect costs	17,177	17,177
Direct billing technical correction	(732,752)	(732,752)
Compensated absences	<u>(24,738)</u>	<u>(24,738)</u>
TOTAL	\$101,979,545	\$101,979,545
Increase/(Decrease)	\$5,390,146	\$5,390,146
Percentage Change	5.3%	5.3%
FY 2013-14 Executive Request:	\$100,379,810	\$100,379,810
Request Above/(Below) Recommendation	(\$1,599,735)	(\$1,599,735)

Issue Descriptions

Centrally appropriated line items: The recommendation includes an increase of \$5,144,884 total funds. The recommendation includes a mixture of non-pending (previously acted upon by the Committee) and pending total compensation and common policy line items. The following tables highlight the changes by pending and non-pending.

Previously Acted Upon Centrally Appropriated Line Items Change from FY 2012-13 Appropriation		
Line Item*	Total Funds	Reappropriated Funds
Health, Life, and Dental	\$567,404	\$567,404
Short-term Disability	8,963	8,963
AED	376,888	376,888
SAED	447,273	447,273
Shift Differential	5,690	5,690
Salary Survey	1,305,417	1,305,417
Merit Pay	953,344	953,344
Total	\$3,664,979	\$3,664,979

*All previously acted upon centrally appropriated line items were considered during Committee staff's figure setting presentation by Eric Kurtz on Wednesday, January 30, 2013.

*JBC Staff Figure Setting – FY 2013-14
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Pending Centrally Appropriated Line Items Change from FY 2012-13 Appropriation		
Line Item*	Total Funds	Reappropriated Funds
Workers' Compensation	\$139,231	\$139,231
Risk Management	64,155	64,155
Capitol Complex	22,248	22,248
Vehicle Lease	(2,697)	(2,697)
Total	\$222,937	\$222,937

*All pending centrally appropriated line items will be considered during Committee staff's figure setting presentation by Alfredo Kemm for several common policy items associated with the Department of Personnel and Administration scheduled for Friday, March 15, 2013. Staff requests permission to adjust this line item based on the March 15th Committee action.

Total Centrally Appropriated Line Items Change from FY 2012-13 Appropriation		
	Total Funds	Reappropriated Funds
Total	\$3,887,916	\$3,887,916

IT common policy adjustments: The recommendation includes an increase of \$932,629 reappropriated funds for FY 2013-14. Prior to FY 2013-14, OIT's usage of information technology resources (e.g. servers and network) was not billed out to agencies and was instead covered by General Fund. Due to the service delivery model whereby OIT operates as a vendor to State agencies, it is staff's recommendation that the costs associated with the usage of information technology resources be shouldered by all State agencies.

Leased space adjustment: The recommendation includes an increase of \$776,497 reappropriated funds for FY 2013-14. The increase is due to the transfer of eFort to OIT from the Department of State. Note, the Department of State's FY 2013-14 budget request includes a decrease of \$776,497 total funds.

Depreciation increase: The recommendation includes an increase of \$274,206 reappropriated funds for FY 2013-14. Based on a depreciation schedule, OIT collects moneys from State agencies to cover the replacement costs of information technology assets that have an identifiable lifespan. For FY 2013-14, staff recommends that OIT collect \$765,752 from State agencies to comport with its depreciation schedule. The increase of \$274,206 over the prior fiscal year is due to the acquisition of new assets.

Annualize prior year funding: The recommendation includes an increase of \$259,211 reappropriated funds for FY 2013-14 due to many small and technical annualizations of prior year legislation and prior year budget actions.

Statewide indirect costs: The recommendation includes an increase of \$17,177 reappropriated funds for FY 2013-14. Staff's recommendation is consistent with prior Committee action taken

during Committee staff’s figure setting presentation by Alfredo Kemm for Statewide Indirect Cost Recoveries on Wednesday, January 30, 2013.

Direct billing technical correction: The recommendation includes a decrease of \$732,752 reappropriated funds for FY 2013-14. OIT provides services to State agencies outside of the information technology common policy billing framework. These services are referred to as direct billings. For FY 2013-14, the staff recommendation increasing direct billings by \$732,752 reappropriated funds and reducing information technology common policy billings by \$732,752. Note, this does not impact OIT’s spending authority, but rather changes the source of funding.

Compensated Absences: The recommendation includes a decrease of \$24,738 reappropriated funds for FY 2013-14. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. Most commonly, compensated absences are applied when an employee is terminated or retires. The Government Accounting Standards Board (GASB) provides guidelines to State governments on measuring and accounting for accrued compensated absences liabilities in these instances. OIT follows the GASB guidelines to calculate the yearly reserve level required to meet its liabilities. For FY 2013-14, staff recommends that OIT collect \$1,290,262 from State agencies to meet it liabilities. This represents a decrease of \$24,738 over the prior fiscal year.

ALLOCATION OF SERVICE COSTS TO AGENCIES

The FY 2013-14 staff recommendation allocates \$101,979,545 of service costs to agencies based on usage in the following functions:

FY 2013-14 IT Common Policy Allocations by Function					
Department	Total	Management of OIT	Communication Services	Colorado State Network	Computer Center Services
Agriculture	\$1,016,377	\$0	\$16,095	\$147,670	\$852,612
Corrections	14,120,539	288,257	2,022,174	3,764,339	8,045,769
Education	441,575	0	0	266,324	175,252
Governor	1,330,665	0	0	375,714	954,951
Health Care Policy and Financing	1,078,330	72,065	0	130,305	875,960
Higher Education	147,850	0	0	0	147,850
Human Services	20,313,693	612,546	188,955	3,679,228	15,832,964
Judicial	2,279,685	0	18,349	1,561,958	699,378
Labor and Employment	8,849,243	288,257	0	417,523	8,143,464
Law	220,688	0	9,013	155,913	55,762
Legislature	77,824	0	0	0	77,824
Local Affairs	1,121,019	43,238	0	133,621	944,160
Military and Veterans Affairs	539,641	0	19,958	80,974	438,710
Natural Resources	9,464,661	273,400	1,161,093	2,067,999	5,962,170
Personnel	1,953,126	0	1,287	268,501	1,683,338
Public Health and Environment	6,166,812	352,671	16,738	601,803	5,195,600
Public Safety	6,433,657	432,386	883,615	1,199,058	3,918,598

*JBC Staff Figure Setting – FY 2013-14
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FY 2013-14 IT Common Policy Allocations by Function					
Department	Total	Management of OIT	Communication Services	Colorado State Network	Computer Center Services
Regulatory Agencies	1,962,568	144,129	0	203,964	1,614,475
Revenue	14,332,911	604,896	82,406	3,554,602	10,091,006
State	264,216	0	0	98,988	165,228
Transportation	9,799,993	576,515	987,267	2,172,263	6,063,949
Treasury	64,472	0	0	10,570	53,902
Total	\$101,979,545	\$3,688,358	\$5,406,950	\$20,891,316	\$71,992,922

The FY 2013-14 staff recommendation allocates \$101,979,545 of service costs to agencies based on usage by the following fund type portions.

FY 2013-14 IT Common Policy Allocations by Fund Type					
Department	Totals	GF	CF	RF	FF
Agriculture	\$1,016,377	\$692,669	\$323,708	\$0	\$0
Corrections	14,120,539	14,006,923	113,616	0	0
Education	441,575	441,575	0	0	0
Governor	1,330,665	282,679	0	1,047,986	0
Health Care Policy and Financing	1,078,330	531,596	0	4,189	542,544
Higher Education	147,850	0	142,498	5,352	0
Human Services	20,313,693	11,141,145	240,652	681,518	8,250,378
Judicial	2,279,685	2,279,685	0	0	0
Labor and Employment	8,849,243	0	4,177,914	0	4,671,329
Law	220,688	1,796	3,835	212,906	2,151
Legislature	77,824	77,824	0	0	0
Local Affairs	1,121,019	150,123	7,007	546,728	417,161
Military and Veterans Affairs	539,641	539,641	0	0	0
Natural Resources	9,464,661	666,113	6,860,103	1,753,774	184,671
Personnel	1,953,126	508,910	79,382	1,364,835	0
Public Health and Environment	6,166,812	234,946	872,692	3,280,306	1,778,868
Public Safety	6,433,657	1,817,961	2,607,837	1,989,414	18,445
Regulatory Agencies	1,962,568	76,539	1,886,029	0	0
Revenue	14,332,911	6,738,681	7,594,230	0	0
State	264,216	0	264,216	0	0
Transportation	9,799,993	0	9,799,993	0	0
Treasury	64,472	64,472	0	0	0
Total	\$101,979,545	\$40,253,279	\$34,973,711	\$10,887,008	\$15,865,547

IT COMMON POLICY DETAIL

Management and Administration of OIT

Senate Bill 08-155 (Cadman/Kerr, A.) required billing methodologies to be developed to allocate costs for central OIT administrative services, including a "back office" business services staff for

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financial and human resource services to the consolidated office. Beginning with FY 2008-09, allocation appropriations were made to executive branch agencies for this function.

Request: The Office requests collections totaling \$3,443,438 for Management and Administration of OIT for FY 2013-14.

Recommendation: Staff recommends a base level appropriation of **\$3,688,358 for Management and Administration of OIT for FY 2013-14.** By the following fund types, the FY 2013-14 staff recommendation allocates \$3,688,358 of service costs in this category to agencies based on usage.

FY 2013-14 Management and Administration of OIT Allocations by Fund Type					
Department	Total	GF	CF	RF	FF
Agriculture	\$0	\$0	\$0	\$0	\$0
Corrections	288,257	288,257	0	0	0
Education	0	0	0	0	0
Governor	0	0	0	0	0
Health Care Policy and Financing	72,065	36,033	0	0	36,032
Higher Education	0	0	0	0	0
Human Services	612,546	465,993	9,752	49,613	87,188
Judicial	0	0	0	0	0
Labor and Employment	288,257	0	138,363	0	149,893
Law	0	0	0	0	0
Legislature	0	0	0	0	0
Local Affairs	43,238	30,337	0	12,901	0
Military and Veterans Affairs	0	0	0	0	0
Natural Resources	273,400	35,081	227,927	5,791	4,601
Personnel	0	0	0	0	0
Public Health and Environment	352,671	0	0	352,671	0
Public Safety	432,386	0	0	432,386	0
Regulatory Agencies	144,129	5,621	138,508	0	0
Revenue	604,896	120,438	484,458	0	0
State	0	0	0	0	0
Transportation	576,515	0	576,515	0	0
Treasury	0	0	0	0	0
Total	\$3,688,358	\$981,760	\$1,575,522	\$853,362	\$277,714

Communication Services Payments

The state microwave radio infrastructure and the Digital Trunked Radio System (DTRS) provides interoperability between public safety agencies and emergency responders to over 197 sites on 95 percent of the State’s roadways, and serves more than 1,000 State, local, federal, and tribal agencies. OIT charges user agencies of the State for the operations and maintenance of the state's public safety communications infrastructure. The cost allocation methodology for this functional area establishes department appropriations based upon the total inventory of legacy mobile and portable VHF radio units, as well as digital trunked radios (DTR) in use by departments.

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Request: The Office requests collections totaling \$5,327,600 for Communication Services Payments for FY 2013-14.

Recommendation: Staff recommends a base level appropriation of \$5,406,950 for Communication Services Payments for FY 2013-14. By the following fund types, the FY 2013-14 staff recommendation allocates \$5,406,950 of service costs in this category to agencies based on usage.

FY 2013-14 Communication Services Payments Allocations by Fund Type					
Department	Total	GF	CF	RF	FF
Agriculture	\$16,095	\$4,020	\$12,075	\$0	\$0
Corrections	2,022,174	2,022,174	0	0	0
Education	0	0	0	0	0
Governor	0	0	0	0	0
Health Care Policy and Financing	0	0	0	0	0
Higher Education	0	0	0	0	0
Human Services	188,955	161,987	0	26,967	0
Judicial	18,349	18,349	0	0	0
Labor and Employment	0	0	0	0	0
Law	9,013	1,796	3,835	1,231	2,151
Legislature	0	0	0	0	0
Local Affairs	0	0	0	0	0
Military and Veterans Affairs	19,958	19,958	0	0	0
Natural Resources	1,161,093	0	1,161,093	0	0
Personnel	1,287	642	0	646	0
Public Health and Environment	16,738	0	0	16,738	0
Public Safety	883,615	0	791,635	73,535	18,445
Regulatory Agencies	0	0	0	0	0
Revenue	82,406	14,106	68,300	0	0
State	0	0	0	0	0
Transportation	987,267	0	987,267	0	0
Treasury	0	0	0	0	0
Total	\$5,406,950	\$2,243,033	\$3,024,204	\$119,118	\$20,596

Colorado State Network

The Colorado State Network (formerly the multiuse network or “MNT”) is a service providing secure, high-speed broadband access to State agencies, schools, colleges, libraries, hospitals, and local governments. The network is essentially the State's wide area network, providing network connectivity to every county in the state.

Colorado State Network payments represent the cost to the State for administering its share of the network build-out with the private consortium. Reimbursements for this functional area are expended for contracts with CenturyLink (and its consortium), and are based on anticipated billings, using a circuit inventory conducted department by department, for all agencies.

Request: The Office requests collections totaling \$20,721,081 for the Colorado State Network for FY 2013-14.

Recommendation: Staff recommends a base level appropriation of \$20,891,316 for Colorado State Network for FY 2013-14. By the following fund types, the FY 2013-14 staff recommendation allocates \$20,891,316 of service costs in this category to agencies based on usage.

FY 2013-14 Colorado State Network Allocations by Fund Type					
Department	Total	GF	CF	RF	FF
Agriculture	\$147,670	\$57,716	\$89,954	\$0	\$0
Corrections	3,764,339	3,650,724	113,616	0	0
Education	266,324	266,324	0	0	0
Governor	375,714	69,787	0	305,927	0
Health Care Policy and Financing	130,305	65,152	0	0	65,153
Higher Education	0	0	0	0	0
Human Services	3,679,228	2,419,862	31,818	321,910	905,638
Judicial	1,561,958	1,561,958	0	0	0
Labor and Employment	417,523	0	197,830	0	219,693
Law	155,913	0	0	155,913	0
Legislature	0	0	0	0	0
Local Affairs	133,621	52,700	7,007	38,854	35,060
Military and Veterans Affairs	80,974	80,974	0	0	0
Natural Resources	2,067,999	280,421	1,632,823	138,626	16,129
Personnel	268,501	71,120	24,478	172,902	0
Public Health and Environment	601,803	0	0	601,803	0
Public Safety	1,199,058	873,543	111,448	214,068	0
Regulatory Agencies	203,964	7,954	196,010	0	0
Revenue	3,554,602	505,722	3,048,880	0	0
State	98,988	0	98,988	0	0
Transportation	2,172,263	0	2,172,263	0	0
Treasury	10,570	10,570	0	0	0
Total	\$20,891,316	\$9,974,526	\$7,725,114	\$1,950,003	\$1,241,673

Purchase of Services from Computer Center

OIT is responsible for the management and operation of the State's data center. The 9,075 square foot enterprise data center operates on a "24 by 7 by 365" basis, and currently houses 600 servers, one mainframe, and the related supporting infrastructure. OIT plans, manages, operates, and delivers the computing infrastructure to customer entities, which include all State agencies and certain institutions of higher education. OIT is responsible for managing the operating system, transaction processing scheduling, and systems management software associated with these resources.

The purchase of services from computer center functional area also includes a number of Statewide applications that support core business functions across multiple state agencies. The applications include the Applicant Data System, the Colorado Financial Reporting System, the Colorado Personnel and Payroll System, and Financial Data Warehouse.

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Request: The Office requests collections totaling \$70,887,691 for the Purchase of Services from the Computer Center for FY 2013-14.

Recommendation: Staff recommends a base level appropriation of \$71,992,922 for the Purchase of Services from the Computer Center for FY 2013-14. By the following fund types, the FY 2013-14 staff recommendation allocates \$71,992,922 of service costs in this category to agencies based on usage.

FY 2013-14 Computer Services Allocations by Fund Type					
Department	Total	GF	CF	RF	FF
Agriculture	\$852,612	\$630,933	\$221,679	\$0	\$0
Corrections	8,045,769	8,045,769	0	0	0
Education	175,252	175,252	0	0	0
Governor	954,951	212,892	0	742,059	0
Health Care Policy and Financing	875,960	430,411	0	4,189	441,359
Higher Education	147,850	0	142,498	5,352	0
Human Services	15,832,964	8,093,302	199,082	283,028	7,257,552
Judicial	699,378	699,378	0	0	0
Labor and Employment	8,143,464	0	3,841,722	0	4,301,742
Law	55,762	0	0	55,762	0
Legislature	77,824	77,824	0	0	0
Local Affairs	944,160	67,086	0	494,973	382,101
Military and Veterans Affairs	438,710	438,710	0	0	0
Natural Resources	5,962,170	350,610	3,838,261	1,609,356	163,942
Personnel	1,683,338	437,147	54,903	1,191,287	0
Public Health and Environment	5,195,600	234,946	872,692	2,309,094	1,778,868
Public Safety	3,918,598	944,419	1,704,754	1,269,425	0
Regulatory Agencies	1,614,475	62,964	1,551,511	0	0
Revenue	10,091,006	6,098,415	3,992,592	0	0
State	165,228	0	165,228	0	0
Transportation	6,063,949	0	6,063,949	0	0
Treasury	53,902	53,902	0	0	0
Total	\$71,992,922	\$27,053,960	\$22,648,871	\$7,964,526	\$14,325,564