

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**April 14, 2003**

**TO:** Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB1701** by Wentworth (Relating to the Department of Information Resources' management of certain electronic and telecommunications projects.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1701, Committee Report 1st House, Substituted: a negative impact of (\$2,673,346) through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$732,210)
2005	(\$1,941,136)
2006	(\$2,091,888)
2007	(\$2,235,430)
2008	(\$2,439,574)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable Savings from <i>General Revenue</i> <i>Dedicated</i>	Probable (Cost) from <i>General Revenue</i> <i>Dedicated</i>
2004	\$0	(\$732,210)	\$0	\$0
2005	\$3,863,358	(\$5,804,494)	\$500,518	(\$500,518)
2006	\$3,863,358	(\$5,955,246)	\$500,518	(\$500,518)
2007	\$3,863,358	(\$6,098,788)	\$500,518	(\$500,518)
2008	\$3,863,358	(\$6,302,932)	\$500,518	(\$500,518)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	9.0
2005	(11.0)
2006	(11.0)
2007	(11.0)
2008	(11.0)

## **Fiscal Analysis**

The bill amends specific sections of Chapters 2054 and 2055 of the Government Code relating to the Department of Information Resources' management of certain electronic and telecommunications projects. The bill will fully implement the Comptroller of Public Accounts *e*-Texas recommendations GG18 (Hold the Department of Information Resources Accountable for the Success of Major Information Technology Initiatives) and GG43 (Consolidate Small Agency Information Technology Services).

The bill would require the Department of Information Resource's (DIR) to implement procedures that would help state agencies implement major information resources projects more effectively.

The bill would authorize the quality assurance team (QAT) to review, analyze and recommend major information resources projects to DIR for oversight.

The bill would also require the Telecommunications Planning and Oversight Council to develop certain cost-effective performance measures.

The bill would require DIR to manage an Electronic Government Program Management Office (PMO) within DIR to establish, direct, and provide risk management and quality assurance services for electronic government projects.

The bill would require DIR, in coordination with the Governor and LBB to develop a model for funding consortia projects and funding the PMO from state agencies.

The bill would require DIR, in consultation with the Texas Small State Agency Task Force, to develop, modify, and implement a plan to consolidate information technology at small state agencies with fewer than 100 full-time equivalent employees. The bill requires each small agency to enter into a service level agreement with the DIR for the agency's technology services, and DIR would recover costs incurred by DIR in executing the agreement based on a cost-recovery model developed by DIR. The bill would stipulate that small agencies could not spend appropriated money for technology services from other providers of services if DIR otherwise provided the services. Added Section 2054.405 would require DIR to designate a DIR employee to serve as information resources manager (IRM) for small state agencies, and the IRM would submit the agency's strategic plan, biennial operating plan, information technology funding requests, and other required information technology reports on behalf of the small state agencies.

The Act takes effect September 1, 2003.

## **Methodology**

Recommendation GG 43 would require DIR to consolidate and manage IT services for small agencies. Based on information obtained from the biennial operating plans of 52 small agencies identified by DIR and with money available for transfer, an estimated \$4.9 million will be spent on IT staffing, equipment, software and services in fiscal 2003. Taking into account the 12.5 percent reduction beginning in FY 2004, the resulting amount available in savings in General Revenue and General Revenue Dedicated would be approximately \$4.4 million per year beginning in FY 2004.

However, this estimate does not assume any reductions in capital budgets for the 52 agencies for FY 2004 and FY 2005 and also assumes that funding levels will not decrease for the 52 agencies in the upcoming biennium. This estimate does not include the seven percent budget reductions requested of state agencies in FY 2003.

DIR would require an additional nine FTEs in fiscal 2004 to develop the consolidation plan and set up the required technology systems. The staffing costs, including benefits, would be approximately \$732,000. Small agency consolidation would take place at the beginning of fiscal 2005; DIR would require an additional 13 FTEs for a total of 22 to fulfill the IT responsibilities under the consolidation plan, for a total staff cost of \$1.9 million including benefits. Additionally, DIR would require, annually, beginning in 2005, \$4.4 million to provide small agency telecommunications, software

licenses, PC leases and maintenance and supplies, and all planning and reporting functions included in the plan.

Therefore, total DIR costs would be \$6.3 million; and small agency appropriation reductions for their IT functions would be approximately \$4.4 million as noted above, for a net cost of \$1.9 million beginning in fiscal 2005. Small agency FTE reductions were estimated at 33, and DIR FTE increases at 22, for a net reduction of 11.

### **Technology**

The Department of Information Resources reported the technology impact includes seat management costs for each FTE estimated to support this bill as well as the cost to obtain a statewide repository for critical tools, such as requirements and configuration management. The cost to provide IT operations services through small agency consolidation was estimated at an annual cost of approximately \$4.4 million.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 301 Office of the Governor, 304 Comptroller of Public Accounts, 308 State Auditor's Office, 313 Department of Information Resources

**LBB Staff:** JK, WP, SD, JO, GO, MS, BL