

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 28, 2005

TO: Honorable David Swinford, Chair, House Committee on State Affairs

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB2698** by Swinford (Relating to the Department of Information Resources' management of state technology centers.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2698, Committee Report 1st House, Substituted: a positive impact of \$9,799,125 through the biennium ending August 31, 2007.

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
2006	\$0
2007	\$9,799,125
2008	\$9,457,394
2009	\$14,704,342
2010	\$14,705,698

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings from GENERAL REVENUE FUND 1	Probable Savings from GR DEDICATED ACCOUNTS 994	Probable Savings from FEDERAL FUNDS 555	Probable Savings from OTHER FUNDS 997
2006	\$0	\$0	\$0	\$0
2007	\$2,955,435	\$268,082	\$2,393,118	\$921,939
2008	\$9,457,394	\$857,861	\$7,657,978	\$2,950,205
2009	\$14,704,342	\$1,333,801	\$11,906,614	\$4,586,974
2010	\$14,705,698	\$1,333,924	\$11,907,712	\$4,587,397

Fiscal Year	Probable (Cost) from OTHER FUNDS 997	Probable Revenue Gain from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2005
2006	(\$2,000,000)	\$0	0.0
2007	(\$23,758,738)	\$6,843,690	(112.0)
2008	(\$26,937,500)	\$0	(403.5)
2009	(\$25,362,500)	\$0	(553.0)
2010	(\$1,575,000)	\$0	(568.0)

Fiscal Analysis

The bill would authorize the Department of Information Resources (DIR) to operate statewide technology centers to provide two or more state agencies, on a cost-sharing basis, information resources services and deployment and development services for statewide applications. The bill would take effect September 1, 2005.

Methodology

The current annual cost for data center operations at the 24 agencies with the largest independent data centers is \$130.8 million. Based on an analysis of peer organizations, Texas’ costs for operating its independent data centers is approximately 22.6% higher than those of its consolidated peers. Therefore, Texas’ data center operations costs in a consolidated environment would total \$101.2 million, resulting in annual savings of \$29.6 million in All Funds by fiscal year 2010. This savings will be achieved through the reduction of 568 FTEs at the 24 agencies with the largest independent data centers. This analysis assumes these savings would be realized incrementally in fiscal year 2007 through fiscal year 2009, with maximum savings realized once all the data centers are consolidated in fiscal year 2010. In addition, data center consolidation would result in revenues from in a one-time payment from the outsourced vendor for the transfer of state computer assets, which would result in a revenue gain of \$6.8 million to general revenue in fiscal year 2007. Also, once the data centers currently operated within state agencies are fully consolidated, it is estimated that 187,377 square feet of raised floor and office space currently used in agency-managed data centers would be released. This would result in a savings of \$1.4 million in fiscal year 2009 and \$1.4 million in fiscal year 2010. Total five-year savings/revenues resulting data center consolidation is estimated to be \$99.4 million in All Funds.

DIR will require additional staff and resources on a temporary basis to manage the implementation of the outsource vendor contract and the transition process. The costs associated with managing this transition will be \$2.36 million in fiscal year 2007, \$3.93 million in fiscal year 2008, \$2.36 million in fiscal year 2009, and \$1.57 million in fiscal year 2010. In addition, the costs associated with DIR’s procurement support activities are \$2 million in fiscal year 2006, \$1.5 million in fiscal year 2007, \$1.26 million in fiscal year 2008, and \$0.21 million in fiscal year 2010. Capital improvement costs of \$14 million will be incurred for facility upgrades at the data centers, including uninterruptible power supplies, air conditioning, and other facility improvements required to develop a Tier III facility. Labor and system upgrade costs for the transition of data center operations to a consolidated environment is estimated at \$50.1 million. Total five-year costs for data center consolidation are estimated to be \$79.6 million in All Funds. These costs will be funded through interagency contracts between state agencies and DIR. In this analysis, migration costs are shown in the fiscal years in which they are expected to be incurred.

The total five-year net savings for data center consolidation is estimated to be \$19.7 million in All Funds.

Local Government Impact

There could be an impact to local units of government that purchase information resources through DIR.

Source Agencies: 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 320 Texas Workforce Commission, 329 Real Estate Commission, 362 Texas Lottery Commission, 405 Department of Public Safety, 454 Department of Insurance, 455 Railroad Commission, 456 Board of Plumbing Examiners, 507 Board of Nurse Examiners, 529 Health and Human Services Commission, 551 Department of Agriculture, 582 Commission on Environmental Quality, 601 Department of Transportation, 720 The University of Texas System Administration, 802 Parks and Wildlife Department

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