

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Byron Cook, Chair, House Committee on State Affairs

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

IN RE: HB1579 by Brown (Relating to information resources technologies of state agencies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1579, As Introduced: a negative impact of (\$4,476,356) through the biennium ending August 31, 2013.

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 |
|-------------|--|
| 2012 | (\$4,238,178) |
| 2013 | (\$238,178) |
| 2014 | (\$238,178) |
| 2015 | (\$238,178) |
| 2016 | (\$238,178) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund 1 |
|-------------|---|
| 2012 | (\$4,238,178) |
| 2013 | (\$238,178) |
| 2014 | (\$238,178) |
| 2015 | (\$238,178) |
| 2016 | (\$238,178) |

Fiscal Analysis

Section 1: The bill would require the Department of Information Resources (DIR) to establish a method of accounting for state agency expenditures for information technologies, including creating common definitions for information resources (IR) technologies investments and purchases.

The bill would require DIR to coordinate with the quality assurance team (QAT), comptroller, and the Legislative Budget Board (LBB) to develop contracting standards for information resources technologies acquisition and purchased services; and work with state agencies to ensure deployment of standardized contracts.

The bill would also require DIR to use independent technical staff support and independent technical and financial information, to review all information resources technologies within state government.

Section 2: The bill would require DIR to include additional information related to major information resources (IR) projects in the biennial performance report.

Section 3: The bill would require DIR, in consultation with the QAT, comptroller, and LBB, to develop and execute a pilot program to contract with one or more private providers for the following: the delivery, support, maintenance, and operation of IR technologies through application managed services or similar programs across one or more functional areas of IR technologies; or the IR technologies needs of one or more state agencies.

The bill would require the pilot program to assess the following: the biennial operating plan and planned procurement schedule of each state agency participating in the pilot program; opportunities to use best practices identified by the department; and whether each agency should proceed with application managed services or other similar programs based on the results of the assessment. The bill would require DIR to prepare a report on the assessment not later than June 1, 2012; and a final report not later than December 31, 2012. The bill would require DIR to submit the final report to the LBB, comptroller, governor, lieutenant governor, and speaker. This section of the bill would expire on January 1, 2014.

The bill would require DIR to contract with an independent consultant to: conduct a technical and financial analysis for a single consolidated state data center; develop a strategic business plan outlining the various options for use of the site that maximize taxpayer value consistent with the terms of the lease and related agreements, and the potential return on investment for the consolidated data center that may be realized without impairing any existing contractual rights under the terms of the lease and related agreements. The bill would require the consultant to submit a report on the review and analysis to DIR, QAT, LBB, comptroller, governor, lieutenant governor, and the speaker no later than December 1, 2012. This section would expire January 1, 2014.

The bill would require DIR, in consultation with the QAT, comptroller, and LBB, to review existing statutes, procedures, data, and organizational structures to identify opportunities to increase efficiency, customer service, and transparency in IR technologies. The bill would require DIR to report its findings and recommendations to the governor, lieutenant governor, and speaker, not later than December 1, 2012. This section would expire January 1, 2014.

Section 4: The bill would require the LBB, in consultation with DIR, to establish criteria to evaluate state agency biennial operating plans.

Section 5: The bill would require DIR, in consultation with QAT, LBB, and the comptroller, to develop an enterprise-based strategy for IR technologies in state government based on IR technologies expenditure information collected from state agencies.

The bill would require DIR to consider the following in developing an enterprise-based strategy: developing personal computer replacement policies for the state that considers alternative models of personal computer use for state government; pursuing pilot programs to demonstrate the value of application managed services; developing recommended data storage policies and record retention requirements and schedules in consultation with the state auditor, the state archivist, the state records administrator, and the Texas State Library and Archives Commission.

The bill would allow a department, commission, board, office, council, authority, or other agency of the legislative branch to coordinate or participate in shared service initiatives, pilot programs and the development of the enterprise-based strategy. The bill would require DIR, QAT, comptroller, and LBB to work with state agencies to improve the acquisition and delivery of IR technology products and services.

Section 6: The bill would require DIR, in consultation with QAT and LBB, to establish policies and standards governing the funding of major IR projects.

Section 7: The bill would require DIR and the comptroller to develop and implement a state master contract for the purchase of wireless devices or services. The bill would require state agencies that

purchase a wireless device or service to participate in the state master contract unless the agency provides to DIR and the comptroller evidence that the state agency can acquire the device or service from another source at a lower cost.

Section 8: The bill would take effect September 1, 2011.

Methodology

ASSUMPTIONS

Sections 1, 3, 5, and 6: In accordance with Government Code 321.013, all additional duties and responsibilities prescribed by the bill would be proposed in the SAO's annual audit plan for Legislative Audit Committee approval.

Sections 2, 4, 6, 7, and 8: DIR reports that any additional work resulting from the passage of the bill could be reasonably absorbed within current resources.

Section 1: To implement the provisions of the bill relating to establishing a method of accounting for state agencies, DIR estimates a cost of \$150,000 in professional fees and services in fiscal year 2012 to develop an automated tool to streamline information technology expenditure reporting and \$27,000 each subsequent fiscal year for on-going maintenance of the automated tool. To implement the provision of the bill related to using independent technical staff to review all information technology resources within the state, DIR estimates an additional cost of \$100,000 in professional fees and services in fiscal year 2012.

Section 3: This analysis assumes that DIR would contract with a private provider to implement a pilot program for application managed services for one or more state agencies. Based on similar projects conducted during the preceding three biennia, it is estimated that it would cost \$2,250,000 in fiscal year 2012 to implement a pilot program for application managed services and to provide an assessment on the short and long-term costs, benefits, risks, and other organizational impacts of implementing application managed services. Total costs are dependent on the final scope of the project determined during the planning and development phase.

Based on similar expenditures by DIR related to technical and financial reviews of data centers, a one-time cost of \$1,500,000 in fiscal year 2012 is anticipated to implement the provision of the bill that would require DIR to contract with an independent consultant for technical and financial analysis for a single consolidated state data center.

Section 5: DIR estimates that it would cost approximately \$238,178 in salaries and wages (including \$49,746 in benefits) and related operating costs each fiscal year for DIR to internally develop an enterprise-based strategy.

Under current law, the cost recovery fees that DIR is authorized to charge the users of cooperative contracts, telecommunications, and data center services, is required to be used for the indirect and direct costs of those programs. Therefore, the cost associated with the implementation of the bill is assumed to be out of General Revenue.

This analysis assumes that any additional work, not specifically mentioned above, resulting from the passage of the bill could be reasonably absorbed within current resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 308 State Auditor's Office, 313 Department of Information Resources, 758 Texas State University System

LBB Staff: JOB, KJG, MS, EP, KY, RC