

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 11, 2011

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

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

IN RE: SB664 by Nichols (Relating to the continuation and functions of the Department of Information Resources.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend statute relating to the continuation and operation of the Department of Information Resources (DIR). DIR is subject to the Sunset Act and will be abolished on September 1, 2011, unless continued by the Legislature. The bill would continue DIR for six years and would take effect on September 1, 2011.

Sections 2 and 36: The bill would continue the operation of DIR for six years, until September 1, 2017. The bill would take effect September 1, 2011.

Sections 3, 6, 8, 32, and 33: The bill would amend various sections of Chapter 2054 of the Government Code related to the composition of DIR's governing board; create a Customer Advisory Committee that is made up of customers of DIR's key programs; and add alternative dispute resolution provisions. The bill would require the Governor to appoint the new board members by September 1, 2011.

Section 7: The bill would require DIR to adopt processes to determine the administrative fee charged to administer its programs, including fees for the statewide technology centers and telecommunications. The bill would require DIR to report to the Legislative Budget Board (LBB) all administrative fees charged by DIR; the methodology used to determine the fees; and post on its website each administrative fee DIR charges.

Section 9: The bill would require DIR's board to appoint an internal auditor and establish an audit subcommittee.

Sections 10, 14, 15, and 20: The bill would require DIR's board to provide additional oversight which includes adopting a policy to set a strategic direction for DIR and to regularly evaluate DIR's operations. The bill would require DIR to: develop clear criteria for its use of consultants and outside staff; develop a consistent method to measure costs and progress of an information resources technology consolidations initiative; work with any entity involved in an information resources technology consolidation initiative to determine baseline costs, and evaluate actual costs and costs savings related to the consolidation; and report annually to the board, the LBB, the customers of the consolidation initiative, and post on its website, the results of the evaluation of costs and savings.

The bill would require DIR's board by rule to: define what constitutes a major outsourced contract, including statewide technology and telecommunications contracts; approve new, or amendments to existing, contracts; establish one or more committees to monitor DIR's major outsourced contracts; establish board approval requirements for all other contracts before the contract may be executed; implement conflict of interest provisions; and train staff on the requirements of these provisions.

The bill would require DIR to: create a management plan for each major outsourced contract, as defined by its Board; to specify procedures to administer, monitor, and oversee each major

contract; establish procedures to ensure customer involvement regarding each major outsourced contract; develop a contract management training policy; establish training requirements for all staff involved in contract management; and update the guide periodically. The bill would require the board to adopt rules as necessary to develop and update the contract management guide.

Section 11: The bill would require DIR, upon request, to provide technical assistance to a state agency to determine the agency's information resources technology needs and to solve the agency's technology problems.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 27, 28, 29, 30, 31, and 34: These provisions relate transferring the responsibility for the statewide purchase of information technology commodity items from DIR to the Comptroller; require the Comptroller to provide training in contract negotiation; manage and use planned procurement schedules; coordinate technology training; establish rules to administer the IT commodity contract program; and transfer all powers, duties, money, contracts, memoranda of understanding, records, leases, and rights of DIR related to the purchase of information technology commodity items from DIR to the Comptroller.

Sections 19 and 26: The bill would require the Comptroller to establish in the state treasury: the Statewide Technology Account under the purview of DIR, for the operation and management of a statewide technology center or for any other purpose specified by the legislature; and the Clearing Fund under the purview of the Comptroller, for the administration of the purchase of information technology commodity items or for any other purpose specified by the legislature.

Section 25: The bill would require the Comptroller to adopt processes to determine the administrative fee charged to administer its programs. The bill would require the Comptroller to report to the LBB administrative fees charged by the Comptroller; the methodology used to determine the fees; and post on its website each administrative fee the Comptroller charges.

ASSUMPTIONS

Sections 7, 9, 11, and 20: DIR reported that to implement certain provisions in these sections of the bill, additional full-time equivalent positions (FTEs) and funding would be required. However, it is anticipated that any additional costs associated with implementation of the legislation could be absorbed within existing resources.

Sections 12, 13, 16, 17, 18, 21, 22, 23, 24, 27, 28, 29, 30, 31, and 34: Although not expressly identified, it is assumed that appropriations and FTEs funded by the administrative fee charged to agencies and local governments that use the information technology (IT) commodity contracts would transfer from DIR to the Comptroller.

Approximately 57.3 FTEs were budgeted in fiscal year 2011 to be funded by fees from the IT Commodity Contracts program. Of these FTEs, it is estimated that 32 FTEs would transfer to the Comptroller to administer the IT Commodity Contracts program; 21.6 FTEs would remain at DIR; and 3.7 FTEs would be reduced from DIR's FTE cap.

In addition to the transfer of 32 FTEs, the Comptroller estimates that approximately \$2,339,000 would be needed each fiscal year to administer the IT Commodity Contracts program. It is assumed this funding would be provided by the administrative fee charged to users of the state's IT commodity contracts out of the Clearing Fund.

It is anticipated that the 21.6 FTEs identified above and \$4,012,947 for related salaries and operating costs previously funded from the Clearing Fund would be needed by DIR to administer contracts related to telecommunications, statewide technology services, and for statewide IT planning and security initiatives. It is also anticipated that these costs would be funded out of the revenues from the Telecommunications and/or Statewide Technology services. DIR may need to adjust its fees to cover these additional costs.

Sections 19 and 26: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or

outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 313 Department of Information Resources, 301 Office of the Governor

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