

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 8, 2013

TO: Honorable Gary Elkins, Chair, House Committee on Technology

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3093 by Elkins (Relating to information resources technologies of state agencies.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3093, As Introduced: a negative impact of (\$3,750,000) through the biennium ending August 31, 2015.

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
2014	(\$3,750,000)
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>DIR Clearing Fund Account - AR</i> 8122
2014	(\$3,750,000)	(\$488,178)
2015	\$0	(\$265,178)
2016	\$0	(\$265,178)
2017	\$0	(\$265,178)
2018	\$0	(\$265,178)

Fiscal Analysis

The bill would require the Department of Information Resources (DIR) to establish a method of accounting for state agency expenditures for information resources (IR) technologies, including creating common definitions for 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 IR technologies acquisition and purchased services and to 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 IR technologies within state government.

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 indentified by DIR; 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, 2014 and a final report not later than December 31, 2014. 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, 2016.

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 consultant would submit a report on the review and analysis to DIR, QAT, LBB, comptroller, governor, lieutenant governor, and the speaker and the House Technology Committee no later than December 1, 2014. This section would expire January 1, 2016.

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. A report of the findings would be provided to the governor, lieutenant governor, speaker, and House Technology Committee, not later than December 1, 2014. This section would expire January 1, 2016.

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 shared services initiatives across functional areas; 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 Library and Archives Commission; reviewing existing software maintenance contracts to identify opportunities to renegotiate pricing or service levels; and partnering with private vendors for commonly used IR technologies.

The bill would allow an agency to coordinate or participate in shared service initiatives, pilot programs and the development of the enterprise-based strategy. The bill would require DIR, QAT, the comptroller, and the LBB to work with state agencies to improve the acquisition and delivery of IR technology products and services. The bill would require DIR, in consultation with QAT and the LBB, to establish policies and standards governing the funding of major IR projects.

Methodology

DIR anticipates total costs to implement the bill would include \$4,238,178 in fiscal year 2014 and \$265,178 in each subsequent fiscal year. Of the total, \$488,178 in fiscal year 2014 and \$265,178 in each subsequent fiscal year would be funded from the Clearing Fund Account (appropriated receipts) which generates revenue from administrative fees charged to state agencies and local entities which purchase goods and services through DIR's cooperative contracts program.

The costs out of the Clearing Fund reflect: (1) \$150,000 in professional fees and services in fiscal year 2014 to develop an automated tool to streamline expenditure reporting and \$27,000 each following fiscal year for on-going maintenance of the automated tool to implement the provisions of the bill relating to establishing a method of accounting for state agencies' expenditure for IR technologies; (2) \$100,000 in professional fees and services in fiscal year 2014 related to use of independent technical staff to review all IR technologies within the state; and (3) \$238,178 in salaries and wages (including \$53,103 in benefits) and related operating costs each fiscal year for DIR to internally develop an enterprise-based strategy.

It is assumed that the remaining costs in fiscal year 2014, totaling \$3,750,000, would be funded out of General Revenue. Costs reflect \$2,250,000 in fiscal year 2014 to contract with a private vendor to implement a pilot program for application managed services for one or more state agencies 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. General Revenue costs also include \$1,500,000 in fiscal year 2014 to contract with an independent consultant for technical and financial analysis for a single consolidated state data center. The estimate is based on similar expenditures by DIR related to technical and financial reviews of data centers.

Both provisions of the bill related to the pilot program and state data center require corresponding reports to be completed by, respectively, December 31, 2014 and December 1, 2014. It is not anticipated that sufficient revenue would be generated from the Clearing Fund in the time frame required to conduct the pilot program, study and required reports.

The comptroller estimates there would be a cost associated with implementing the provisions of the bill. It is anticipated that the additional costs could be absorbed within current resources. The State Auditor's Office (SAO), LBB, Library and Archives Commission and Texas State University System indicate that any costs associated with the bill could be absorbed within existing resources.

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.

Technology

DIR indicates one-time technology costs of \$150,000 in fiscal year 2014 to develop an automated tool to streamline IR expenditure reporting by state agencies and associated ongoing maintenance costs of \$27,000 in each subsequent fiscal year.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 306 Library & Archives Commission, 308 State Auditor's Office, 313 Department of Information Resources, 758 Texas State University System

LBB Staff: UP, RB, EP, LCO