

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB1926

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Nixon

3. Committee Science and Technology

4. Title Virginia Information Technologies Agency.

5. Summary/Purpose:

Establishes the Virginia Information Technologies Agency (VITA). The agency will be responsible for establishing policy for all state agencies and for the procurement, maintenance, and administration of information technology equipment and services statewide. The agency will replace the Department of Information Technology and the Department of Technology Planning, which are abolished. The bill also (i) establishes the Technology Investment Board to advise the Secretary of Technology on matters relating to the investment and procurement of information technology and to review, prioritize, and apportion costs for projects requested by agencies and institutions of higher education, (ii) repeals the Virginia Information Providers Network Authority, and (iii) repeals the July 1, 2003, sunset for the reverse auctioning provisions of the Virginia Public Procurement Act. The bill has an emergency clause.

6. Fiscal Impact Estimates are: Preliminary (See Item 8.)

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2002-03	1,020,000		GF and NGF
2003-04	(23,440,000)		GF and NGF

7. Budget amendment necessary: No. This legislation is consistent with the Governor's introduced budget bill, HB1400.

8. Fiscal implications:

costs

This legislation is a core element of the Governor's Technology Strategic Plan. Along with its corresponding language in the budget bill, this legislation will permit the implementation of the statewide technology consolidation. The scope of this impact statement encompasses both this specific legislation, and its implied implementation of the technology strategic plan.

This plan provides an estimated \$37.4 million in savings in FY2004. The introduced budget bill (SB700) includes these savings within agencies' individual budgets. Of the \$ 37.4 million, \$23.4 million is transferred to the general fund in the introduced budget bill.

To realize these, and future savings, the administration has proposed a schedule as to when costs would be incurred for specific consolidation efforts. The following table summarizes this schedule. The first element under FY2003, VITA Consolidation Costs, is an explicit element addressed by HB1926.

Table 1.

Implementation Costs		
Implementation Elements	<i>dollars in millions</i>	
	FY2003 Cost	FY2004 Cost
FY03 Projects		
VITA Consolidation Costs	0.75	5.75
License Consolidation (Desktop & Messaging)	0.12	0.00
Telecommunications Usage Policy	0.00	0.00
COVANET Dedicated Private Lines Audit	0.15	0.00
FY03 Projects Subtotal	1.02	5.75
FY04 Projects		
Help Desk Consolidation+	0.00	5.50
License Consolidation (Servers)	0.00	3.10
Oracle Financial Application Consolidation	0.00	1.75
Disaster Recovery Services Consolidation	0.00	0.45
Centralized Access Management+	0.00	4.50
Centralized System/Network Management+	0.00	7.00
Centralized Security Device Management+	0.00	0.11
Device Hardening Standardization+	0.00	0.23
FY04 Projects Subtotal	0.00	22.64
Total Costs	1.02	28.39

+Savings generated from additional reduction in resources

savings

Before the savings to be generated by this legislation were estimated, a current baseline of state IT expenditures was obtained. All state agencies in the scope of the consolidation plan conducted a "due diligence" survey of their IT costs for FY2002. Each agency head certified his or her own agency's IT spending. These expenditures were then divided into four broad categories. Each agency's part, as a percentage of all agencies in that category, was calculated. The total FY2002 state IT spending for all in-scope agencies amounted to \$448.0 million.

Table2.

State Information Technology Spending for FY2002

Total IT Spend	FTE -State IT Employees	FTE -IT Contractor Staff	External Services*	Other IT Spend**
\$447,981,632	\$138,970,228	\$52,972,276	\$80,723,831	\$175,315,297

**External Services --- Expenditures that are non-personnel related. Examples might include licensing consolidations and centralized management of IT.*

***Other IT Savings --- Resource reductions which were non-specific in nature and not readily identifiable into the other three categories.*

An in-depth review and analysis of the state's IT functions and processes was conducted by BearingPoint Incorporated, and supervised by the Office of the Secretary of Technology. It provided an estimated aggregate savings amount for each of the four outlined expenditure categories. The study calculated that the implementation of the Secretary's technology plan would result in a total savings of \$54.0 million for the in-scope agencies. The total savings amount of \$54.0 million was further reduced by certain non-general funds and budget cuts that had subsequently been subtracted from the agencies' budgets following the due diligence survey. The revised savings amount available is \$37.4 million. The savings breakdown into the four categories and adjustment is shown below:

Table3.

Technology Strategic Plan Savings

Total IT Savings	FTE -IT State Employees	FTE -IT Contractor Staff	External Services	Other IT Savings	Adjustment for savings previously captured	Revised Savings Amount
\$54,000,000	\$10,000,000	\$25,500,000	\$10,000,000	\$8,500,000	(\$16,578,416)	\$37,421,584

9. Specific agency or political subdivision affected: All state agencies.

10. Technical amendment necessary: No.

11. Other comments: This is a companion bill to SB847.

Date: 01/15/02/MWG

Document: (DPB G:\FIS\03\MWG\HB1926.DOC)

cc: Secretary of Technology