

Department of Planning and Budget

2011 Fiscal Impact Statement

1. Bill Number: HB2375

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: O'Bannon

3. Committee: Science and Technology

4. Title: Commonwealth Information Technology Governance and Oversight; information technology project risk and complexity.

5. Summary: The bill creates the Commonwealth Project Management Standard, by which information technology projects in state agencies and most public institutions of higher education will be initiated, procured, and governed. Also, this bill clarifies the roles of the Secretary of Technology and the Chief Information Officer (CIO) in the governance and oversight of technology projects. Projects shall be approved or disapproved by either the Secretary of Technology or the CIO based on the overall cost, as well as the overall risk and complexity of the project.

6. Budget Amendment Necessary: No. Revenue appropriation projections in VITA's internal service fund supporting this activity will increase as a result of this bill, but the internal service funds are sum-sufficient in the Appropriation Act, thus avoiding the need for a budget amendment.

7. Fiscal Impact Estimates: Preliminary. See step 8 below for further details.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	(139,898)	0	GF and NGF
2013	(154,208)	0	GF and NGF
2014	(154,208)	0	GF and NGF
2015	(154,208)	0	GF and NGF
2016	(154,208)	0	GF and NGF
2017	(154,208)	0	GF and NGF

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012	139,898	ISF
2013	69,868	ISF
2014	69,868	ISF
2015	69,868	ISF
2016	69,868	ISF
2017	69,868	ISF

8. Fiscal Implications: The Virginia Information Technologies Agency (VITA) expects the bill to result in both costs and savings, with an overall savings to the Commonwealth and, specifically,

to the agencies requesting information technology projects that meet criteria requiring the projects to be reviewed by VITA. VITA will incur costs but anticipates recovering those costs via revenues from service charges to affected agencies under their internal service fund structure. These revenues are represented in step 7b above. The following paragraphs describe costs and savings in detail.

For purposes of estimating the fiscal implications of the changes proposed in HB 2375, a transition period of approximately 18 months, encompassing the remainder of the 2010-2012 biennium was assumed. The revised Commonwealth Project Management Standard will require a risk/complexity assessment process be established and VITA expects that assessment to be updated at the Investment Business Case approval, Project Initiation approval, and Detailed Plan Approval phases of every Commonwealth-level information technology project they review. There are approximately 17 “Major Information Technology Projects” (those with an estimated cost in excess of \$1 million) that have been granted approval to plan and are expected to move forward to initiation within the remainder of the biennium. Those projects have not been subjected to these risk/complexity analyses and will be required to complete an Investment Business Case and Initiation risk/complexity analysis before they can move forward. In addition, and based on the bill’s threshold (increased from \$100,000 to \$250,000) for IT projects requiring VITA’s review, there are approximately 96 projects that fall below the “Major IT Project” level requiring VITA’s review. Those projects will also be subject to the risk/complexity analysis provisions of the revised Commonwealth Project Management Standard. For purposes of this fiscal impact statement, half of these projects are expected to move forward for project initiation and thus require risk/complexity analysis.

The revised Commonwealth Project Management Standard reduces the current requirements that agencies perform an Independent Verification and Validation (IV&V) Review of a Commonwealth-level project upon the completion of Detailed Planning, and as part of the Project Closeout Phase. In place of the IV&V review at Detailed Planning, the revised Commonwealth Project Management Standard substitutes a more rigorous review of the Detailed Plan by VITA’s project management (PM) specialists. These more rigorous reviews will require an estimated increase of 20 hours per project for the Project Management Specialists to complete.

These costs are off-set by expected savings of resulting from the avoidance of 20 IV&V reviews at an estimated cost of \$20,000 per review, plus savings associated with a reduction of 20 hours of internal staff time that agencies would have dedicated to each IV&V review.

The increased cost and savings associated with implementing the changes proposed by the bill during the 18 month transition period is projected as follows:

\$132,213 Increased Costs	Total costs for PM Specialist and requesting agency staff
(\$272,111) Savings	Savings from IV&V avoidance and reduced staff time
=====	=====
(\$139,098) Overall Impact	Overall savings for FY 2012

(Note: The 18 month transition period includes 6 months of FY 2011 (VITA has begun many of the bill’s associated activities), but VITA would not be able to bill for these services until the Joint Legislative and Audit Review Commission approved*

associated service rates, and July 1, 2011, would be the earliest date that those rates could go into effect. Thus, no costs or savings are stated for FY 2011.)

In each of the fiscal years beyond FY 2012, VITA estimates 78 new projects will be proposed annually by agencies resulting in risk/complexity reviews requiring 624 VITA man-hours and 312 agency man-hours. In addition, the agency estimates 10 project change requests will be submitted requiring 10 VITA man-hours and 20 projects will reach complete Detailed Planning, requiring 400 additional VITA man-hours. Following is a summary of the estimated costs, each year, beginning FY 2013:

\$85,792 Increased Costs	Total costs for PM Specialist and requesting agency staff
(\$244,900) Savings	Savings from IV&V avoidance and reduced staff time
=====	=====
(\$154,208) Overall Impact	Overall savings (for each year beyond FY 2012 in 7a)

These costs are offset by a reduction of 12 IV&V reviews at a savings to the agencies of \$240,000, plus agency manpower savings of 96 hours and \$4,900. The net savings for each year beyond FY 2012 is estimated to be \$154,208.

It should be noted that agency projects are funded by a number of sources, including federal funds, internal service funds and the general fund. This estimate is based on project averages and the experience of the VITA Project Management Specialists. Specific savings by project and by funding category will require a more detailed and time consuming study.

Several added requirements in the bill might appear to add costs but do not as they merely reflect current practices. For example, the bill calls for VITA to establish oversight committees, enhance technology management standards, and provide a quarterly report on major IT projects, and all of these activities are already in practice, so no increased costs are incurred.

- 9. Specific Agency or Political Subdivisions Affected:** The Virginia Information Technologies Agency; All agencies with information technology projects whose estimated cost is in excess of \$250,000.

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** Man-hour expenditures are provided for both VITA and executive branch agencies. The dollar costs are attributable to the agencies, because VITA bills the agencies for the PM specialist time spent providing oversight to the projects.

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