

Joint Legislative Budget Committee - Fiscal Year 2000 and 2001 Budget - Analysis and Recommendations

DEPT: Arizona Department of Administration
 PROG: Information Services

JLBC: Lynne Smith/Pat Mah
 House: Gray

OSPB: Bret Cloninger
 Senate: Smith

DESCRIPTION	FY 1998	FY 1999	FY 2000		FY 2001	
	ACTUAL	ESTIMATE	OSPB	JLBC	OSPB	JLBC
OPERATING BUDGET						
<i>Full Time Equivalent Positions</i>	211.3	211.3	212.3	211.3	212.3	211.3
Personal Services	6,426,000	7,791,800	7,965,700	7,917,300	7,965,700	7,917,300
Employee Related Expenditures	1,325,900	1,652,000	1,645,700	1,636,500	1,697,200	1,687,800
All Other Operating Expenditures:						
Professional and Outside Services	449,700	697,000	937,800	847,000	963,000	847,000
Travel - In State	21,900	23,700	60,600	24,700	61,700	24,700
Travel - Out of State	46,200	38,100	45,100	45,100	45,100	45,100
Other Operating Expenditures	6,688,300	7,613,700	7,964,200	7,854,600	8,111,800	7,854,500
Equipment	2,138,800	0	0	0	0	0
OPERATING SUBTOTAL	17,096,800	17,816,300	18,619,100	18,325,200	18,844,500	18,376,400
SPECIAL LINE ITEMS						
Automation Equipment	3,448,700	3,553,800	3,022,000	3,022,000	4,006,700	4,006,700
Software and Licenses	313,400	2,030,500	2,681,100	2,030,500	2,926,800	2,030,500
Maintenance and Repair	676,200	1,033,300	1,342,800	1,033,300	1,447,600	1,033,300
Federal Reimbursement	2,076,900	0	0	0	0	0
PROGRAM TOTAL	23,612,000	24,433,900	25,665,000	24,411,000	27,225,600	25,446,900
BY FUND SOURCE						
Technology and Telecommunications Fund	23,612,000	24,433,900	25,665,000	24,411,000	27,225,600	25,446,900
Other Non-Appropriated Funds	6,472,800	8,577,300	8,893,200	8,893,200	9,327,600	9,327,600
TOTAL - ALL SOURCES	30,084,800	33,011,200	34,558,200	33,304,200	36,553,200	34,774,500

Program Description — *The Information Services Division operates the Data Center, which provides centralized computer services for approximately 70 state agencies, statewide emergency telecommunications services, and state agency telecommunications services.*

Change in Funding Summary	FY 1999 to FY 2000 JLBC		FY 2000 JLBC to FY 2001 JLBC	
	\$ Change	% Change	\$ Change	% Change
Other Appropriated Funds	\$(22,900)	(0.1)%	\$1,035,900	4.2%

Recommended Changes from Prior Year

		<u>FY 2000</u>	<u>FY 2001</u>
Standard Changes			
Pay Annualization	OF	\$141,300	\$ -0-
ERE Rates	OF	(31,300)	51,300
Risk Management	OF	(12,400)	
Rent	OF	47,300	(100)
Other Operating Expenditures	OF	(44,000)	-0-

The JLBC recommends a FY 2000 reduction of \$(44,000) for Other Operating Expenditures to reflect the agency's actual costs. The agency anticipates decreased costs for supplies and miscellaneous other items, mainly because

new software has provided clients the ability to print materials in-house. For FY 2001, the JLBC recommends continuing the FY 2000 level of funding. The Executive concurs with the reduction of \$(44,000) in FY 2000. However, the Executive also recommends adding \$109,600 mostly for charges related to data processing, telephone services, and printing. The FY 2000 net adjustment under the Executive recommendation is an increase of \$65,600. For FY 2001, the Executive adds \$122,700 for the same items. The JLBC does not recommend additional funding in either year given that actual FY 1998 expenditures were \$925,400 less than the FY 1999 approved amount for this expenditure.

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Automation Equipment —New

Statewide System	OF	(531,800)	984,700
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The JLBC recommends a FY 2000 reduction of \$(531,800) to reflect the elimination of one time costs for various equipment in the Automation Equipment Special Line Item. This Special Line Item consists of funding for the purchase and lease-purchase of automation equipment and improvements.

The recommendation leaves \$3,022,000, of which \$1,022,000 is for mainframe computer lease costs and various equipment, including replacing personal computers. The remaining \$2,000,000 is for implementing the Arizona Telecommunications System (ATS) project that requires approval from the Government Information Technology Agency (GITA) before the agency can proceed. The purpose of the project is to establish a centralized data transmittal and telecommunication system that is used by all state agencies for a reduction in the unit costs of delivering services. Historically, state agencies have designed and built their own system for the services. The Arizona Department of Administration (ADOA) is in the process of gathering information from state agencies to calculate the cost savings that would be generated by the project. ADOA estimates that the cost of the project over a 5-year period will be \$83,643,000, but will result in net savings to the state because of cost avoidance. The agency submitted its plan for review by GITA in December 1998. If the project is not approved by GITA, the JLBC recommends that the Legislature consider removing the funding for this project by deleting \$(2,000,000) in FY 2000 and \$(2,000,000) in FY 2001.

Because the ATS project may impact the cost of services for state agencies, the JLBC also recommends a new footnote that requires ADOA to submit a report to JLBC on the project. The report is to include an evaluation of the impact that it will have on telecommunication charges to state agencies. (*See the JLBC Recommended Footnotes later in this narrative.*)

For FY 2001, the JLBC recommends adding \$984,700 to provide for computer equipment, including lease costs and replacement equipment. The recommendation provides a total of \$4,006,700, of which \$2,000,000 is for continued funding of the ATS project. The remaining \$2,006,700 is for various equipment, including upgrading or replacing a mainframe computer, replacing personal computers, and upgrading telephone equipment at the Capitol Mall. ADOA uses its equipment to provide services to other state agencies on a cost recovery basis. The Executive concurs in FY 2000 and FY 2001.

Disaster Recovery Plan	OF	408,000	-0-
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The JLBC recommends a FY 2000 increase of \$408,000 for a recovery plan needed to ensure normal telecommunication operations in case of a disaster. Two

phases of the plan, impact analysis and strategy development, are scheduled to be completed in FY 1999. The recommended funds provide for the final phase, which is strategy implementation. This phase of the plan requires hiring consultants for input into documenting business processes, developing a written plan of action to restore identified business functions to normal operation, and testing of the plan at a selected site. A project leader also is required to keep the plan current and network with local or state units to provide backup support. The JLBC recommends that an existing staff position serve as the project leader. Under the JLBC recommendation, FY 2001 funding is the same as the FY 2000 level of funding.

GITA must approve the project before the agency can proceed. The agency is currently preparing the plan for review by GITA. If the project is not approved by GITA, the JLBC recommends that the Legislature consider removing the funding for this project by deleting \$(408,000) in FY 2000 and \$(408,000) in FY 2001. The Executive concurs with funding the issue, but at a higher amount. For FY 2000, the Executive recommends adding \$493,300 and a new FTE Position to coordinate the project. For FY 2001, the Executive recommends \$483,300, which is \$75,300 higher than the JLBC recommendation, mostly because of the new FTE Position.

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JLBC Recommended Format — Lump Sum by Fund

JLBC Recommended Footnotes

New Footnotes

The Arizona Department of Administration shall provide a report to the Joint Legislative Budget Committee Staff on the Arizona Telecommunications System by August 1, 1999. This report shall include a description of the project, an estimate of the cost in its entirety, per fiscal year, and the impact that the project will have on the telecommunications charges to state agencies.

FY 2000 Excess Balance Transfers to General Fund

Technology and Telecommunications

Fund (ADA4201)	500,000
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The JLBC recommends a one-time transfer of \$500,000 from the Technology and Telecommunications Fund to the General Fund in FY 2000. The monies in the fund are from charges to state agencies for data processing and telecommunication equipment and services. The fund is used for operating costs associated with providing data processing services; for acquiring, operating, and maintaining a central telecommunications system; and for paying costs incurred for long-distance services.

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The FY 1998 ending fund balance was \$16,876,700, including \$6,077,100 in accumulated assets. The department projects the balance to be \$8,151,600 by the end of FY 2001. The recommended transfer of \$500,000 will not interfere with the department's plan of accumulating monies in the fund to consolidate the state long distance phone lines, for economies of scale and eventual savings. This is a consolidation project that has been going on for several years, most recently under the names ATS and Education and Government Linking Electronically. The Executive does not recommend this issue.

Other Issues for Legislative Consideration

Motor Pool

The Executive recommends a FY 2000 increase of \$35,700 for a state Motor Pool rate increase. The JLBC addresses this issue in another division of the ADOA budget, rather than in this cost center. *(For additional information, please refer to the ADOA General Services cost center.)*

Professional and Outside Services

The Executive recommends adding \$55,800 in FY 2000 and another \$60,200 in FY 2001 for Professional and Outside Services. The monies are for hiring professional and data entry staff for routine work during staff vacancies and for special projects. The JLBC does not recommend this base adjustment because FY 1998 actual expenditures were \$247,300 less than the amount budgeted for FY 1999.

Travel-In State

The Executive recommends adding \$200 in FY 2000 and another \$1,100 in FY 2001 for Travel-In State. The JLBC recommends that the agency use existing resources to cover the anticipated increase.

Software and Licenses

The Executive recommends adding \$650,600 in FY 2000 and another \$245,700 in FY 2001 in the Software and Licenses Special Line Item. Because the agency could not tie the additional expenditures to a specific project nor need, the JLBC does not recommend the additional funding. Funding in this Special Line Item is for computer software licensing and vendor support costs.

Maintenance and Repair

The Executive recommends adding \$309,500 in FY 2000 and another \$104,800 in FY 2001 in the Maintenance and Repair Special Line Item. Because the agency could not tie the additional expenditures to a specific project nor need, the JLBC does not recommend the increase in funding. Funding in this Special Line Item is for computer maintenance and repair costs, which consist mainly of outside maintenance contracts.

Performance Measures	FY 1997	FY 1998	FY 1999	FY 2000
	Actual	Actual	Estimate	Estimate
Customer satisfaction rating for mainframe services based on annual survey (Scale 1-8)	5.68	5.45	6.0	6.2
Percent of customers upgraded to be Year 2000 compliant	N/A	30%	95%	100%
Customer satisfaction rating internet services (Scale 1-8)	N/A	6.0	6.5	6.6
Customer satisfaction rating for security services (Scale 1-8)	N/A	N/A	6.5	6.7
Customer satisfaction rating for Business and Finance Services (Scale 1-8)	N/A	N/A	7.0	7.2

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