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FISCAL IMPACT REPORT

ORIGINAL DATE 02/15/12

SPONSOR Eichenberg LAST UPDATED _____ HB _____

SHORT TITLE Dept. of Info. Technology in GSD SB 213

ANALYST Hoffmann

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY12	FY13		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
DoIT	NA	(\$284.7)	NA	NA	Recurring	General Fund
DoIT	NA	(\$55,949.2)	NA	NA	Recurring	Other State Funds
GSD	NA	\$284.7	\$284.7	*See Fiscal Impact	Recurring	General Fund
GSD	NA	\$55,949.2	\$55,949.2	*See Fiscal Impact	Recurring	Other State Funds
Total	NA	\$0	Transfers Appropriation	*See Fiscal Impact		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Corrections Department (NMCD)

No Response Received From
Department of Finance and Administration (DFA)
General Services Department (GSD)
Department of Information Technology (DoIT)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 213 (SB213) would create the Information Technology Division within the General Services Department by moving the existing Department of Information Technology (DoIT) into the new division. Sections 9-27-1 through 9-27-6, and 9-27-8 through 9-27-10 NMSA 1978 (the *Department of Information Technology Act*) would be repealed.

Section 9-27-7 NMSA 1978, the creation of the Information Technology Rate Committee would be amended to correct organizational references. All other references remaining in the *Information Technology Act* would also be amended to correct references.

The statute creating the (DoIT) would be repealed.

The bill would also create the State Printing and Graphics Division from the current office.

FISCAL IMPLICATIONS

A recent analysis of the impact of this bill included the following information based on FY12 data.

*The bill does not include an appropriation; however it transfers the functions, appropriations, property, furniture, equipment and other agency owned possessions to GSD. There does not appear to be an immediate fiscal impact, however costs relating to the transfer of administrative functions including personnel, billing, and accounting may be significant.

SIGNIFICANT ISSUES

A brief history of the DoIT is as follows.

The 2003 Governor's Performance Review recommended DoIT's creation by merging the Office of the Chief Information Officer and the General Services Department information systems and communications divisions as a way to provide useful, quality and cost effective IT services. The review recommended an expansion of services to include uniform standards and policies and project management, security, disaster recovery, and infrastructure and strategic planning.

In 2006 the Legislative Finance Committee Program Evaluators conducted a review of IT consolidation efforts led by the General Services Department. The review found that data center consolidation efforts were posing a single point of failure for state agencies since GSD had not upgraded the state's data center before requiring agencies to relocate mission-critical equipment to the data center. Additionally, GSD did not strategically plan IT consolidation nor did it align it or any of the initiatives with industry standards. The review also found that GSD eliminated the equipment replacement funds leading to GSD's inability to replace aging equipment, the equipment deteriorating to the brink of a major failure, and the funds being used for purposes other than those for which the fund was created.

The review also reported that GSD had not developed or published communication rates for over four years making it difficult for agencies to properly plan for the following year's budget

request. Additionally, GSD implemented the fiscal year 2008 IT and communications rates in fiscal year 2007 in an attempt to recover some of its operating losses from under-billing and causing agencies to experience unexpected increases in rates. This unilateral action by GSD was the impetus for creating the rate committee which would not allow rate increases without approval.

In July 2007, Section 9-27-1 NMSA 1978 (the DoIT Act) created the DoIT as the executive branch department responsible for streamlining and improving information technology systems. The DoIT Act followed the 2003 recommendation and merged the Office of the Chief Information Officer and the General Services Department Information Systems and Communications divisions, Radio Communications and Telecommunications bureaus. By law, DoIT has three authorized programs: Program Support, Enterprise Services, and Compliance and Project Management.

Executive Order 2008-11 gave DoIT consolidation authority and requires it to continue consolidation activities to better serve citizens, improve IT programs, reduce or eliminate duplication, manage IT investments, secure data and mitigate risks.

The Administrative Office of the Courts provided the following:

Aside from possible costs associated with transferring all information technology functions back to GSD, there are other reasons why such a change should be very carefully considered. Many states have moved information technology (IT) functions from centralized general services departments to dedicated information technology departments due to the increasing complexity and expense of information technologies that all states rely upon to deliver state services. In New Mexico, information technology complexity has multiplied exponentially since GSD was created as the State's arm for management of delivery of State services. Because of this increase in complexity, the current trend among states is to create and support cabinet level technology departments to ensure that IT is appropriately managed and state chief executives have direct advice and contact, through a cabinet level executive, to important state IT service delivery functions.

ADMINISTRATIVE IMPLICATIONS

There will be a transition period where some staff may be unclear of roles and responsibilities. DoIT will coordinate and work with GSD to address any administrative impact and enable transfer of services with minimal impact on services.

OTHER SUBSTANTIVE ISSUES

DoIT operates internal service programs that charge fees to other state agencies for information technology and telecommunication services and use of the Statewide Human Resource, Accounting and Management Reporting System (SHARE). DoIT is required to comply with federal Office of Management and Budget's Circular A-87, which provides guidelines for the recovery of indirect costs including depreciation and amortization of equipment involved in providing DoIT services.

Prior to the creation of DoIT, depreciation and amortization expenses recovered through rates

were spent on operating costs rather than on equipment replacement. As a result, DoIT was unable to replace aging infrastructure and equipment. In response, DoIT developed a three-year plan to replenish the equipment replacement fund, started in FY09. Initially, this plan sought additional revenue in the form of supplemental and special appropriations. However, in FY10 DoIT was able to reduce its internal operating costs and transfer savings totaling \$5.4 million to the equipment replacement fund.

CH/lj