

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website (legis.state.nm.us). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

**ORIGINAL DATE** 02/24/11

**SPONSOR** Bandy **LAST UPDATED** \_\_\_\_\_ **HB** 547

**SHORT TITLE** Transfer Dept. of Information Technology to GSD **SB** \_\_\_\_\_

**ANALYST** Archuleta/Sanchez, A.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

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

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Administrative Office of the Courts (AOC)  
 General Services Department (GSD)  
 Department of Information Technology (DoIT)  
 Department of Game and Fish (DGF)  
 New Mexico Corrections Department (NMCD)  
 Department of Public Safety (DPS)  
 Public Education Department (PED)

#### No Responses Received From

Department of Finance and Administration (DFA)  
 Public Regulation Commission (PRC)  
 Department of Health (DOH)

### SUMMARY

#### Synopsis of Bill

House Bill 547 proposes to eliminate the Department of Information Technology (DoIT) and transfer its functions to the General Services Department (GSD). The bill also delineates the duties and general powers of what would now be called the information technology division.

## **FISCAL IMPLICATIONS**

\*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**

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.

Under DoIT's authority, the state data center has been upgraded and updated to accommodate state agency needs, a continuity site for state-owned applications has been established in Albuquerque to use as a primary site or a back-up and disaster recovery site. DoIT has worked with agencies to gain support for IT initiatives important to the agencies and the state, including

consolidation of IT infrastructure-related services. Although the effort to consolidate IT infrastructure-related services such as desktop support or data center consolidation is not popular with state agencies since it will diminish their IT footprint, the move is a positive one for the state since consolidation has the potential to reduce the cost of IT, provide broader IT support, or both.

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.

#### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

HB 66 is in conflict with this bill which would make GSD a non-cabinet agency.

#### **TECHNICAL ISSUES**

DoIT suggests that the provision for a State Chief Information Technology Officer (CIO) should be clarified to avoid unnecessary transition inefficiencies and to mitigate performance impact. In that same vein, roles and responsibilities need to be clearly defined in relationship to the GSD Secretary, the Information Technology Division Director, the State CIO.

Certain sections from the current Department of Information Technology Act, such as Section 9-27-3, 'State information architecture' and 'state information technology strategic plan' are referenced but not defined in the bill.

The 'information technology rate committee' is referenced on Page 4 lines 5 and 6. Although, the bill repeals Section 9-27-7 of the Department of Information Technology Act. The provisions of the information technology rate committee membership and duties are not addressed in the bill.

The bill does not address Section 9-27-20 of the Information Technology Act (Telecommunication; duties).

**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.

DoIT was recently awarded a \$39 million grant from the U.S. Department of Commerce National Telecommunications Information Administration to upgrade the state's 99 radio communication sites that provide service to public safety agencies, including the Department of Public Safety, Department of Game and Fish, and Department of Transportation. Also, DoIT received a \$2.9 million grant to expand broadband services across the state.

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

DoIT will continue as the central enterprise IT service provider.

DA/svb