



Oregon

John A. Kitzhaber, MD, Governor

Department of Administrative Services

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January 24, 2014

The Honorable Richard Devlin, Co-Chair
The Honorable Peter Buckley, Co-Chair
Joint Interim Committee on Ways and Means
H-178 State Capitol
Salem, OR 97301

Dear Co-Chair Devlin, Co-Chair Buckley and Committee members:

Nature of the Request

The Department of Administrative Services (DAS) respectfully submits this letter requesting an increase to Other Funds expenditure limitation for Enterprise Technology Services (ETS) in the amount of \$17,121,497 and 18.5 permanent Full Time Employees (FTE). This increase in limitation and position authority is requested to enable ETS to meet both anticipated and projected increases in demand for technology services from state agencies and local governments.

Agency Action

DAS ETS has provided the Enterprise Applications and Information Technology infrastructure and contracts for procurement of most IT hardware, software and services for state agencies and local government since January 2007.

In preparation for the 2013 - 2015 budget, agencies projected their known needs for technology capacity, and the ETS Agency Request Budget included limitation to provide that service. The Legislative Approved Budget provided limitation for only a portion of the projected needs (Package 111 at \$2 million, 10 temporary FTE), with the expectation that the Department would return in February with a request based on updated projections and actual expenditures.

Customers have requested and are using technology capacity to deliver state services above what the current DAS limitation can accommodate. The hardware and software required to support agencies from July-December 2013 has exceeded \$1.3 million to date and is projected to have a total limitation requirement of \$7.7 million. This pattern for increased technology usage has occurred over the last three biennia, but to a large extent was accommodated by the benefits of consolidation and standardization.

For the 2013-2015 biennium, projections for known projects were underestimated, unanticipated emergency technology requests need to be accommodated, and the DAS ETS companion Policy Options Packages for approved agency projects and growth were limited and cannot meet agency requirements.

Following are some examples of increased demand, additional requests for service and companion packages not approved in the ETS budget:

- The Department of Revenue received approval to replace their core systems, but the companion package for ETS was not included in the DAS Legislatively Adopted Budget;
- The Department of Human Services (DHS) and Oregon Health Authority needed unanticipated ETS support for Cover Oregon;
- Newly requested applications, such as enterprise email, online time, epaystub, and DHS Modernization were requested after the budget was approved and the development, support, and maintenance required to operate those applications were not included in the budgeted limitation;
- Existing customers identified new services needed, and new state agency and local government customers such as Secretary of State, Salem Keizer School District and Baker County needed technology.

The limitation need for growth and new requirements is \$7,692,987.

Not all technology needs are provided directly by ETS. Direct pass-through technology services are ordered from a vendor via a DAS contract, and ETS passes the vendor charges directly back to the customer on a dollar-for-dollar basis. Agencies have identified additional pass-through needs, for which they have resources available, of \$8,016,346 above the ETS budgeted limitation for direct pass-through technology services.

Finally, ETS has identified a need to increase the number of authorized positions to provide ongoing support, development and maintenance of the applications, hardware and software requested by customer agencies and local governments. The total cost for these positions is \$3,412,164 and an increase to the rates for those agencies will be necessary for a portion of that amount.

The following table summarizes the component needs and total net request to accommodate agency growth and project support:

Category	Amount	Limitation Only?	FTE
Technology Growth – Projects and increased agency consumption	\$7,692,987	Yes	4
Agency Technology Direct Pass-through	\$8,016,346	Yes	0
Growth Support Staff	\$3,412,164	No -partial rate increase	24.5
Subtotal	\$19,121,497		28.5
Limitation provided in Package 111	\$2,000,000		10 temporary positions
Total Request	\$17,121,497		18.5

Full details are provided in documents accompanying this letter.

Action Requested

The Department of Administrative Services respectfully requests an increase to the Other Funds Limitation for Enterprise Technology Services of \$17,121,497 and 19POS/18.50 FTE.

Legislation Affected

Chapter Law 627, Section 02(5), Oregon Laws 2013

Sincerely,

A handwritten signature in black ink that reads "Michael Jordan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael Jordan, COO
DAS Director

cc: Paul Siebert, Legislative Fiscal Office

ETS 2013/15 Budget vs Requirement

	Request	Funded	Unfunded	Notes
Agency Projects and Other Growth				
A.	DAS HRIS	\$0	(\$300,000)	Limitation only request with no rate impact, expenses will be covered via additional purchases by agency of billable units.
B.	DHS Modernization	\$0	(\$800,000)	Limitation only request with no rate impact, expenses will be covered via additional purchases by agency of billable units.
C.	DHS BHIP Disaster Recovery	\$0	(\$1,000,000)	Limitation only request with no rate impact, expenses will be covered via additional purchases by agency of billable units.
D.	DOR TAPR	\$0	(\$1,000,000)	Limitation only request with no rate impact, expenses will be covered via additional purchases by agency of billable units.
E.	New Agency Projects and other Agency Consumption not Identified during 2013/15 Budget Process	\$0	(\$3,070,260)	Limitation only request with no rate impact. Hardware and software required to support other agency projects and growth in consumption
F.	Enterprise Email and Active Directory	\$0	(\$1,522,727)	Limitation only request with no rate impact. Funding covers on-going operational expenses for email users 1-10,000 and implementation and operational expenses for users 10,001-20,000 including 4 FTE
G.	Mainframe	\$2,666,437	\$0	No additional funding requested and no additional rate impact. Rate impact already included in current rate. Limitation increase granted via POP 107
Subtotal of Projected Hardware, Software and Maintenance Expense for 2013/15		\$2,666,437	(\$7,692,987)	
H.	Additional positions to support growth	\$0	(\$1,384,091)	Limitation only request with no rate impact. 16 FTE total required to support past and current agency projects and other agency consumption. 10 were approved in POP 111 and another 6 are needed.
I.	Applications and Infrastructure Staff	\$0	(\$2,028,073)	Limitation need with rate impact in 2013/15. 8.5 permanent FTE for on-going maintenance of applications and infrastructure for projects completed in 2011/13 that are currently limited duration or temporary staff
Subtotal of Projected Hardware, Software and Maintenance Expense for 2013/15		\$0	(\$3,412,164)	
Pass-through				
J.	Agency purchases	\$34,300,982	(\$8,016,346)	Limitation only request with no rate impact. These are costs for agency purchases which DAS has no control over, that are paid for by ETS and then billed back to the agency on a dollar for dollar basis but utilizes ETS limitation
Budgetary Request Total				
Sub Total Required			(\$19,121,497)	\$10,185,041 of total will have a rate impact on agencies \$15,093,424 of total is limitation only and will be covered by agencies purchasing more billable units of network, storage, computing or billable labor
Minus Pop 111			\$2,000,000	
Total Unfunded			(\$17,121,497)	
FTE			18.5	