



Information Technology 2015-17 Fiscal Biennium Budget Highlights

Fiscal Brief

October 26, 2015

The North Carolina General Assembly House Appropriations Subcommittee on Information Technology (IT Subcommittee) and the Senate Committee on Appropriations/Base Budget develop and recommend the budget for the Department of Information Technology (DIT). They also develop and recommend funding for enterprise, or statewide, information technology requirements. Three funds are included: the IT Fund, which funds the operations within the Department of Information Technology and statewide projects; the IT Internal Service Fund, which funds DIT services using agency receipts; and the IT Reserve, which funds IT improvements.

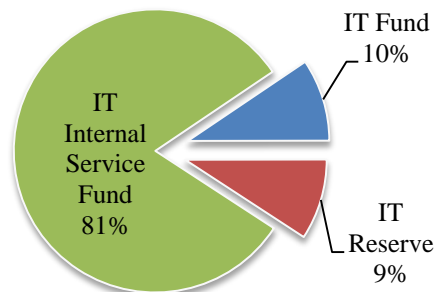
	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Beginning Fund Balance	21,692,176	47,584,507	35,671,621	35,671,621
Requirements	208,062,144	239,835,301	230,385,565	232,002,697
Receipts	233,954,475	227,922,415	230,386,565	232,002,697
Ending Fund Balance	\$47,584,507	\$35,671,621	\$35,672,621	\$35,671,621
Positions (FTE)	562.0	582.7	582.3	583.7

1 Fund level budget and FTE information is provided at the end of this brief.

Budget Overview

The enacted FY 2015-16 budget for statewide IT requirements is \$230 million. This is an increase of 5% from the FY 2015-16 base budget. The IT budget funds 582.3 full-time equivalent positions (FTE). The chart below shows the IT budget by fund.

Information Technology Appropriations FY 2015-2016 \$231 Million



S.L. 2015-241, 2015 Appropriations Act (H.B. 97), as amended by S.L. 2015-268, General Government Technical Corrections (H.B. 259) and S.L. 2015-264, GSC Technical Corrections 2015 (S.B. 119) appropriates \$230 million for statewide information technology. This includes \$21.8 million for the IT Fund, \$188 million for the IT Internal Service Fund, and \$21.3 million for the IT Reserve. Legislative adjustments to the FY 2015-16 IT Fund decrease spending by \$2.4 million, or 10%. DIT estimates receipts to the IT Internal Service Fund of \$187 million. The receipt limit for the IT Internal Service Fund is set at \$188 million, a reduction of \$7 million, or 3.7%. To ensure that payments to DIT do not exceed the amount agencies have budgeted, receipts to the IT Internal Service Fund cannot exceed the \$188 million limit without consultation with the Joint Legislative Commission on Governmental Operations. Spending in the IT Reserve Fund, which is used to improve information technology infrastructure and security, is increased by \$2.5 million or 13%.



The Legislative budget process focused primarily on the following major areas:

- Consolidation
- Budgeting
- Standardization
- Transparency
- Data Security
- Business Development

This Fiscal Brief provides a summary of the adjusted FY 2015-17 budget for IT.

Consolidation

Department of Information Technology

The budget establishes a new Department of Information Technology (DIT) to begin the process of consolidating IT functions. DIT, headed by the State Chief Information Officer (CIO), will support State agencies, and as required, to local entities. Funded through the IT Fund, IT Reserve, and IT Internal Service Fund, DIT's powers and duties will include:

- Overall IT management
- Planning
- Standards
- Security
- Funding
- Procurement
- Project management
- Human resources
- Data management

State agencies will fall into one of two categories, separate agencies and participating agencies. Separate agencies will maintain responsibility for their IT operations and assets, with support from DIT. Once planning is completed, participating agencies will transfer IT assets to the Department. These agencies include:

- Department of Administration
- Department of Commerce
- Department of Environmental Quality
- Department of Health and Human Services
- Department of Military and Veterans Affairs
- Department of Natural and Cultural Resources
- Department of Revenue
- Department of Transportation
- Office of the Governor

- Office of State Budget and Management
- Office of the State Controller

The North Carolina General Assembly, the Administrative Office of the Courts, and the University of North Carolina will continue to be exempt (G.S. 143B-1300(b)).

Data Centers

The State CIO is required to create an inventory of executive branch data center operations, and to develop and implement a detailed, written plan for agency data center consolidation. The plan is due to the Joint Legislative Oversight Committee on Information Technology by December 1, 2015, and the State CIO is to report on the number of physical servers eliminated by May 1, 2016.

Budgeting

State IT Budgeting

DIT is required to work with the Office of State Budget and Management (OSBM), the Office of the State Controller (OSC), and participating agencies to institute a process to manage IT funding. This will include determining what funding will be managed by State agencies and what will be transferred to DIT. By January 1, 2016, DIT and the Office of State Budget and Management are required to report to the Joint Legislative Oversight Committee on Information Technology on the development of an IT budgeting process, as well as anticipated cost savings resulting from the creation of DIT.

Utility-Based Computing

Utility-based computing refers to the process of providing computing service through an on-demand, pay-per-use billing method, and metering the offered services. S.L. 2015-241 requires DIT to study the use of and cost savings from utility-based computing and to report the results of the study to the Joint Legislative Oversight Committee on Information Technology by April 1, 2016.

Standardization

S.L. 2015-241 includes requirements to standardize IT operations and systems in the State. This includes the development of an enterprise architecture, as well as



statewide programs for Enterprise Resource Planning, Electronic Forms, and Enterprise Active Directory.

Enterprise Architecture

An information technology architecture is the product developed by incorporating information technology specifications, models, and guidelines with business requirements. It is based on an organized set of consensus decisions on policies and principles, services and common solutions, and standards and guidelines. DIT is required to develop an enterprise IT architecture for State government, which is to be provided to the Joint Legislative Oversight Committee on Information Technology and incorporated into the biennial State Information Technology Plan.

Enterprise Resource Planning

An Enterprise Resource Planning (ERP) System is intended to integrate all of the business functions of an organization in one software system. In coordination with OSC and OSBM, S.L. 2015-241 directs DIT to establish a program to plan, develop, and implement an ERP system. During FY 2015-16, DIT is to issue a request for information (RFI) and coordinate demonstrations to determine the options available for an ERP system. The following year, subject to the availability of funds, DIT is to issue requests for proposal (RFP) to begin the development and implementation of a system. Quarterly reports are required to the Joint Legislative Oversight Committee on Information Technology on the status of the program.

Electronic Forms and Digital Signatures

An electronic form (e form) is a digital version of a paper form. A digital signature is an electronic signature that can be used to authenticate the identity of the sender of a message or the signer of a document. S.L. 2015-241 requires the State CIO to implement a digital forms program for State agencies that will include electronic review, submission, maintenance, and disclosure. The State CIO is to provide an implementation plan to the Joint Legislative Oversight Committee on Information Technology by January 1, 2016.

Enterprise Active Directory

Active Directory (AD) is a Windows operating system (OS) directory service that allows interconnected,

complex and different network resources to work together. S.L. 2015-241 requires principal departments, unless exempted by the Governor, to use the DIT enterprise Active Directory service by July 1, 2016.

Government Data Analytics Center (GDAC)

The Government Data Analytics Center is responsible for enterprise business intelligence in the State. Business intelligence (BI) is an umbrella term that refers to a variety of software applications used to analyze an organization's raw data. The State has been engaged in a number of data integration projects and is now expanding its BI efforts to develop an enterprise BI capability incorporating current and future initiatives. The program, which includes all State agencies, departments, and institutions, is implemented through the GDAC. For FY 2015-16, the General Assembly added \$8.1 million in recurring funding to the IT Reserve to ensure that the program has sufficient support.

Transparency

Performance Measures

S.L. 2015-241 requires the State CIO to establish performance measures for each DIT function by January 1, 2016. These performance measures are to be posted on the agency website and updated monthly.

Governmental Budgetary Transparency

In coordination with OSC and OSBM, the State CIO is required to establish a State budget transparency website that will provide information on State and local government budgets and spending. The IT Reserve includes \$814,000 in FY 2015-16 to develop and implement the website, which is to be fully functional by April 1, 2016.

Data Security

Two-Factor Authentication

Two-factor authentication provides identification of users by means of the combination of two different components. These components may be something that the user knows, such as a password; something that the user possesses, such as a key; or something that is inseparable from the user, such as a fingerprint. In consultation with the Criminal Justice Information



Network (CJIN) Board, the State CIO is required to develop and implement a standardized, statewide two-factor authentication system. By January 15, 2016, the State CIO is to provide the plan to the Joint Legislative Oversight Committee on Information Technology.

Data Security Study

Potential breaches and the associated liability have become significant issues for State agencies and private vendors holding citizen data. The Ponemon Institute, an IT research firm, estimates the average cost of a data breach at \$194 per compromised record. With a population of close to 10 million, a data breach in North Carolina could have a considerable financial impact on the State, as well as private vendors hosting citizen data.

In an effort to develop some solutions for data breach issues, the Joint Legislative Oversight Committee on Information Technology is directed to study liability issues associated with data security in both the public and private sectors. The Committee is to report its findings and recommendations to the General Assembly by April 1, 2016.

Business Development

Economic Modeling

S.L. 2015-241 appropriates \$500,000 in each year of the biennium for the University of North Carolina at Charlotte (UNC-Charlotte) to develop an economic modeling capability to support the efforts of State agencies working to create economic development and growth opportunities for the State. By January 15, 2016, UNC-Charlotte is to report to the Joint Legislative Oversight Committee on Information Technology on the status of the initiative.

Business Website

In coordination with the appropriate State agencies, the State CIO is required to develop and implement a plan to establish a website to allow the completion of business transactions electronically and to provide access to all information and services required to facilitate the operation of businesses within the State. The report is due to the Joint Legislative Oversight Committee on Information Technology by March 1, 2016.

For additional information, please contact:

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Actual and Certified Expenditures and Receipts by Fund

IT Fund

	Actual FY 2013-14	Actual FY 2014-15 ¹	Enacted FY 201-16	Enacted FY 2016-17
Beginning Fund Balance	159,681	21,787,981	11,154,563	11,154,563
Requirements	16,731,384	41,984,667	21,755,191	21,681,854
Receipts	18,781,668	31,351,249	21,755,191	21,681,854
Ending Fund Balance	\$2,209,965	\$11,154,563	\$11,154,563	\$11,154,563
Positions (FTE)	31.0	89.8	89.8	89.8

IT Reserve

	Actual FY 2013-14	Actual FY 2014-15 ¹	Enacted FY 2015-16	Enacted FY 2016-17
Beginning Fund Balance	0	0	0	0
Requirements	5,502,318	0	21,320,843	21,320,843
Receipts	25,080,334	0	21,320,843	21,320,843
Ending Fund Balance	\$19,578,016	\$0	\$0	\$0
Positions (FTE)	-	-	17.6	20.0

IT Internal Service Fund

	Actual FY 2013-14	Actual FY 2014-15	Enacted FY 2015-16	Enacted FY 2016-17
Beginning Fund Balance	21,532,495	25,796,526	24,517,058	24,517,058
Requirements ²	185,828,442	197,850,634	187,309,531	189,000,000
Receipts ³	190,092,473	196,571,166	187,309,531	189,000,000
Ending Fund Balance	\$25,796,526	\$24,517,058	\$24,517,058	\$24,517,058
Positions (FTE)	531.0	482.9	474.9	473.9

¹ For FY 2015-16, Office of Information Technology Services commingled IT Reserve and IT Fund.

² Requirements include liability and equity.

³ Receipts include assets.



Legislative Changes in FTE, FY 2015-16

	Vacant	Filled	Receipts	New	Transfers	Net Change
Information Technology						
IT Fund	9.0	80.8	-	-	-	-
IT Reserve	-	-	-	6.0	11.6	-
IT Internal Service Fund	37.0	445.9	-	-	(8.0)	-
Information Technology	46.0	526.7	-	6.0	3.6	582.3