



# Information Technology FY 2011-13 Budget Highlights

Fiscal Brief

February 2012

The North Carolina General Assembly House and Senate Appropriations Committees determine the budget for Statewide, or enterprise, information technology funding. This includes funding for the Office of the State Chief Information Officer (CIO), the Office of Information Technology Services (ITS), and projects or other requirements that are considered enterprise efforts.

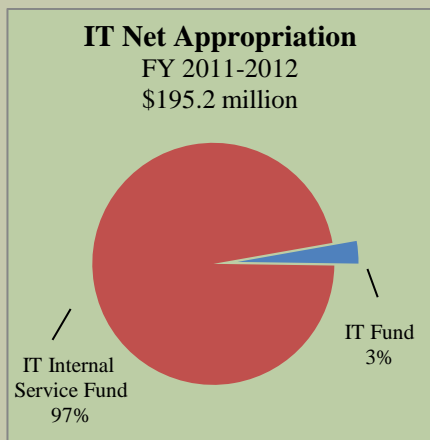
### Actual and Budgeted Expenditures and Receipts<sup>1</sup>

	<u>Actual FY 2009-10</u>	<u>Actual FY 2010-11</u>	<u>Budgeted FY 2011-12</u>	<u>Budgeted FY 2012-13</u>
<b>Expenditures</b>	203,095,063	200,156,149	195,275,142	196,183,142
<b>Less: Receipts</b>	199,205,701	206,774,308	195,275,142	196,183,142
<b>Net</b>	\$3,889,362	(\$6,618,159)	\$0	\$0
<b>Positions (FTE)</b>	627.0	628.0	563.0	563.0

<sup>1</sup> Department or Division level budget and FTE information is provided in tables at the end of this budget brief.

### Budget Overview

The FY 2011-12 budget for Statewide Information Technology is \$195.3 million. This includes \$190 million for the Information Technology Internal Service Fund, which is funded through receipts from agencies receiving IT support from the Office of Information Technology Services. The remaining \$5.3 million is appropriated for the Information Technology Fund, which is intended to support Statewide IT operations and projects.



### Information Technology Funding

S.L. 2011-145, Appropriations Act of 2011 (H.B. 200), as amended by S.L. 2011-391, 2011 Budget Technical Corrections (H.B. 22), appropriates \$195.3 million for Statewide information technology requirements. This includes appropriations for both the Information Technology (IT) Fund and the IT Internal Service Fund. The Information Technology Fund, which funds Statewide IT operations and projects, is reduced by 41.8 percent from the FY 2010-11 Continuation Budget to \$5.2 million for FY 2011-12. Receipts from agencies for the IT Internal Service Fund cannot exceed \$190 million, excluding a 60-day balance for contingencies. This is a 24.3 percent reduction from the certified budget for FY 2010-11. This reduction is based on Office of Information Technology Services (ITS) budget estimates for FY 2011-12 and previous years' actual expenditures. The rates set to support the IT Internal Service Fund are to be adjusted to reflect this limit, and by FY 2012-13, the rates must accurately reflect support for a specific service. Any overhead charges are to be consistently applied and cannot exceed industry standards. Funding for the Statewide Information Technology Procurement Office will be generated through a fee

charged to agencies using its services, which allowed for a \$500,000 reduction to the IT Fund. The Office of the State Chief Information Officer (CIO) is to provide a fee schedule to the Office of State Budget and Management.

A total of 66 out of 627 positions in the Office of the State SCIO and the Office of Information Technology Services are eliminated. Of these, 61 positions were paid for by the Internal Service Fund, and five were supported by the IT Fund. Two positions supporting the Criminal Justice Information Network were transferred from the Department of Crime Control and Public Safety.

This year's budget focused on Statewide operations, evaluation of State information technology operations, and information technology project oversight. Consolidation and privatization requirements were included, along with funding for a General Assembly study of State information technology. Enterprise-level projects are continued, including the Criminal Justice Law Enforcement Automated Data Services (CJLEADS) and an electronic forms and digital signatures effort. New projects initiated include an enterprise fraud detection capability. The Division of Motor Vehicles is given the authority to begin replacement of begin the replacement of both the State Titling and Registration System (STARS) and the State Automated Driver License System (SADLS).

### **Statewide Operations**

#### *Consolidation*

The State's IT consolidation effort continues in this year's budget. The State CIO is to provide a detailed plan for consolidating both applications and infrastructure to the General Assembly by February 1, 2012. The Office of the State CIO is also to plan and implement an enterprise grants management system, creating a single source for information on all grants. The Department of Health and Human Services is to develop a plan for implementing a single case management system during FY 2012-13.

#### *Privatization*

Privatization is a term used to refer to State efforts to outsource IT functions to save money, increase efficiencies, or mitigate risk. The Office of the State CIO conducted an Infrastructure Study and Assessment (INSA) to determine how the Office of Information Technology Services compared to other IT operations for both cost and service. Based on the

study, the vendor recommended outsourcing mainframe and wide area network operations. Prior to implementing the study recommendations, the General Assembly is requiring the State CIO to develop a detailed plan for implementation that includes costs, a timeline, risks, security issues, and the impact on State employees. The State CIO is also required to have a plan in place to return the function to State control in the event privatization does not produce anticipated savings or meet required service levels. The State CIO may only privatize functions where verifiable market data shows cost savings to the State.

### **Evaluation of State Information Technology Operations**

The General Assembly is authorized to conduct a detailed, comprehensive evaluation of information technology operations, infrastructure, systems, ongoing projects, and applications within State government. An advisory committee of subject matter experts may be established to provide advice and assistance during the evaluation. The study is authorized to be conducted over two years, with \$2 million appropriated for FY 2011-12 and \$3 million in FY 2012-13.

### **Information Technology Project Oversight**

S.L. 2011-145, Appropriations Act of 2011 (H.B. 200), as amended by S.L. 2011-391, 2011 Budget Technical Corrections (H.B. 22), continues a number of ongoing IT projects and directs the initiation of three new projects: an enterprise-level automated fraud detection project to be developed by the Office of the State Controller, and a new State Titling and Registration System (STARS) and State Automated Driver License System (SADLS), both to be developed by the Department of Transportation Division of Motor Vehicles.

#### *Criminal Justice Law Enforcement Automated Data Services*

Criminal Justice Law Enforcement Automated Data Services (CJLEADS) is a program designed to integrate data found within the State's various criminal justice applications and to provide up-to-date criminal information in a centralized location via a secure connection for use by State and local government criminal justice professionals. It is part of the State's ongoing data integration effort, which is managed by the Office of the State Controller. Development and implementation of CJLEADS is continued, but the

Governor's proposal for a \$2.4 million expansion was eliminated. (See General Government Fiscal Brief for budget detail.) The Office of the State Controller (OSC) is to provide the General Assembly with recommendations on where the system should be managed and hosted, once it is fully implemented.

#### *Tax Information Management System*

The Tax Information Management System (TIMS) is a new system that the Department of Revenue is developing to replace and upgrade its current tax system. TIMS is intended to support the Department's operations and improve the public's access to tax information and support. It is funded through a public-private partnership. The contractor is reimbursed based on the amount of revenue realized in excess of what the old system would have provided.

#### *Enterprise Fraud Detection*

As part of the State's ongoing data integration effort, the General Assembly included funding for an enterprise fraud detection system to be developed and implemented by the Office of the State Controller. Fraud detection using analytical software has become more and more prevalent, both in government and in the private sector. With increasingly sophisticated methods for committing fraud, and the ability of perpetrators to test a system to determine the criteria a company uses to look for suspicious activity, finding fraud has become more difficult. Human auditors are extremely limited because of time and resource constraints and may miss potential fraud. An automated system can monitor all of the transactions taking place. These continuous controls help detect and prevent fraud and misuse. The systems can even identify potential instances of fraud before the organization pays for a service, allowing for review of the transaction, and eliminating the need to try to recover funds already paid out. North Carolina's system will be used to detect fraud, waste, and improper payments across State agencies, allowing agencies to recover improper payments, or identify them before they occur. To support this effort, a total of \$8 million is appropriated, \$1 million in FY 2011-12 and \$7 million in FY 2012-13.

#### *Electronic Forms and Digital Signatures*

Responsibility for development and implementation of an electronic forms and digital signatures capability is transferred from the Office of the State Chief Information Officer to the Office of the State Controller. The Office of the State Controller has an

appropriation of \$500,000 from the IT Fund to support the effort.

#### *North Carolina Integrated Budget Information System*

The Office of State Budget and Management (OSBM) is developing the North Carolina Integrated Budget Information System (NC IBIS). (See General Government Fiscal Brief for budget detail.) This is intended to be a centralized, web-based solution for North Carolina state government budgeting and performance management. NC IBIS will replace and will consolidate information from systems and spreadsheets currently used by OSBM. OSBM is required to create and provide to the General Assembly a plan for the project development and implementation and to report on a monthly basis.

#### *Statewide Portal*

The Department of Administration is given the authority to implement and operate a Statewide portal. A Web portal or public portal refers to a Web site that provides links to information and other Web sites, and may include other services, such as search engines. Funding to support portal development and operation is to be generated by fees charged for selected of the services. Prior to implementation, the Department must provide a detailed plan to the General Assembly that includes a funding model. Fees collected by the portal are subject to the approval of the General Assembly.

#### *Division of Motor Vehicles Projects*

The Department of Transportation Division of Motor Vehicles is allowed to begin the replacement of both the State Titling and Registration System (STARS) and the State Automated Driver License System (SADLS). Funding for the projects includes up to \$24 million from the DMV Inspection Program Account Fund and up to \$10 million from bulk data fees.

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### Actual and Budgeted Expenditures and Receipts by Fund

#### Information Technology Fund

	Actual <u>FY 2009-10</u>	Actual <u>FY 2010-11</u>	Budgeted <u>FY 2011-12</u>	Budgeted <u>FY 2012-13</u>
Expenditures	10,351,616	9,487,382	5,275,142	6,183,142
Less: Receipts	7,154,923	9,911,847	5,275,142	6,183,142
<b>Net</b>	<b>\$3,196,693</b>	<b>(\$424,465)</b>	<b>\$0</b>	<b>\$0</b>
Positions (FTE)	41.0	36.0	32.0	32.0

#### Information Technology Internal Service Fund

	Actual <u>FY 2009-10</u>	Actual <u>FY 2010-11</u>	Budgeted <u>FY 2011-12</u>	Budgeted <u>FY 2012-13</u>
Expenditures	192,743,447	190,668,767	190,000,000	190,000,000
Less: Receipts	192,050,778	196,862,461	190,000,000	190,000,000
<b>Net</b>	<b>\$692,669</b>	<b>(\$6,193,694)</b>	<b>\$0</b>	<b>\$0</b>
Positions (FTE)	586.0	592.0	531.0	531.0

#### Change in FTE, FY 2011-12

	<b>Vacant</b>	<b>Filled</b>	<b>Receipts</b>	<b>New</b>	<b>Transfers</b>	<b>Net Change</b>
<b><u>Information Technology</u></b>						
Information Technology	(5.0)				2.0	(3.0)
IT Internal Service Fund	(59.0)	(2.0)				(61.0)
<b>Total IT</b>	<b>(64.0)</b>	<b>(2.0)</b>				<b>(64.0)</b>