

1995-96 SESSION  
COMMITTEE HEARING  
RECORDS

Committee Name:

Joint Committee on  
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

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➤ Miscellaneous ... Misc

➤ 95hrJC-Fi\_Misc\_pt57

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

X. Department of Veterans Affairs -- Raymond G. Boland, Secretary

The department requests one-time supplements in 1996-97 of \$84,100 SEG in the appropriation under s. 20.485(2)(u), Administration of Loans and Aids to Veterans and \$128,600 SEG in the appropriation under s. 20.485(3)(s) in order to fund the costs of migration to statewide information technology infrastructure standards.

Governor's Recommendation

Approve reduced one-time supplements of \$77,900 SEG in 485(2)(u) and \$117,200 SEG in 485(3)(s).

117,200  
77,900  

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195,100

128,600  
84,100  

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212,700

X

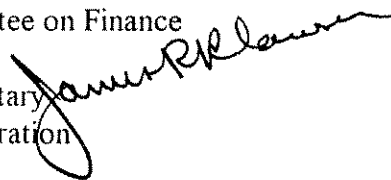
**CORRESPONDENCE MEMORANDUM**

**STATE OF WISCONSIN  
Department of Administration**

**Date:** September 19, 1996

**To:** Members, Joint Committee on Finance

**From:** James R. Klauser, Secretary  
Department of Administration



**Subject:** Section 13.10 Request from the Department of Veterans Affairs for IT Infrastructure Funding

**Request**

The Department of Veterans Affairs requests one-time supplements in 1996-97 of \$84,100 SEG to its appropriation under s. 20.485(2)(u), administration of loans and aids to veterans, and \$128,600 SEG to s. 20.485(3)(s), program operations, for funding costs of migration to standard information technology (IT) infrastructure as identified in the agency's 1996 IT infrastructure migration plan.

**Background**

In the first quarter of calendar year 1996 state agencies submitted to the Department of Administration, Division of Technology Management (DTM), four year plans identifying IT resources and funding needed to attain a basic level of computing infrastructure. These migration plans were reviewed by staff of DTM and the State Budget Office for consistency with established IT resource (equipment, software, services) standards and costing methods. The funding of the migration plan needs that exceeded what was determined to be within an agency's base budget level was to be petitioned for from DOA through procedures defined for the Information Technology Investment Fund (ITIF). The agency points out that ITIF balances are intended for GPR and program revenue funding sources. Segregated revenue agency programs are expected to derive revenues from within the respective fund, rather than the ITIF.

Consistent with these procedures and expectations, the Department of Veterans Affairs submitted its IT infrastructure migration plan on March 4, 1996. That plan conformed to the required format and identified by program the additional computer workstations, operating system software, network requirements and connectivity elements needed by the agency. The summary table for the agency's plan is appended. From that summary it can be verified that for 1996-97 the agency identified total funding requirements of \$804,274 departmentwide. Of that amount, \$538,674 can be addressed from within base level budget and the remaining \$212,703 was identified as needing above-base supplementation. This is the amount the agency is now requesting under s. 13.10.

### Analysis

Analysis of this request can take at least two approaches: One examines the original IT infrastructure migration plan submitted in March in the minute detail in which the basic computing infrastructure components are identified in the agency's programs and appropriations. The second posits that if the migration plan was found to be justified as submitted, then proposals to implement that plan should be evaluated in terms that are consistent with the original plan.

The original plan was received and evaluated by DOA's Division of Technology Management and was, in fact, found to be consistent with the requisite methodologies and justified in those terms. While the migration plan is developed and presented at a very fine detail level, this analysis recognizes that the real world of information technology is extremely dynamic; what is identified as the standard solution at one point in time (e.g., a 486-100 megahertz workstation computer) can become outdated in a matter of months by a superior product (e.g., Pentium 586-90 megahertz workstation) for the same or lower cost. Because of increasing performance curves and declining cost curves it can be argued that a given dollar investment level for basic IT infrastructure a year ago can be presumed adequate for funding what is today considered "basic" standard infrastructure, even though the specific equipment or software items actually acquired today will be different. For that reason, this analysis does not attempt to second guess whether a given item accepted as basic infrastructure is, in fact, the exact same element that is appropriate today. Focus may more productively be on the overall dollar level which a migration plan represents, with exceptions taken at the margin.

While generally consistent, the migration plan does contain a few components which were not considered higher priority "basic infrastructure," per se, in the small agency IT Investment Fund process earlier this year. Specifically, the agency requests \$7,100 for "FAX TECHNOLOGY" items. While workstation-to-fax functionality may well be considered basic infrastructure in the future, it was not so defined for development of the migration plans in 1996. In addition, while Microsoft Office is considered a basic infrastructure component, MS Access relational database which is bundled in MS Office is not a basic workstation level infrastructure element. Thus, the \$7,000 (\$6,975 as itemized) included for Access training in the migration plan may be viewed as not strictly infrastructure standard. Finally, the migration plan identifies VOICE MAIL connectivity and \$3,500 in DVA's FY97 funding needs. This is not basic IT infrastructure at the moment.

It may be noted that neither the agency's migration plan nor the s. 13.10 request distinguish which part(s) of the identified infrastructure elements are funded within base or above base. Nor do the documents indicate how the FY97 individual item values are allocated between the two agency appropriations sharing those costs.

Members, Joint Committee on Finance  
September 19, 1996  
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The removal of these three exceptions from the s. 13.10 request would ensure that the incremental expenditure authority provided, in fact, is only for standard infrastructure. For these reasons, the agency's 1996-97 request may be reduced by a total of \$17,600 to ensure conformity with established standards and with previous decisions made by the Department of Administration. The offset can be apportioned to the two requesting appropriations in the amounts which each represents of the total SEG funding requirements identified in the agency's March infrastructure migration plan: 35% to 485(2)(u) and 65% to 485(3)(s).

**Recommendation**

Approve reduced one-time supplements of \$77,900 SEG in 485(2)(u) and \$117,200 SEG in 485(3)(s).

Prepared by: Dan Caucutt  
266-0777



STATE OF WISCONSIN, DEPARTMENT OF VETERANS AFFAIRS

30 West Mifflin Street, P.O. Box 7843, Madison, WI 53707-7843  
Tommy G. Thompson, Governor  
Raymond G. Boland, Secretary

August 28, 1996

Senator Brian Burke, Co-Chair  
Representative Ben Brancel, Co-Chair  
Joint Committee on Finance

Dear Senator Burke and Representative Brancel:

As a result of the provisions of Executive Order 242, each state agency was required to develop and submit to the Department of Administration by March 1, 1996, an Agency Migration Plan that lays out the agency's migration path, migration schedule, and cost estimate of the basic information technology (IT) infrastructure to meet the state IT standards by the end of FY 1998-99. Under the Information Technology Investment Fund grant process established in 1995 Wisconsin Act 27, GPR and PR funded agencies can request funding for IT projects through the annual s. 16.515 process. Unfortunately, no provisions were included specifying how SEG agencies were to obtain expenditure authority needed to fund IT projects. The department has been advised by the Department of Administration to submit a s. 13.10 request to obtain the additional expenditure authority needed to fund IT costs for FY 1996-97 related to our IT migration plan.

#### Request

The Department of Veterans Affairs requests that the Joint Committee on Finance consider increasing the expenditure in Appropriation 20.485 (2) (u), Administration of Loans and Aids to Veterans, by \$84,100 and Appropriation 20.485 (3) (s), Program Operations, by \$128,600. The additional expenditure authority is needed to fund IT migration plan costs for FY 1996-97 that cannot be covered from the department's existing budget. The total IT migration plan costs for FY 1996-97 that will be charged to these appropriations is \$491,800. Of that amount, \$271,100 will be covered from the department's existing budget.

#### Background

The Department of Veterans Affairs (DVA) submitted several IT budget requests in the 1995-97 biennial budget that were deferred by the State Budget Office for later consideration during the Information Technology Investment Fund (ITIF) grant process in FY 1995-96. As previously indicated, the that process provides a means by which GPR and PR funded agencies can obtain needed funding through the annual s. 16.515 process. The department will be resubmitting budget requests for those projects as part of our 1997-99 biennial budget. However, it is not possible to delay implementation of our IT migration plan in FY 1996-97 if we are to meet the state's IT standards by the end of FY 1998-99. It is not possible to fund all of the FY 1996-97 IT migration plan costs from our existing budget. The only available alternative to obtain additional expenditure authority for SEG funded agencies through the s. 13.10 process. The September s. 13.10 meeting of the Joint Committee on Finance is the first opportunity for the department to request the additional expenditure authority for FY 1996-97. No additional expenditure authority was requested for FY 1995-96 because all of the IT migration plan costs for that fiscal year were funded from the department's existing budget.

How Request Meets Statutory Criteria for s. 13.10

The request meets the criteria under s. 13101 (3) because the following reasons:

- Without the requested increase in expenditure authority, the department can not meet the established timeline for implementing the state's IT standards.
- The IT migration plan policies and procedures established by the Department of Administration are consistent with the legislative intent of s. 16.971 (1m), Wis. Stats.
- No other funds are available to fund FY 1996-97 costs related to implementing the department's IT migration plan.

Thank you for your consideration of this matter. If you have any questions or need additional information, please contact Ken Abrahamsen of my staff at 266-0117.

Sincerely,

DEPARTMENT OF VETERANS AFFAIRS

A handwritten signature in black ink, appearing to read "Raymond G. Boland", written over the typed name.

RAYMOND G. BOLAND  
Secretary



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

14-2

September 26, 1996

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Information Technology Investment Fund Administration -- Agenda Item XI

### INTRODUCTION

The Department of Administration requests the transfer of \$132,500 SEG in 1996-97 from the information technology investment fund (ITIF) to DOA's appropriation for ITIF administration to pay for the costs of collection and administration of the bidders list registration fee.

### BACKGROUND

The ITIF was created in 1995 Act 27 to be administered by DOA to provide grants to state agencies for information technology projects. On April 16, 1996, the Committee deferred action on a request from DOA for the transfer of \$80,000 SEG in 1995-96 and \$132,500 SEG in 1996-97 for ITIF administration because rules related to the revenue source for the fund had not yet been approved. On July 8, 1996, rules establishing a \$125 annual bidders list registration fee were approved by the Legislature. Under the rule, any vendor on the list will be notified of requests for bids or competitive sealed proposals if the bid or proposal is for a product or service the vendor can provide. Fee revenues will be used to support grants from the ITIF and for fund administrative costs.

On July 10, 1996, DOA submitted a s. 16.515 request to the Committee for program revenue increases in 1996-97 for ITIF awards in 27 agencies and PR increases in seven additional agencies for other information technology projects. However, administrative costs for the ITIF are paid from a SEG appropriation and therefore, increases in that appropriation must be approved in a s. 13.10 meeting of the Committee. As a result, in the July 10 request, DOA



indicated that, with the Committee's concurrence, it would proceed to incur initial costs of fee collection and administration in 1996-97 consistent with the s. 13.10 request from April, 1996, until the Committee could meet to address ITIF administration funding. On July 15, 1996, the Co-chairs indicated that DOA's request for a SEG funding increase in 1996-97 would be addressed at the September, 1996, meeting of the Committee under s. 13.10, but that DOA could proceed to incur initial administrative costs consistent with the original request. As of September 9, 1996, DOA has incurred costs of \$8,300 related to the hiring of one limited-term employee, telephone installation, and the printing of envelopes and supplies.

## SUMMARY OF REQUEST

The Department's request would support: (1) mailings to prospective vendors; (2) collection of fees from a lock box and recording of vendor information received with the fee; (3) financial administration of the fee and payment of fund assessments for DOA overhead costs; (4) assistance to vendors who inquire about the status of the fee payment and the State Bureau of Procurement; and (5) computer data base support. Funding would be divided as follows:

	<u>1996-97</u>
Vendor Mailing Costs	\$50,000
Fee Collection and Management Costs	50,000
LTEs -- Administration	5,000
LTEs -- Vendor Help Desk	22,500
Miscellaneous Administrative Expenses	<u>5,000</u>
Total	\$132,500

## ANALYSIS

### Fee Revenue

In 1995 Act 351, DOA was authorized to maintain a bidders list which would include the names and addresses of all persons who request to be notified of competitive bids or competitive sealed proposals for contracts for materials, supplies, equipment or contractual services. The Department may charge a fee to vendors for being placed on the list. Under current law, any state procurement contract that is in excess of \$25,000 must be made under competitive sealed bid or proposal, unless these requirements are waived by the Governor or Secretary of DOA. Procurement contracts under \$25,000 follow a simplified process specified by DOA and do not require formal competitive bids or proposals.

The Department will notify any vendors on the list of relevant contracts over \$25,000 that are being sought by state agencies. Most vendors requesting to be placed on the list will pay an annual \$125 fee; minority vendors and sheltered work centers will pay a reduced fee of \$65. In addition to the bidders list registration fee, DOA is also authorized to charge an additional \$100 subscription service fee for electronic access to procurement information. This subscription fee only applies to vendors wanting electronic access from more than one location (access from one location is included in the bidders list registration fee).

The Department has estimated that the bidders list registration fee and the subscription service fee for electronic access to procurement information will generate \$4,300,000 annually. These revenues will be deposited in the ITIF. No estimate of revenue has been made regarding the subscription service fee because payment of the subscription service fee is included in the registration fee for one location and it is unknown how many vendors will want access to the vendor information service from more than one location. The revenue projection is based on the assumption that approximately 35,000 vendors will pay the \$125 fee. The number of vendors is based on DOA Bureau of Procurement vendor files and information from the state accounting system.

#### ITIF Condition Statement

Table 1 provides a fund condition statement for the information technology investment fund, based on expenditures for ITIF grants approved by the Committee on July 29, 1996, and DOA's current request for ITIF administration funding and using the estimated revenue figures from DOA's rule. As the table indicates, the fund balance at the end of 1996-97 is estimated at \$1,289,600.

**TABLE 1**

**Information Technology Investment Fund Condition Statement**

	<u>1996-97</u>
<b>Revenue</b>	
Opening Balance	\$0
Bidders List Registration Fee	<u>4,300,000</u>
<b>Total</b>	<b>\$4,300,000</b>
<b>Expenditures</b>	
Administration*	\$132,500
ITIF Awards**	
One-Time Grants	910,300
Three-Year Grants (Master Lease Payments)	775,500
VendorNet	552,100
Infrastructure Support	<u>640,000</u>
<b>Total</b>	<b>\$3,010,400</b>
<b>Ending Balance</b>	<b>\$1,289,600</b>

\* Funding authorization contained in this request.

\*\* On July 29, 1996, the Committee approved DOA's 1996-97 ITIF grant awards, as modified at the Committee's request, totalling \$2,877,900.

Appropriation Request

To implement the bidders list registration fee, mailing information to prospective vendors regarding the bidders' list and required fee, funding for fee collection and general administrative costs is necessary. The Department's request for vendor mailing costs is based on an estimate that mailings will be made to a total of 50,000 vendors at a cost of \$1 per mailing. In addition, DOA has requested \$5,000 SEG for limited-term employee (LTE) assistance with the mailings. Further, estimated costs for fee collection and management are based on information provided by a bank that provides these services to the state and assumes that the bank would be doing some data entry and vendor verification for the state. General administration costs include telephone, internet access, software and hardware maintenance fees and DOA overhead costs. Costs related to notification, fee collection and general administration appear to be reasonable.

Funding for two, limited-term employees is requested for a vendor help desk. These LTEs would answer questions from vendors regarding: the registration fee in general; the status of an

individual vendor's fee; and the procurement process. The actual number of requests that DOA may receive from vendors, however, is unknown and funding for LTEs is not based on a workload estimate. Therefore, if the Committee wishes, it could choose to provide a lower level of staffing at this time until experience with the fee has been gained. If funding for only one LTE was provided, the request could be reduced by \$11,200 SEG in 1996-97.

## ALTERNATIVES

① Approve the Department's request to transfer \$132,500 SEG in 1996-97 from the ITIF (s. 20.870(1)(q)) to DOA's appropriation for ITIF administration (s. 20.505(1)(r)) to support the costs of collection and administration of the bidders list registration fee.

② Approve a transfer of \$121,300 SEG in 1996-97 from the ITIF (s.20.870(1)(q)) to DOA's appropriation for ITIF administration (s. 20.505(1)(r)). [NOTE: This would modify the Department's request by deleting \$11,200 SEG in 1996-97 associated with funding for one limited-term employe at DOA's proposed vendor help desk.]

Prepared by: Jere Bauer