



Legislative Fiscal Bureau

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Joint Committee on Finance

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Database Integration Funding (R&L)

[LFB 2005-07 Budget Summary: Page 422, #3]

CURRENT LAW

The Department of Regulation and Licensing (R&L) has an information technology (IT) section under its Division of Management Services. Currently, the base budget for this section is \$629,500 PR and 8.0 PR positions annually. In addition, the base level supplies and services funding under the agency's general program operations appropriation is \$1,995,400 PR annually, of which an estimated \$268,000 PR annually is budgeted for IT activities.

GOVERNOR

Provide increased expenditure authority of \$194,200 PR in 2005-06 and \$354,200 PR in 2006-07 to undertake a variety of IT projects designed to integrate the agency's existing stand-alone databases and applications.

DISCUSSION POINTS

1. The Department originally requested funding of \$430,000 PR in 2005-06 and \$590,000 PR in 2006-07 as part of its biennial budget request. While R&L had recently conducted a system integration feasibility study that made recommendations for IT initiatives, the agency's request was only an initial estimate of the costs that might be incurred in undertaking any such project.

2. The Governor's budget recommendation would provide slightly over one-half of the funding amounts originally requested by the agency. The State Budget Office has indicated that partial funding levels provided were not tied to specific cost elements associated with the IT project but were instead deemed an appropriate funding level for the agency's initiative, given some of the

other base level reductions that were also being applied to the Department.

3. The Department has now developed a detailed expenditure plan and implementation process for its database integration project. While the expenditure plan is generally consistent with the total funding amounts recommended by the Governor, it would adjust the amounts provided in each fiscal year for a more orderly implementation of the overall project. However, before reviewing the agency's revised expenditure plan for its IT initiative, it is appropriate to place the current proposed IT undertaking in the context of recent efforts by the Department to undertake other database integration projects.

Recent Funding Decisions Related to Agency IT Initiatives

4. Under the 1999-01 biennial budget, R&L was provided with additional funding totaling \$79,300 PR during the biennium for a variety of IT projects (installation of an interactive voice response system, hardware and software improvements, and monthly user charge increases). Additional funding of \$72,000 PR annually was reserved in the Finance Committee's PR supplemental appropriation for a consultant's feasibility study of applying Internet technologies to R&L's regulatory mission. The funding was subject to release to R&L once the agency had developed an expenditure plan and justification for use of the funds. These funds were never released because the agency ultimately used base level resources to support the costs of the study.

5. Under the 2001-03 biennial budget, the Governor initially recommended total funding of \$1,299,200 during the biennium for a variety of IT initiatives at the agency, including: (a) equipment upgrades and replacements (\$457,800 PR); (b) IT staffing (\$218,600 and 2.0 PR positions); and (c) consultant services funding related to documentation of the agency's data standards, upgrade of its interactive voice response system, and a variety of application development projects (\$622,800 PR).

6. The Committee approved the funding for the equipment upgrades and replacement but denied the new positions and associated spending.

7. The Finance Committee's review of the agency's consultant services funding request included consideration of a recent assessment of the agency's IT functions undertaken by DOA's performance evaluation unit. That assessment had found that a number of R&L's recent individual IT initiatives had been subject to "false starts and inadequate resources to fully support and complete the initiatives." Questions were also raised regarding the agency's IT goals and priorities, as well as the processes for setting them.

8. These considerations and the Committee's experiences with the agency's earlier funding release request raised concerns with respect to: (a) the agency's ability to simultaneously undertake and oversee such a variety of consultant services; (b) the cost projections for the requested projects; and (c) whether other staffing or funding options could be pursued to provide the proposed service enhancements.

9. The Finance Committee ultimately provided a reduced level of consultant funding

for the agency's consultant services initiatives by reserving a total of \$321,600 PR in the Committee's PR supplementation appropriation for the possible funding of documentation of the agency's data standards and a more modest level of consultant services. Release of the reserved funding was conditioned on the Department's analysis of whether the services could be provided in a more cost-effective manner by existing R&L staff, by new R&L staff, or by other state agency staff, and a detailed cost projections for each proposed IT enhancement project for which funding was requested. These provisions were enacted as part of the 2001-03 biennial budget.

10. Ultimately, R&L submitted the required expenditure plan and requested the release of the reserved funds for their original purposes, except that the consultant services would be provided by other state agency staff, rather than by a consultant. The proposal was objected to and held over for later consideration by the Committee. Subsequently, the pending request was deemed withdrawn by the Committee. In late 2002, the agency developed a revised IT proposal as a substitute for its original request. The revised plan would have expended a total of \$65,000 PR, but this proposal was never formally submitted to the Committee.

11. Under the 2003-05 biennial budget, the Governor initially recommended total funding of \$1,086,800 PR annually for IT projects intended to expand the agency's on-line licensing capabilities, to establish an intranet site for management of the agency's administrative, clerical, and technical transactions, and to create a secured electronic "extranet" system to distribute documents to the agency's regulatory boards.

12. The Department had proposed contracting with the Department of Electronic Government, which existed at the time, to conduct a thorough business analysis of each project. Based on the results of that analysis, R&L then planned to select the appropriate technology solution, allocate funding to the project, and negotiate the lowest cost services and equipment contracts.

13. In light of the agency's past difficulties in successfully implementing IT projects, concerns were raised about the agency's ability to conduct detailed cost projections and negotiate contracts for three separate projects within the biennium. It was also noted that it was a better budgeting practice develop a project budget based on actual goods and services that would be needed to complete the activity, rather than request funding that may or may not be sufficient to complete a project that had not been fully analyzed for need and affordability.

14. Based on these considerations, the 2003-05 biennial budget ultimately provided the Department with a total of \$45,000 PR in 2003-04 to fund an analysis of the scope and purpose of each of the proposed IT projects.

Recent Activities

15. In light of the Department's mixed success with implementing a variety of IT projects in recent biennia, the agency has hired a new IT director during the current biennium and has undertaken and completed a number IT initiatives using base level resources. These efforts

include:

- Completion of an on-line update system where individuals may: (a) renew biennial credentials; (b) submit name and address changes; (c) review minutes of the regulatory boards; (d) review updated administrative code books; and (e) download agency forms.
- Design and implementation of an intranet system that provides information to agency staff on a secured website.
- Start of an extranet project that will allow board members to access information such as disciplinary case materials and other information that has been traditionally mailed to board members on a monthly basis.

16. The Department also used base level resources to engage a consultant [GeoAnalytics Consulting] in 2004 to explore the feasibility of integrating nine separate database applications maintained by the agency. The Department states that these systems were developed separately for a variety of reasons, in some cases to protect the privacy of the credential holders. In other cases, it was necessary to separate information available to different agency personnel, such as in the case of investigative reports and adjudication files.

17. The feasibility study was completed in July, 2004, and provided recommendations for R&L's IT strategic plan. The study concluded that the agency should act to integrate its various business applications. Such a project would result in increased workload efficiencies at the agency, as multiple data entries for the same credential holder could be minimized, the status of credential holders could be tracked more efficiently, and sensitive data (such as social security numbers, progress for impaired professionals, and case investigation information) could be maintained securely on an integrated network.

18. The agency initially requested \$430,000 PR in 2005-06 and \$590,000 PR in 2006-07 for the project although the cost elements of the proposal had not been fully developed at that time. In December, 2004, the Department completed its analysis of its funding needs and developed a plan for the orderly implementation and completion of the project. The agency's current expenditure plan would require one-time funding of \$270,000 PR in 2005-06 and \$250,000 PR in 2006-07.

19. The project activities in the first year (2005-06) would consist primarily of reviews of such things as whether an off-the-shelf software package was available or whether a custom-designed option is more feasible, the logical integration of the various databases and ensuring the accuracy and reliability of the data. In the following year (2006-07) the agency would begin a step-by-step implementation of the project through three distinct phases. Phase 1 would involve activities relating to the phase-out of the old system, sequencing the conversion, and developing training protocols. Phase 2 would involve testing of the new system to ensure that it is performing accurately. Phase 3 would involve the actual installation and conversion of the new system, training users, and troubleshooting activities.

20. As currently envisioned, the project would require an estimated total of 7,100 consultant hours at \$50 per hour for a total biennial cost of \$355,000 PR (\$190,000 in 2005-06 and \$165,000 in 2006-07). The following table details the agency's current cost projections for the entire project.

**R&L's Revised Data Integration Funding Proposal
(PR Funds)**

<u>Tasks in 2005-06</u>	<u>Consultant Services</u>	<u>Funding</u>
Logical Data Modeling		Base Funding
Evaluation of Software Options	300 hours	\$15,000
Physical Data Modeling	1500 hours	75,000
Physical Data Modeling Tools		20,000
Database Cleansing	1250 hours	62,500
Database Cleansing Tools		20,000
Physical Database Design	750 hours	37,500
Physical Database Design Management Tools	_____	<u>40,000</u>
2005-06 Totals	3,800 hours	\$270,000
 <u>Tasks in 2006-07</u>		
Implementation Phase I	300 hours	\$15,000
Implementation Phase II	1500 hours	75,000
Implementation Phase II - Testing and Analysis		50,000
Implementation Phase III	1500 hours	75,000
Implementation Phase III -Training	_____	<u>35,000</u>
2006-07 Totals	3,300 hours	\$250,000

21. DOA's Division of Enterprise Technology has reviewed R&L's proposal, believes that the proposal has been well developed and documented, and concurs that it could be completed in the 2005-07 biennium with the resources requested by the Department.

22. The Division of Enterprise Technology has raised one issue concerning the use of private consultants for this type of project, stating that while such outside expertise is often necessary for these multi-year projects, there tends to be a loss of institutional knowledge regarding the project once the consultants complete their work and move on. However, the Division has indicated that R&L has planned to limit this loss of expert knowledge by carefully documenting the new processes to the greatest extent possible.

23. Given the planning and costing detail that has gone into the Department's revised data integration project and the likely workload benefits that would result, the Committee may conclude that funding should be provided for the proposal. However, if funding is to be provided for the undertaking, it should be provided at the funding level that has now been developed by the

Department, rather than at the funding levels recommended by the Governor, which were not tied to any identifiable project cost elements.

24. Under the agency's revised proposal of \$270,000 PR in 2005-06 and \$250,000 PR in 2006-07, an additional \$75,800 PR would be required in 2005-06 and \$104,200 PR could be deleted in 2006-07, compared to the amounts recommended by the Governor, for a biennial savings of \$28,400 PR.

25. As described earlier, the agency has experienced difficulties in successfully implementing past major IT projects. While the preparation and planning associated with the current project would suggest a greater likelihood of success, the Committee could choose to provide the \$270,000 PR in 2005-06 for the initial stages of the project and reserve the remaining \$250,000 PR in the Committee's PR supplemental appropriation for subsequent release to the Department. Under this alternative, the Department could return to the Committee with a request for the release of the funds to finish the project upon a showing that the project is on schedule and within budget.

26. If the Committee chooses to fund the agency's IT project, as recommended by the Governor or at the revised level proposed by the Department, it should provide the funding in either case on a one-time basis. The bill would provide base building funding for the project. The Department has indicated that none of the funding is intended to be base building.

27. Finally, if the Committee concludes that the Department should not continue with the integration of its nine separate business database applications, the Committee could delete the Governor's recommended funding for the project.

ALTERNATIVES

1. Approve the Governor's recommendation to provide increased expenditure authority of \$194,200 PR in 2005-06 and \$354,200 PR in 2006-07 to enable the Department of Regulation and Licensing to undertake a variety of IT projects designed to integrate its existing stand-alone databases and applications.

2. Modify the Governor's recommendation by providing an additional \$75,800 PR in 2005-06 and by deleting \$104,200 PR in 2006-07 [for total funding of \$270,000 PR in 2005-06 and \$250,000 PR in 2006-07] for the Department of Regulation and Licensing's revised IT project proposal.

Alternative 2	PR
2005-07 FUNDING (Change to Bill)	- \$28,400

3. Modify the Governor's recommendation by providing \$75,800 PR in 2005-06 and

by deleting \$354,200 in 2006-07 under the Department of Regulation and Licensing for its revised IT project proposal. Provide \$250,000 PR in 2006-07 in the Joint Committee on Finance PR supplemental appropriation for release to the Department of Regulation and Licensing for its revised IT project. Stipulate that the Department could request the release of the funds to finish the project upon a showing that the project is on schedule and within budget.

Alternative 3	PR
2005-07 FUNDING (Change to Bill)	- \$28,400

4. *[The following alternative may be adopted in addition to Alternatives 1, 2, or 3.]*
Provide the funding for the Department of Regulation and Licensing's data integration project on a one-time basis.

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