Section 1

Department of Information Resources
Summary of Recommendations - House

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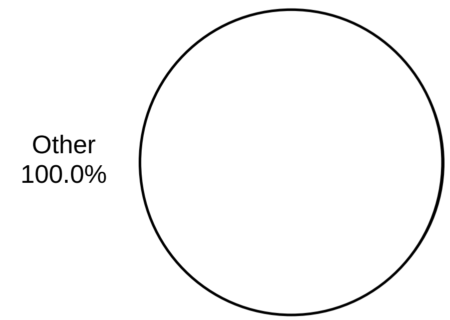
Todd Kimbriel, Interim Executive Director

Lena Conklin, LBB Analyst

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	$0	$0	$0	0.0%
GR Dedicated Funds	$0	$0	$0	0.0%
Total GR-Related Funds	*$0*	*$0*	*$0*	*0.0%*
Federal Funds	$0	$0	$0	0.0%
Other	$582,186,352	$700,679,628	$118,493,276	20.4%
All Funds	**$582,186,352**	**$700,679,628**	**$118,493,276**	**20.4%**

RECOMMENDED FUNDING
BY METHOD OF FINANCING



	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	198.0	198.0	0.0	0.0%

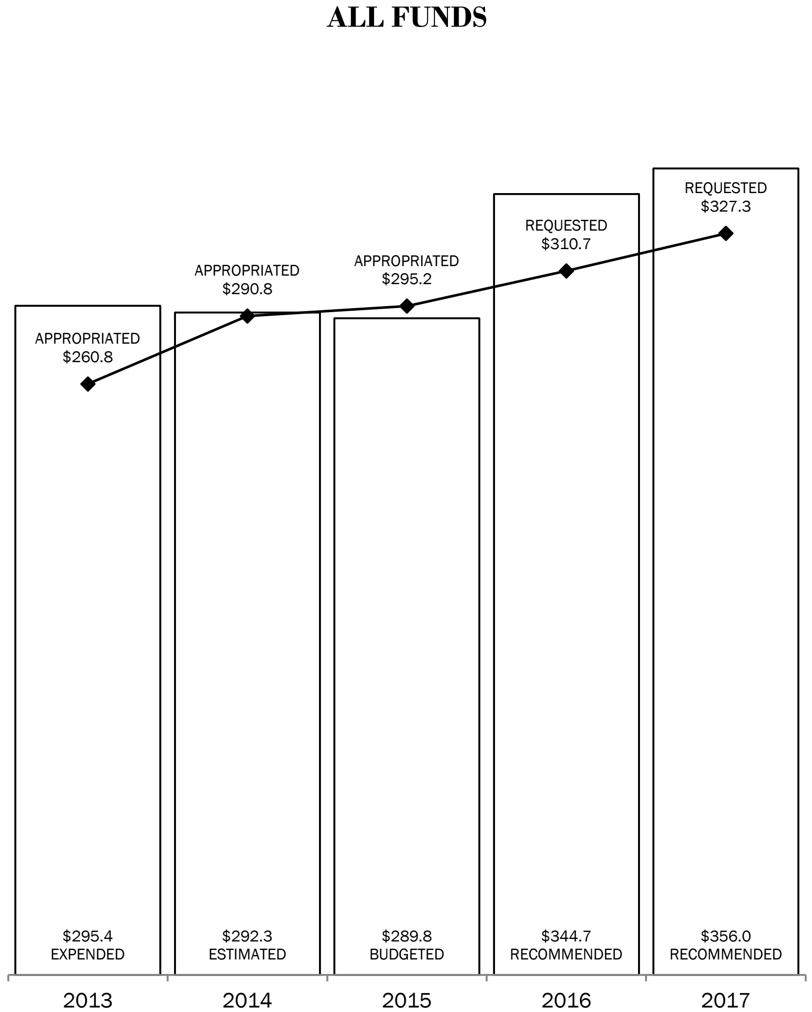
The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

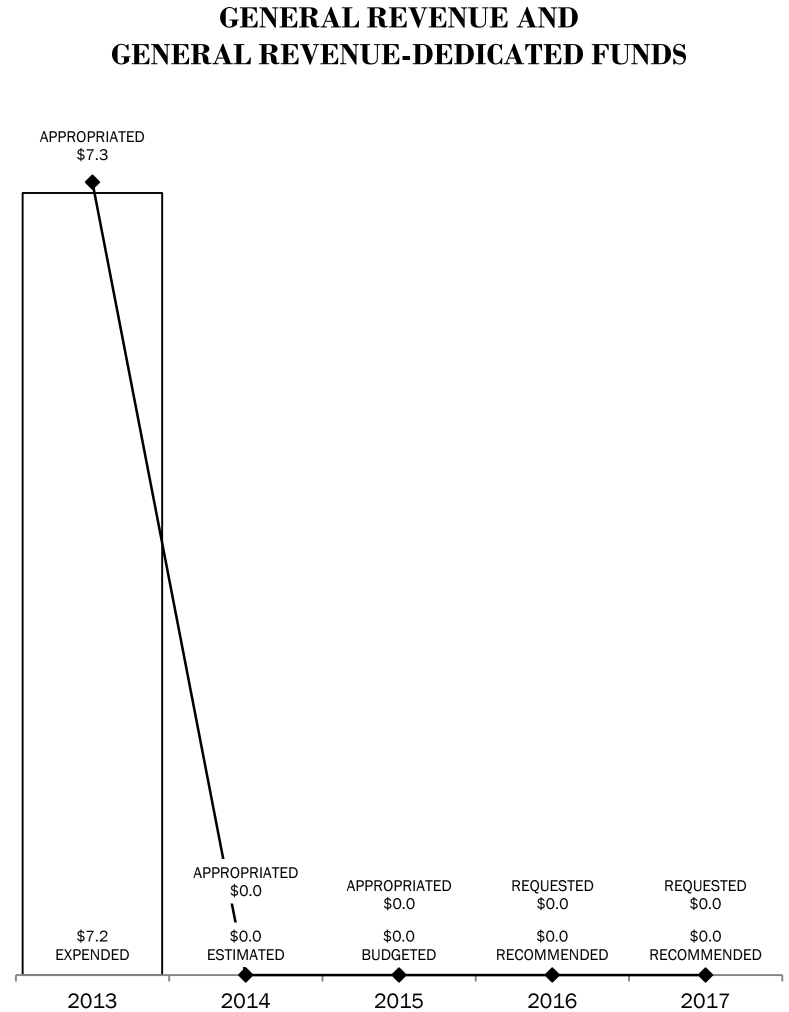
Section 1

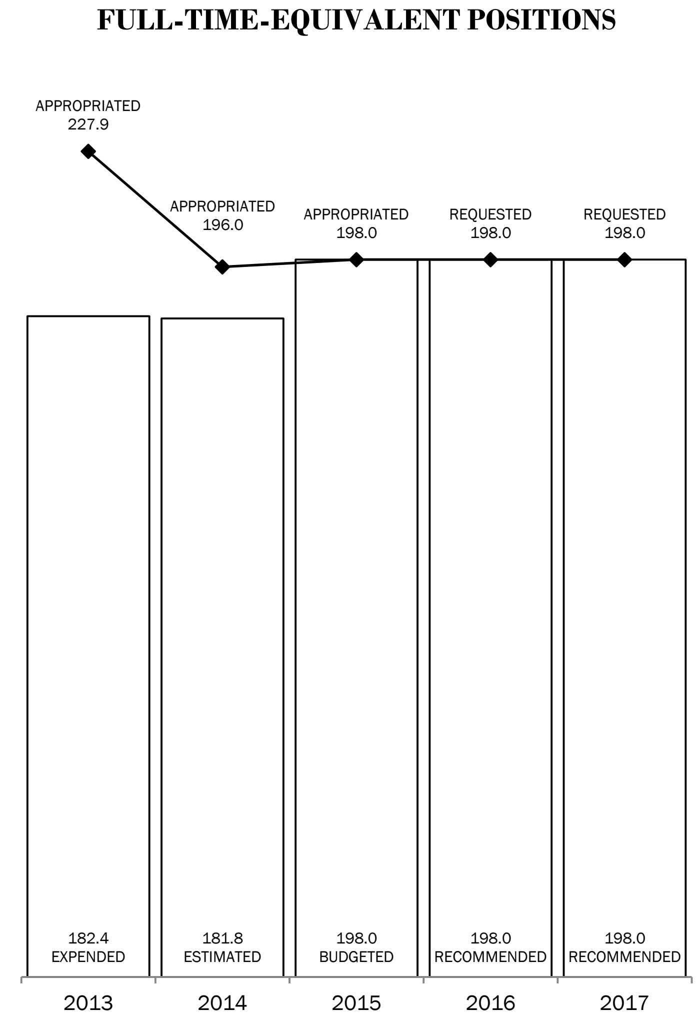
Department of Information Resources

2016-2017 BIENNIUM | TOTAL= $700.7 MILLION

IN MILLIONS







Section 2

Department of Information Resources
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
STATEWIDE PLANNING A.1.1	$644,184	$640,196	($3,988)	(0.6%)	
RULE AND GUIDELINE DEVELOPMENT A.1.2	$629,117	$640,196	$11,079	1.8%	
STATEWIDE SECURITY A.1.3	$747,767	$710,340	($37,427)	(5.0%)	
Total, Goal A, PROMOTE EFFIC. IR POLICIES/SYSTEMS	**$2,021,068**	**$1,990,732**	**($30,336)**	**(1.5%)**	
CONTRACT ADMIN OF IT COMM & SVCS B.1.1	$8,431,054	$9,698,744	$1,267,690	15.0%	Recommendations out of the Clearing Fund (Appropriated Receipts) reflect an increase of $0.9 million for procurement of a technology sourcing automation system to assist with oversight and management of contracts within the Cooperative Contracts program and $1.5 million for the reprocurement of the Texas.gov contract and two of the three current Data Center Services (DCS) contracts including the oversight/services integrator vendor and print/mail services vendor. (See also Selected Fiscal and Policy Issues #3). This increase is offset by reductions of $0.2 million for staff salaries shifted to other strategies and $0.9 million in professional services for various services such as the Legacy System Study, website assessment and upgrade planning and business process engineering for the Cooperative Contracts program.
DATA CENTER SERVICES B.2.1	$379,102,847	$465,241,580	$86,138,733	22.7%	Recommendations out of the Statewide Technology Account (Appropriated Receipts and Interagency Contracts) primarily reflect an increase of $84.9 million in payments for increased consumption of services within the data center services (DCS) program. An additional increase of $1.2 million includes $0.7 million in salaries primarily due to the reallocation of FTEs from other strategies for DCS program administration and $0.5 million in professional services contracts for various DCS assessment studies and operational support. (See also Selected Fiscal and Policy Issue #4).
TEXAS.GOV B.2.2	$1,047,059	$1,083,926	$36,867	3.5%	

Department of Information Resources
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
STATEWIDE CYBER SECURITY SERVICES B.3.1	$9,957,221	$11,549,008	$1,591,787	16.0%	Recommendations reflect an increase of $3.5 million out of the Clearing Fund offset by a decrease of $2.0 million out of the Telecommunications Revolving Account (Appropriated Receipts and Interagency Contracts) due to the agency shifting funding for the cybersecurity program to the Clearing Fund. Overall increase of $1.6 million maintains fiscal year 2015 funding and FTE levels and provides additional cybersecurity educational and training services, including curriculum for industry professional certification preparation, as well increases related to cybersecurity risk management systems and reporting tools.
Total, Goal B, COST EFFECTIVE DELIVERY OF IT	**$398,538,181**	**$487,573,258**	**$89,035,077**	**22.3%**	
CAPITOL COMPLEX TELEPHONE C.1.1	$6,927,588	$7,965,179	$1,037,591	15.0%	Recommendations out of the Telecommunications Revolving Account in Interagency Contracts reflect an increase of $1.2 million for expansion of voice over internet protocol (VoIP) phone service for the Capitol Complex offset by a decrease of $0.2 million for completion of development of the VoIP platform during the 2014-15 biennium.
NETWORK SERVICES C.2.1	$162,154,597	$189,230,830	$27,076,233	16.7%	Recommendations reflect an increase of $25.3 million in the Telecommunications Revolving Account (Interagency Contracts and Appropriated Receipts) for increased payments to telecommunications vendors for the Texas Agency Network (TEX-AN). The increase is primarily driven by increased data services usage by non-state customers (local entities). Additionally, recommendations provide for an increase of $2.0 million related to the Network and Security Operations Center managed services contract, including software and equipment, which manages the TEX-AN network and monitors data traffic for security threats. While annual contract amounts have not increased, payments in the 2014-15 biennium were lower due to advanced contract payments made prior to that biennium. This practice is not anticipated to continue in the 2016-17 biennium and is offset by reductions of $0.2 million for TEX-AN operations.

Section 2

Department of Information Resources
Summary of Recommendations - House, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
NETWORK & TELECOM SECURITY SERVICES C.2.2	$582,451	$679,436	$96,985	16.7%	Recommendations reflect an increase of $0.1 million out of the Telecommunications Revolving Account (Interagency Contracts and Appropriated Receipts) for training of TEX-AN network security personnel.
Total, Goal C, TELECOMMUNICATIONS	**$169,664,636**	**$197,875,445**	**$28,210,809**	**16.6%**	
CENTRAL ADMINISTRATION D.1.1	$4,919,735	$5,055,912	$136,177	2.8%	Recommendations reflect an increase of $0.1 million primarily to provide full staffing levels.
INFORMATION RESOURCES D.1.2	$5,360,856	$6,304,469	$943,613	17.6%	Recommendations reflect an increase of $0.9 million primarily related to the agency's daily operations capital budget item for hardware and software costs to maintain the agency's technical environment. The increase is due to the agency's plans to transition from leasing IT equipment to purchasing equipment during the 2016-17 biennium.
OTHER SUPPORT SERVICES D.1.3	$1,681,876	$1,879,812	$197,936	11.8%	Recommendations reflect an increase of $0.4 million in salaries for full staffing levels offset by decreases of $0.1 million for consulting services and $0.1 million for research subscription services.
Total, Goal D, INDIRECT ADMINISTRATION	**$11,962,467**	**$13,240,193**	**$1,277,726**	**10.7%**	
Grand Total, All Strategies	**$582,186,352**	**$700,679,628**	**$118,493,276**	**20.4%**	Overall recommendations reflect an increase of $111.4 million for services within the Telecommunications (Capitol Complex Telephone Service and TEX-AN) and DCS programs for which the agency directly bills customer based on estimated increased consumption of services. Additionally, recommendations reflect an increase of $7.1 million in the agency's program operations and direct and indirect administrative expenses primarily related to increases of $2.0 million for salaries ($0.3 million to biennialize the fiscal year 2015 general state pay increase and $1.7 million for full staffing); $1.5 million for re-procurement of Texas.gov and DCS contracts; $1.3 million for cybersecurity services; $2.0 million for Network and Security Operations Center managed services contract; and $0.3 million for other operating expenses.

Department of Information Resources
Selected Fiscal and Policy Issues - House

1. **Strategic Fiscal Review.** The Department of Information Resources is included in the Strategic Fiscal Review (SFR). Please refer to the SFR Packet for specific information and findings. Significant observations and considerations include:
   - The agency, beginning in the 2014-15 biennium, is entirely fee-supported. Fee revenue is generated through four programs: Cooperative Contracts, Capitol Complex Telephone System, Texas Agency Network (TEX-AN), and Data Center Services. Fee revenue is deposited into three accounts: Clearing Fund, Telecommunications Revolving Account, and Statewide Technology Account. As a result of Sunset recommendations, beginning in the 2012-13 biennium, riders and provisions in the GAA have placed limitations on expenditures out of these accounts and fund balances the agency is able to maintain. These limitations are continued in recommendations.
   - Agency costs are primarily payments to service providers of Telecommunications and Data Center Services for which the agency directly bills customers (i.e. state agencies, institutions of higher education and local entities) which the agency refers to as "cost of services." Costs of services generally make up 85 to 90 percent of the agency's appropriations.
   - Almost all of the agency’s programs are strongly aligned with the agency’s mission and statutory authority.
   - The Technology Planning and Policy program includes the development of policies, guidelines and tools to assist agencies in managing information technology (IT) resources and complying with statewide standards. The program also includes the agency's role within the Quality Assurance Team (QAT) in reviewing and monitoring major information resources projects. The agency ranked this program 11 out of 13, despite the program being one of the long-standing and core function of the agency and the program's statewide reach.
   - The agency conducts various IT security-related programs:
     - IT Security: develops security rules, policies, procedures and guidelines as well as provides statewide security planning;
     - Cybersecurity: provides assistance to state agencies and institutions of higher education with addressing security risks including incident reporting and risk management tools, security assessments, and education and training;
     - Network and Telecommunications Security: provides security oversight of the Texas Agency Network (TEX-AN) and network testing services.

     Although each program has an area of focus, programs are allocated to several strategies, which underscores the complexity and breadth of security functions performed by the agency.

2. **Recommended Funding Increase.** Overall, recommendations provide an increase of $118.5 million (20.4 percent) in Other Funds from the 2014-15 biennium. The increase is primarily due to an anticipated increase in consumption of services within the Telecommunications and Data Center Services programs for which the agency directly bills customers:
   - Capitol Complex Telephone System: Increase of $1.2 million in the Telecommunications Revolving Account for expansion of voice over internet protocol (VoIP) phone service for the Capitol Complex;
   - Texas Agency Network (TEX-AN): Increase of $25.3 million in the Telecommunications Revolving Account primarily for increased consumption of data services. The increase is primarily in Appropriated Receipts from non-state customers (local

entities). *Note: Subsequent to LAR submission, the agency revised their estimates for TEX-AN consumption of services by $11.5 million in fiscal year 2015 which reduces the 2016-17 recommended funding increase to $13.8 million.*

- Data Center Services: Increase of $84.9 million in payments for increased consumption of services within the DCS program.

Additionally, recommendations reflect an increase of $7.1 million in the agency's program operations and direct and indirect administrative expenses primarily related to salaries ($0.3 million to biennialize the fiscal year 2015 general state pay increase and $1.7 for full staffing); re-procurement of Texas.gov and DCS contracts ($1.5 million); cybersecurity services ($1.3 million); Network and Security Operations Center managed services contract ($2.0 million); and other operating expenses ($0.3 million).

3. **Reprocurements of Texas.gov and Data Center Services Contracts.** Recommendations provide $2,020,000 out of the Clearing Fund (Appropriated Receipts) for consulting and legal services related to reprocurement of the Texas.gov and two of three Data Center Services contracts. This is an increase of $1.5 million from the current biennium which includes $510,000 budgeted for Texas.gov procurement support. Due to the scope and specialized nature of the services as well as current staffing levels, the agency indicates they will procure professional consulting services contracts and legal services contracts to provide support for the procurements. Consulting services would be provided by vendors with specialized expertise in data centers and web portals and would assist the agency in identifying alternative funding and service models for both Texas.gov and Data Center Services contracts. Legal services contracts would assist the agency with negotiations and provide specialized legal expertise in the area of information technology. The agency has indicated that in the past the Office of the Attorney General has approved the agency to use outside legal assistance due to the specialized nature of legal expertise required. Reprocurement processes generally begin two years prior to the expiration of the contracts. An overview of the contracts are provided below:

   - **Texas.gov:** The current contract provides for a public-private partnership with NICUSA for management and operations of the Texas.gov portal. That contract expires on August 31, 2016. Under the current contract, revenue generated from transactions over Texas.gov is shared between NICUSA (60 percent) and the state (40 percent). Revenue generated through Texas.gov includes both transaction revenue and service revenue. Transaction revenues are convenience fees charged for services provided through the portal (such as vehicle registrations, driver license renewals, and other licensing services). Service revenue includes subscription fees, fees for premium services and cost-sharing arrangements with agencies which provide for maintenance, hosting and support costs. The current revenue sharing agreement provided $36.4 million to the state which was deposited to unappropriated General Revenue. The agency has indicated that through the reprocurement process, alternative funding and revenue sharing models will be considered and evaluated. It is unknown at this time if changes to statute are necessary to accommodate any alternative arrangements.

   - **Data Center Services:** Currently the Data Center Services program is provided under three separate contracts. Two of the three contracts expire on August 31, 2018 and are described below.
     - Oversight/Services Integrator: The agency has contracted with Capgemini which serves as the oversight and services integration vendor. Capgemini provides vendor coordination and services integration, service level calculation and management, desk support, program management, business continuity, disaster recovery testing and planning, financial management and invoicing. The contract value is projected at $127 million over the six year contract term (2012-2018).
     - Print/Mail Services: The agency has contracted with Xerox for bulk printing and mail services. The contract value is projected at $54 million over the six year contract term (2012-2018).

The remaining contract with Xerox State and Local Solutions expires on August 31, 2020. This contract provides server, mainframe, data center and network services. The agency anticipates the reprocurement of this contract will be initiated in the 2018-19 biennium. The contract is valued at $1.1 billion over eight years (2012-2020).

4. **Data Center Services.** Recommendations for Data Center Services (DCS) provide a total of $464.4 million for 28 agencies (including DIR), including approximately $37,000 from three additional agencies (Military Department, Board of Architectural Examiners, and Racing Commission) which solely procure cloud email services through the DCS program. As a reminder, DCS provides mainframe, server, and bulk print and mail operations. Additionally the DCS program provides standardization of security and disaster recovery plans, including annual testing, and replacement of older technology, including a hardware and software refresh schedule.

- Recommendations generally reflect amounts to maintain current obligations and reflect an increase of $75.1 million from estimated fiscal year 2014 and budgeted fiscal year 2015 amounts ($389.3 million) for participating agencies as identified in agencies' LARs. Current obligations include forecasted costs to maintain current services, agency projects which were initiated during the 2014-15 biennium, and for transition and transformation milestone payments. Increases from the 2014-15 biennium, are primarily agency-driven and are generally related to an anticipated increase in service consumption primarily for servers and storage impacted by agencies' 2014-15 initiatives, as well as increases related to disaster recovery services and server software purchases. Specifically, approximately $59.3 million of the increases are for five agencies:

  - **Department of Transportation ($21.2 million):** Increases are due to server and mainframe software purchases; server, storage and hardware expansion to align disaster recovery with agency business continuity plans; transition of email licenses to a higher support level; and transitioning the previously exempted Intelligent Transportation Systems (ITS) to the DCS environment.
  - **Office of the Attorney General ($19.1 million):** Increases are due to growth for print/mail services, servers, tape and hardware, which include service consumption increases to align disaster recovery with the agency's business continuity plans. Additionally, the agency has planned in the current biennium software increases for the Texas Child Support Enforcement System 2.0 Initiative (T2), IBM and email, as well as a software upgrade for the Child Support Division virtual case file.
  - **Railroad Commission ($9.3 million):** Increases are primarily related to increased server instances, storage, hardware, software and database as a service (DBaaS) expansion related to the agency's IT Modernization Program (ITMP) initiated in the current biennium.
  - **Department of Motor Vehicles ($5.1 million):** Increases are for maintaining support for base services separated from TxDOT, planned growth related to disaster recovery; and bringing additional servers within the DCS environment.
  - **Department of Aging and Disability Services ($4.7 million):** Increases are related to consolidation projects, transitioning off of Health and Human Services Commission's shared servers, and server and storage expansion related to aligning disaster recovery with business continuity plans.

- **Server Consolidation/Application Remediation.** Recommendations for certain agencies identified below include funding for application remediation projects. According to DIR, approximately 56 percent of agencies servers have been consolidated as of September 2014. Data Center pricing structures provide for lower rates for consolidated servers as compared to remote or nonconsolidated servers. In addition, pricing rates for consolidated servers decline as more servers are consolidated, while prices for remaining nonconsolidated servers may increase. To achieve the intended benefits of data consolidation, servers must continue to be consolidated into the state's data centers. However, prior to consolidating servers, applications may need to be remediated in order to reside on the Data Centers servers. Accordingly, recommendations for certain agencies identified below include funding for application remediation projects in order for servers to be consolidated.

- **Department of Aging and Disability Services:** $600,000 in All Funds for nine database upgrades, data conversion and migration, and Store Procedure migration and deployments;
- **Health and Human Services Commission:** $1,759,500 in All Funds for ten projects, among which include the Medicaid Identification Cards system, System of Automated Records and Disaster Assistance Payments Processing; and
- **Department of State Health Services:** $603,200 in General Revenue for six projects, among which include the Centralized Billing System, Remittance Disposition System, and Invoice Tracking System.

Note: Application remediations are generally not provided through DCS service providers and are not included within DCS appropriated amounts.

Additionally, recommendations add Article IX, Section 9.09, Server Consolidation Status Update, which directs participating DCS agencies to report quarterly to the LBB and DIR on status and plans for server consolidation and would require DIR to report quarterly to the LBB on overall server consolidation. The provision would also designate any application remediation projects related to DCS as a major information resources project that may be reviewed by the Quality Assurance Team (QAT).

5. **Tablet Study.** Rider 14, Study on the Use of Tablet Computers Instead of Personal Computers, of the 2014-15 GAA required DIR to complete a study to determine whether the use of tablet computers instead of personal computers by state agencies and institutions of higher education would be more cost efficient and result in cost savings for the State of Texas. DIR released the study on March 1, 2014 with the following highlights:
   - Overall, tablets are complimentary, add-on devices and productivity tools and do not replace personal computers (PCs) or mobile devices such as smartphones. Tablets are not used in the same functional way as PCs, but are generally used to allow workers access to basic features, such as emails and calendars.
   - While the price of a tablet may be lower than a traditional PC or laptop, total costs for tablet ownership should take into account other costs, such as hardware peripherals (e.g. keyboards, stands, docks, and cases), software support, and IT support (including security). Additionally, refresh cycles of tablets are shorter, generally 2 years, than that of a laptop (3-4 years) or PC (4-5 years).
   - Laptops or tablets may provide the best computing solution for workers who are highly-mobile and generally perform their job function outside of a typical office environment. Additionally, a tablet may replace a laptop when the user is adaptable and the increased flexibility offsets the loss of functionality.

6. **Bulk Purchase of Personal Computers and Laptops.** Article IX, Section 9.04, Information Technology Replacement, of the 2014-15 GAA directed certain agencies which received an appropriation for computer replacement initiatives to coordinate purchases through DIR's bulk purchasing effort. The provision also required the agency to report on the cost savings of these efforts. The report, released on October 1, 2014 contained the following highlights:
   - Bulk purchasing efforts provided savings of approximately $4.5 million from DIR discounted Cooperative Contracts prices. Participants

purchased 10,009 personal computers (PCs) and 1,551 laptops. The Department of Criminal Justice, including the Board of Pardons and Paroles, purchased the majority of PCs (8,935) and approximately 40 percent of laptops (620).
- DIR indicated that agencies were able to purchase greater volumes due to additional discounts from Cooperative Contracts pricing.
- The agency also indicated that savings from bulk purchasing efforts are achieved when PC and laptop purchases are limited to standard configurations and when the timing of purchases aligns with both the agencies purchasing schedule and with vendor's supply side chain management.

Recommendations continue requirements for bulk purchasing coordination through DIR and biennial report of savings achieved.

7. **Legacy System Study.** DIR, in accordance with House Bill 2738, performed a legacy system study to evaluate and assess the state's current technology landscape, including annual cost to maintain systems and estimates for updating systems, and to develop a plan for assessing and prioritizing statewide modernization projects to update or replace the systems. DIR contracted with a third party to assist with the study.

House Bill 2738 defines a legacy system as "a computer system or application program that is operated with obsolete or inefficient hardware or software technology." Legacy systems are more difficult and costly to support, are less resilient, and are likely to carry a higher degree of security risk.

Highlights of the study include the following:
- Over half (58 percent) of the 4,130 business applications contained in agencies' application portfolios are considered legacy. Of the legacy business applications, 52 percent use both outdated hardware and software; 20 percent use outdated hardware; and 28 percent use outdated software.
- Of the 4,130 business applications indicated above, 36 percent were deemed to be "mission critical." Among mission critical applications, almost two-thirds of these applications have legacy components.
- The report indicates the current annual ongoing cost of the state's legacy systems to be over $300 million and is based on support effort and software licensing fees.
- The report also estimated at a high-level the one-time cost to remediate legacy applications to be at least $450 million.

The report contains the following recommendations:
1. Agencies should develop a prioritized impact analysis and mitigation plan of identified legacy systems' security risks.
2. Amend Chapter 2054, Government Code, to authorize DIR to develop a legacy modernization strategy and collaborate with agencies to use these strategies as guidance in their legacy modernization efforts.
3. Amend Chapter 2054, Government Code to authorize DIR to:
   a. Establish a framework or approach that guides software application development;
   b. Facilitate standardization and collaboration to reduce the variety of technologies within the statewide technology portfolio and seek opportunities to consolidate business applications into fewer solutions;
   c. Achieve economies of scale by leveraging agency investments.
4. Prioritize commercial off-the-shelf solutions over custom-developed replacement solutions, including cloud-based implementations, particularly Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS, or sharing the technology to build applications).

Section 3

5. Amend Chapter 2054, Government Code, to authorize DIR to implement a shared (multi-tenant) reporting service and business analytics pilot to determine the viability of a statewide solution. The solution could consolidate reporting and/or data warehousing capabilities into a shared service.
6. Amend Chapter 2054, Government Code, to authorize DIR to establish a voluntary pilot program that provides statewide application portfolio management (APM) practices and toolsets for agencies to implement any recommendations following the Legacy Systems Study. The APM would be used to:
    a. Identify application investment requirements,
    b. Identify and track costs,
    c. Establish application lifestyle expectations or estimations,
    d. Measure, report and adjust values and expectations,
    e. Track against original expectations, and
    f. Track large changes to requirements over the life of the application.

Department of Information Resources
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
Cap	227.9	196.0	198.0	198.0	198.0
Actual/Budgeted	182.4	181.8	198.0	NA	NA
Schedule of Exempt Positions (Cap)					
Executive Director, Group 6	$175,000	$176,750	$180,285	$180,285	$180,285

Recommendations maintain the FY 2015 FTE cap of 198.0 and reflect an increase of 16.2 FTEs from fiscal year 2014 estimated amounts in the strategies below, which also include reallocations among strategies. As of the fourth quarter of fiscal year 2014, the agency reported 187.3 FTEs. The agency indicates they plan on filling vacant positions and as of January 29, 2015, the agency has six positions posted on their website.

--Strategy B.1.1, Contract Administration of IT Commodities and Services: decrease of 1.7;
--Strategy B.2.1, Data Center Services: increase of 6.4;
--Strategy B.2.2, Texas.gov: increase of 0.1;
--Strategy B.3.1, Statewide Cyber Security Services: increase of 3.0;
--Strategy C.1.1, Capitol Complex Telephone: increase of 0.8;
--Strategy C.2.1, Network Services, increase of 3.0;
--Strategy D.1.1, Central Administration, increase of 2.2;
--Strategy D.1.2, Information Resources, increase of 0.8; and
--Strategy D.1.3, Other Support Services, increase of 1.6.

The agency is requesting an increase in authority for the Executive Director Exempt Position from $180,285 to $221,500 per fiscal year.

The State Auditor's Office Report, *Executive Compensation at State Agencies* (Report No. 14-705, August 2014), indicates a market average salary of $194,704 for the Executive Director position at the Department of Information Resources and does not recommend changing the Group 6 classification for the position.

Department of Information Resources
Performance Measure Highlights - House

	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
• *Total Contract Savings and Cost Avoidance Provided Through DIR Contracts*	300,854,457	274,765,117	260,000,000	280,000,000	280,000,000
Measure Explanation: Recommendations reflect an increase to targets in fiscal year 2016 and 2017 based on performance in prior fiscal years.					
• *Percent of Monthly Minimum Service Level Targets Achieved for Data Center Services*	98	99	92	95	95
Measure Explanation: Recommendations reflect an increase to the current target of 92 percent based on performance in prior fiscal years.					
• *Percentage of Customers Satisfied with Data Center Services Contract Management*	74	78	95	90	90
Measure Explanation: Recommendations reflect a decrease to the target by 5 percent from the current target of 95 percent as requested by the agency. Agency indicated that DCS service providers are working with DIR and customer agencies to develop and implement an action plan to address concerns and issues identified in customer satisfaction surveys.					

Department of Information Resources
Performance Review and Policy Report Highlights - House

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session

NO RELATED RECOMMENDATIONS

Department of Information Resources
Rider Highlights - House

2. (revise) **Capital Budget.** Revise amounts for Daily Operations and Data Center Consolidation for the agency's internal DCS costs. Add new projects for Personal Computer Purchases and new Technology Sourcing Automation project to streamline and manage the agency's procurement processes and contracts within the Cooperative Contracts Program.

   Also remove provision which excludes the agency from adding a new capital budget item during the biennium. Recommended revision would allow the agency to add a new capital budget item, subject to limitations in Article IX, Section 14.03, Limitation on Expenditures - Capital Budget.

3. (revise) **DIR Clearing Fund Account.** Revise estimated appropriations out of unexpended balances to $0.8 million and anticipated revenues to $13.2 million in fiscal year 2016 and to $13.9 million in fiscal year 2017. Also add provision providing for approval of the agency's request to expend above amounts identified in the GAA if no written disapproval is received within 30 business days of the date on which LBB staff forwards its review to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House of Representatives and Lieutenant Governor.

   Remove provision requiring the agency to annually submit a report on administrative costs allocated to customers of the Cooperative Contracts program. This provision is included in revisions to Rider 11, Reporting Requirements for Cost Recovery Activities.

4. (revise) **Capital Purchases on Behalf of Other Governmental Entities.** Revise rider to clarify that only capital purchases for information and telecommunication technologies for which DIR directly bills and is reimbursed by its customers are excluded from application of capital budget limitations in Article IX, Section 14.03, Limitation on Expenditures - Capital Budget. Also clarify that capital purchases for DIR's internal use are subject to limitations in Article IX, Sec. 14.03.

5. (revise) **Cash Flow Contingency.** Revise rider to clarify that the maximum amount of General Revenue the agency may borrow is an amount not to exceed the greater of 10 percent of projected revenue for telecommunications and data center services or $4.0 million.

7. (revise) **Telecommunications and Statewide Technology Centers Capital Budget Purchases.** Revise rider to exempt from capital budget limitations in Article IX, Section 14.03, Limitation on Expenditures - Capital Budget, purchase of equipment, software and maintenance to facilitate cost savings or technical advancement to include data center services in addition to current exemptions provided for the Capitol Complex Telephone System and Texas Agency Network (TEX-AN). Also revise to require that advanced notification of such purchases, already required, be provided 45 days in advance of planned purchase date.

8. (revise) **Telecommunications Revolving Account.** Revise estimated appropriations out of unexpended balances to $1.2 million and anticipated revenues to $98 million in fiscal year 2016 and to $105.6 million in fiscal year 2017. Also add provision providing for approval of the agency's request to expend above amounts identified in the GAA if no written disapproval is received within 30 business days of the date on which LBB staff forwards its review to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House of Representatives and Lieutenant Governor.

9. (revise) **Statewide Technology Account.** Revise estimated appropriations out of unexpended balances to $0.6 million and anticipated revenues to $230.9 million in fiscal year 2016 and to $236.5 million in fiscal year 2017. Extend current limitations of expenditures to include unexpended balances carried forward from the prior biennium. Also add provision providing for approval of the agency's request to expend above amounts identified in the GAA if no written disapproval is received within 30 business days of the date on which LBB staff forwards its review to the Chair of the House Appropriations Committee, Chair of the Senate Finance Committee, Speaker of the House of Representatives and Lieutenant Governor.

   Additionally, clarify that the LBB and Governor must provided written approval for increases to the administrative fee charged for the DCS program.

11. (revise) **Reporting Requirements for Cost Recovery Activities.** Revise annual reporting requirement related to the agency's operating accounts and cost recovery fees to also require the agency to provide the total fees charged to each state agency and other users of the cooperative contracts, telecommunications, and data center services programs.

11. (delete) **Sunset Contingency.** Delete rider. Agency was continued through August 31, 2021 by House Bill 2472, Eighty-third Legislature, Regular Session.

13. (delete) **Statewide Contracts for Higher Education.** Delete rider which authorizes the agency to develop statewide contracts related to online distance education products and services. The agency is authorized to perform this action through Government Code, Chapter 2157.

14. (delete) **Study on the Use of Tablet Computers Instead of Personal Computers.** Delete one-time reporting rider. Agency submitted a report of the study on March 1, 2014.

Art IX. § 9.04 (revise) **Information Technology Replacement.** Revise subsection (c) to authorize DIR to require state agencies to coordinate purchases and replacements of information technology workstations, including laptop and desktop computers, with DIR's bulk purchasing efforts in accordance with Sections 2157.006 and 2157.068, Government Code. Subsection (d) is revised accordingly.

Art IX. § 9.07 (revise) **Payments to the Department of Information Resources.** Revise subsection (c) to modify the calculation of allowable fund balances for the Clearing Fund to be based on current, rather than prior, fiscal year revenues. Also remove requirements for DIR to collect information from agencies regarding funding sources utilized by agencies to pay administrative fees charged by DIR through the Cooperative Contracts program.

Section 5

New Art IX. § 9.09 (new) **Server Consolidation Status Update.** Add new rider requiring participating data center services (DCS) agencies to report quarterly to the LBB and DIR on the status of server consolidation for servers managed through the DCS program, including:

- The number of servers which have been consolidated within the statewide data centers,
- The number of remaining servers planned for consolidation and timeline for consolidation, and
- The number of servers which are not planned for consolidation and justification to not consolidate servers.

Require DIR to report quarterly on the overall status of server consolidation.

Also include a provision to designate any application remediation project related to DCS as a major information resources project that may be reviewed by the Quality Assurance Team (QAT).

New Art IX. § 9.10 (new) **Prioritization of Cybersecurity and Legacy System Projects.** Add new rider requiring DIR to submit by October 1, 2016 a prioritized list of state agencies' cybersecurity projects and legacy system modernization projects to the LBB for funding consideration. Rider would also direct agencies to coordinate and cooperate with DIR for this requirement.

Section 6

Department of Information Resources
Items not Included in Recommendations - House

	2016-17 Biennial Total	
	GR & GR-Dedicated	**All Funds**
Agency Exceptional Items - In Agency Priority Order		
1. Revise Article IX, Section 9.07, Payments to the Department of Information Resources, subsections (d) and (e), to modify the calculations of the maximum fund balances the agency is authorized to maintain in any fiscal year to 10 percent of revenues to the Telecommunications Revolving Account and 2 percent of revenues to the Statewide Technology Account.	$ -	$ -
Total, Items Not Included in the Recommendations	**$ -**	**$ -**

Section 7

Department of Information Resources
Summary of 10 Percent Biennial Base Reduction Options - House

			Biennial Reduction Amounts					
Priority	Item	Description/Impact	GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill?
TOTAL, 10% Reduction Options			$0	$0		$0		

The Department of Information Resources is funded entirely through Other Funds, including Appropriated Receipts and Interagency Contracts to the Clearing Fund, Telecommunications Revolving Account, and the Statewide Technology Account. A ten percent reduction schedule was not included for this agency.