Page I-74
Stacey Napier, Executive Director
Lena Conklin, LBB Analyst

Historical Funding Levels (Millions)

Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change ($)	Biennial 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	$670,439,926	$753,273,746	$82,833,820	12.4%
All Funds	**$670,439,926**	**$753,273,746**	**$82,833,820**	**12.4%**

|	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	198.0	198.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

- Of the $82.8 million biennial increase, $45.8 million reflects a projected increase in use of telecommunication and data center services by customer agencies and local entities.
- The biennial funding increase also reflects $35.2 million in Texas.gov revenues for estimated payments to one or more vendors for operation of the Texas.gov state electronic internet portal and for DIR's oversight of the portal. This amount has traditionally not been reflected in appropriations to the agency and is pursuant to the agency implementing a new funding model for Texas.gov beginning in fiscal year 2019.

Historical Full-Time-Equivalent Employees (FTEs)

The bill pattern for this agency (2018-19 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2018-19 biennium.
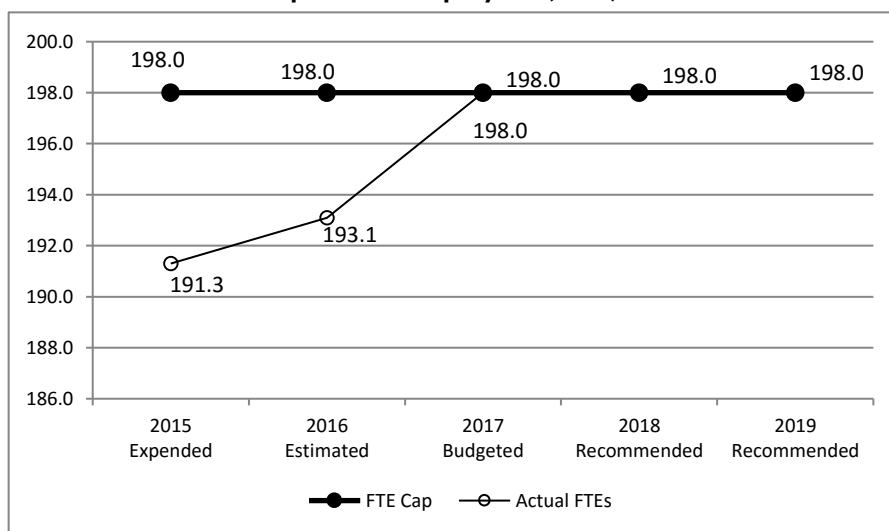
Department of Information Resources
Summary of Funding Changes and Recommendations - House

	Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
	Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):						
A)	Estimated increases in consumption of services within the Capitol Complex Telephone System ($0.8 million), Texas Agency Network ($16.3 million) and Data Center Services ($28.8 million) programs by customer state agencies, institutions of higher education and local entities.	$0.0	$0.0	$0.0	$45.8	$45.8	B.2.1, B.4.1, B.5.1
B)	Estimated payments to the vendor operating the Texas.gov state electronic internet portal in fiscal year 2019. Payments to the vendor are currently not reflected in the General Appropriations Act and are included in recommendations for the anticipated implementation of a new funding model to appropriate Texas.gov revenues for payments to the vendor.	$0.0	$0.0	$0.0	$34.6	$34.6	B.3.1
C)	Increases in program operations and direct and indirect administrative expenses primarily related to increases for capital budget items ($0.7 million), contract support for procurement of TEX-AN, Texas.gov and Data Center Services contracts ($0.7 million); Texas.gov contract administration and oversight ($0.2 million); and information technology security assessments and training services ($0.8 million).	$0.0	$0.0	$0.0	$2.4	$2.4	All strategies
	TOTAL Funding Changes and Recommendations (in millions)	**$0.0**	**$0.0**	**$0.0**	**$82.8**	**$82.8**	As Listed
	Funding Increases	$0.0	$0.0	$0.0	$82.8	$82.8	As Listed
	Funding Decreases	$0.0	$0.0	$0.0	$0.0	$0.0	As Listed

NOTE: Totals may not sum due to rounding.

Agency 313

1/30/2017

Department of Information Resources
Selected Fiscal and Policy Issues - House

1. **Recommended Funding Increases.** Recommendations for the Department of Information Resources (DIR) provide for an overall funding increase of $82.8 million from DIR's four operating accounts.

Programs. Recommended funding levels include **$684.9 million** for payments to vendors to provide telecommunications and data center services and for operation of the Texas.gov portal. This amounts reflects an increase of **$80.4 million** from 2016-17 funding levels for the following programs:

Program (Operating Account)	2018-19 Recommendations	Funding Increase	Description
Telecommunications (Telecommunications Revolving Account)	Capitol Complex Telephone System (CCTS): $6.7 million Texas Agency Network (TEX-AN): $162.9 million	CCTS: $0.8 million TEX-AN: $16.3 million	CCTS: transition to a voice over internet protocol (VoIP) platform and maintenance of the existing phone system as agencies transition to VoIP TEX-AN: estimated increase in consumption of TEX-AN services by customer agencies, institutions of higher education and local entities. The increases are generally associated with amounts billed to customers and remitted to vendors providing the affected services.
Data Center Services (Statewide Technology Account)	$480.7 million	$28.8 million	Anticipated increased usage of data center services by customer agencies. Participating agency capital budgets reflect funding to cover obligations for the 2018-19 biennium. Amounts are remitted to vendors providing the affected services.
Texas.gov (Statewide Network Applications Account)	$34.6 million	$34.6 million	Estimated payments to one or more vendors for operation of the Texas.gov internet portal beginning in fiscal year 2019. The amounts remitted to the vendor currently operating Texas.gov, NICUSA, are not reflected in the 2016-17 General Appropriations Act (GAA) or in prior GAAs. The recommendation would include these payments in the agency's bill pattern.

Operating Increases. Additionally, recommendations include **$68.4 million**, reflecting an increase of **$2.4 million**, for the agency's operating expenses related to managing cost-recovery programs, cyber security services, statewide rule and policy functions, other statewide initiatives, and indirect administration. Increases are primarily related to:
- overall capital budget project increases ($0.7 million), including upgrades of agency routers and network infrastructure systems, development of an application to streamline the ordering process for staff augmentation services, and the agency's internal data center service costs;
- contracts to assist with the procurement of Texas.gov, DCS, and TEX-AN services contracts ($0.7 million);
- cyber security assessments and training services ($0.8 million); and
- management and oversight of Texas.gov service contracts ($0.2 million).

As a reminder, the agency is not funded from General Revenue or General Revenue-Dedicated funds and is therefore, not subject to the four percent reductions.

2. **Texas.gov.** The contract with the National Information Consortium (NICUSA) to operate and manage the Texas.gov state electronic internet portal is set to expire on August 31, 2018. The agency is currently in the beginning of the procurement process to select one or more vendors for the operation of the website. The agency has indicated that they hope to make an award in mid-fiscal year 2018. Under the current Texas.gov operating model, revenue is primarily received from convenience fees charged to transactions made over the website. After deduction of credit card fees, NICUSA receives a 60 percent share of the revenue ($43.1 million in fiscal year 2016) with the remaining 40 percent, or state share, deposited to unappropriated General Revenue ($28.7 million). Appropriations to the agency reflect DIR's cost for contract oversight out of the Clearing Fund and do not include the payments of the vendor revenue share.

   The agency has indicated their intent to implement a new funding model, which would allow them more control and transparency into the vendor's expenses for operation of the portal. The agency requested, and recommendations provide, for the appropriation of receipts received from Texas.gov transactions, including the convenience fees, to pay the vendor costs to operate the program as well as DIR's cost for administration and oversight of the Texas.gov contract. The state share would continue to be deposited to unappropriated General Revenue, but because it is not an expense for the program, the amounts are not included in the recommendations. Receipts would be deposited and appropriated out of the Statewide Network Applications Account as Interagency Contracts and Appropriated Receipts. Recommendations include $35.2 million from this account of which $34.6 million is estimated as the vendor payments and the remaining $0.6 million as DIR's program operations. Additionally, and similar to treatment of the agency's other methods of finance, recommendations would limit the expenditures out of the account to the estimated appropriation identified in the agency's bill pattern unless approval is received by the Legislative Budget Board to exceed those amounts.

3. **Data Center Services.** Recommendations align funding for the data center services (DCS) program with recommendations for DCS funding at the various 33 customer agencies. **Figure 1** provides an overview of 2016-17 and 2018-19 biennial funding levels and compares amounts for DCS in agencies' 2018-19 LARs with DIR's estimates for the 2016-17 biennium and recommended funding levels for the 2018-19 biennium. Recommendations generally include amounts to maintain current obligations as estimated by DIR. Current obligations include maintenance of current service levels and projects initiated during the 2016-17 biennium. Overall, agencies reflected higher expended and budgeted amounts for the 2016-17 biennium in their LARs than DIR projects for the current biennium. Our office is reviewing agencies' planned use of DCS funding and the difference of approximately $19.6 million shown in Figure 1 to determine if some portion of DCS appropriations in the 2016-17 biennium may be recaptured through reductions in the supplemental bill.

   Additionally, the total of all agencies' requests for the 2018-19 biennium is higher than amounts reflected in the recommendations. Recommendations for DIR's funding reflect anticipated funding levels of $493.3 million for DCS expenses across affected agencies.

Figure 1: Data Center Services Biennial Increase

	2016-17 Biennium		2018-19 Biennium	Biennial Increase	Percent Increase
Agencies' LAR Estimated/Budgeted Expenditures	$491,693,788	Agencies' Total Requests (Baseline and Exceptional)	$548,860,187	$57,166,399	11.6%
DIR's 2016 Actual and 2017 Forecast	$472,095,114	Introduced Bill	$493,280,116	$21,185,002	4.5%
Difference: Agencies' LARs over Forecast	$19,598,674	Difference: Requests over Recommendations	$55,580,071		

Source: Legislative Budget Board and Department of Information Resources

Agencies with the largest biennial funding increases, when comparing 2018-19 recommendations to 2016-17 forecasted amounts include:

- Office of the Attorney General: Increase of $16 million primarily related to increased server and storage usage and server software purchases, including T2 project server software licenses.
- Health and Human Services Commission: Increase of $2.2 million for increases in print-mail activity and additional servers with associated storage, tape, hardware and software charges.
- Department of Criminal Justice: Increase of $5.7 million due to greater consumption of central processing unit (CPU) specialty engine hours, identity management server software license and maintenance charges, and the addition of a server and related hardware and software charges.
- Workforce Commission: Increase of $4.3 million for additional hardware and server software service charges and growth in print/mail, server usage and storage. Amounts also reflect migration of the Department of Assistive and Rehabilitative Services DCS costs.

As previously indicated, 33 agencies have DCS costs in the current biennium. The program has traditionally provided consolidated mainframe, server, network, bulk print/mail and data center operations. The agency has expanded services to include a hybrid cloud services (HCS) options which provide customers with fully managed and self-managed service options, as well as DCS private community cloud and public government cloud options. DIR also offers additional services including Microsoft Office 365 cloud products and Google Imagery geographic information system for which agencies may procure from the DCS program.

Various DCS contracts are set to expire in the upcoming years including:

- Multi-sourcing integrator (MSI) contract with Capgemini expires on 8/31/2018. The MSI integrates and manages the services from the service component providers and provides desk support, business continuity, disaster recovery testing and planning, and financial management and invoicing.
- Bulk print and mail services contract with Xerox is set to expire 8/31/2020.
- Data center service component provider contract with Atos is set to expire on 8/31/2020. Atos currently delivers infrastructure services for mainframes, servers, networks and data center operations.

DIR is beginning the procurement process in the 2016-17 biennium, which will continue into the 2018-19 biennium, in which the agency will contract for procurement support and legal services to consider and potentially develop new service delivery models and assist with the solicitation and contracting process. DIR's 2016-17 funding includes $1.1 million for this purpose with $1.6 million included in recommendations to support the procurement process.

4. **Fund Balance Authority.** Article IX, Section 9.07, Payments to the Department of Information Resources, provides limitations on the amount of fund balances that DIR may maintain out of their current 3 operating accounts. Recommendations would amend Section 9.07 to revise the calculation of the agency's fund balance cap for the Telecommunications Revolving Account and Statewide Technology Account and provide a fund balance cap for the new Statewide Network Applications Account to correspond with recommended appropriation of Texas.gov revenues.

Recommendations would revise the calculation of the cap to base it on revenues rather than operating expenses and would provide balance authority of four percent of current fiscal year revenues and one percent of current fiscal year revenues, respectively, for the Telecommunications Revolving Account and Statewide Technology Account. This would have the effect of increasing the balances the agency would be able to maintain. The increased balance authority would provide the agency with better ability to stabilize fees and to accommodate any planned and unplanned upgrades to the agency's telecommunications and data center infrastructure without directly recovering the costs from customer agencies and local entities, as well as other one-time purchases or procurements.

Additionally, recommendations would implement a fund balance cap of four percent of Texas.gov revenue for the Statewide Network Applications Account for similar purposes. However, unlike requirements for the Telecommunications Revolving Account and Statewide Technology Account, the excess over the fund balance cap would be transferred to unappropriated General Revenue rather than returned to customers.

The revised balance authority would provide a combined increase of $5.1 million in the amount of allowable fund balances. **Figure 2** summarizes the changes in calculations of the limits and the fund balance cap based on fiscal year 2019 estimated revenues.

Figure 2: Department of Information Resources: Comparison of Fiscal Year 2019 Projected Maximum Fund Balance

Method of Finance	Projected Revenue FY 2019	Projected Operating Costs FY 2019	Current Balance Authority		Recommended Balance Authority		Difference
			Calculation	Amount	Calculation	Amount	
Clearing Fund	$15,001,538	$12,384,235	Ten percent of current fiscal year revenue.	$1,500,154	No change requested: Ten percent of current fiscal year revenue.	$1,500,154	$0
Telecommunications Revolving Account	$103,646,086	$15,496,622	Two month operating reserve: Annual projected average direct and indirect administrative costs for two months for providing telecommunications services, excluding payments to telecommunications vendors for which DIR directly bills its customers.	$2,582,770	Four percent of current fiscal year revenue.	$4,145,843	$1,563,073
Statewide Technology Account	$250,564,236	$5,240,572	Two month operating reserve: Annual projected average direct and indirect administrative costs for two months for providing data center services (DCS), excluding payments to DCS vendors for which DIR directly bills its customers.	$873,429	One percent of current fiscal year revenue.	$2,505,642	$1,632,214
Statewide Network Applications Account (Texas.gov Revenues)	$46,997,653	$610,483	None.	$0	Four percent of current fiscal year revenue.	$1,879,906	$1,879,906
TOTAL	$416,209,513	$33,731,912		$4,956,353		$10,031,546	$5,075,193

5. **Informational: Department of Information Resources Administrative Fees.** Figure 3 provides the estimated administrative fee rates for the 2018-19 biennium charged by DIR for services provided. Except as noted for the Cooperative Contract administrative fees, the fee rates are identical to the current rates for fiscal year 2017.

Figure 3

Program	Administrative Fee Rates	Account
Cooperative Contracts	Actual fees vary by contract and are included in the purchase price of information technology commodities and services. • Average fee: 0.665 percent in fiscal year 2018 and 0.650 percent in fiscal year 2019 • Maximum fee: 1.0 percent Fee rates are capped at 2.0 percent by Rider 3, DIR Clearing Fund Account.	Clearing Fund (Appropriated Receipts)
Telecommunications Capitol Complex Telephone System (CCTS) and Texas Agency Network (TEX-AN)	For services that DIR directly provides, such as CCTS, fees are included in the prices. Fee levels for other telecommunication services include: • 12.0 percent for TEX-AN vendor-provided services billed by DIR; • 4.0 percent for Go DIRect local service contracts which are directly billed by the vendor; • 2.0 percent for Go DIRect wireless services and conferencing services which are directly billed by the vendor; and • 0.5 percent for Go DIRect managed services which are directly billed by the vendor. Fee rates are not capped.	Telecommunications Revolving Account (Appropriated Receipts and Interagency Contracts)
Data Center Services	Fee is set a 2.95 percent of data center services costs billed by contracted providers. Fee is uncapped. Agency must receive written approval from the Legislative Budget Board and Office of the Governor before increasing the fee, pursuant to Rider 9, Statewide Technology Account.	Statewide Technology Account (Appropriated Receipts and Interagency Contracts)

Department of Information Resources

Contracting Highlights

Summary of Contracts Awarded 09/01/2014 to 01/17/2017 and Reported to LBB Contracts Database*

(Dollar values rounded to the nearest tenth of a million)

	Number	Total Value	Average Value	% of total
Procurement Contracts	157	$ 774.4	$ 4.9	100%
Award Method				
Total Competitive Contracts	156	$ 774.2	$ 5.0	100.0%
Total Non-Competitive	1	$ 0.1	$ 0.1	0.0%
Emergency	0	$ -	$ -	0.0%
Sole Source	0	$ -	$ -	0.0%
Interagency Agreement	1	$ 0.1	$ 0.1	0.0%
Procurement Category				
Information Technology	42	$ 10.1	$ 0.2	1.3%
Professional Services	3	$ 3.9	$ 1.3	0.5%
Construction	1	$ 0.1	$ -	0.0%
Goods	7	$ 2.0	$ 0.3	0.3%
Other Services	98	$ 757.1	$ 7.7	97.8%
Lease/Rental	8	$ 1.6	$ 0.2	0.2%
Revenue Generating Contracts	53	$ 683.6	$ 12.9	88.3%
Competitive	53	$ 683.6	$ 12.9	88.3%
Non-competitive	0	$ -	$ -	0.0%

Comparisons with State Averages

Award Method

Procurement Category
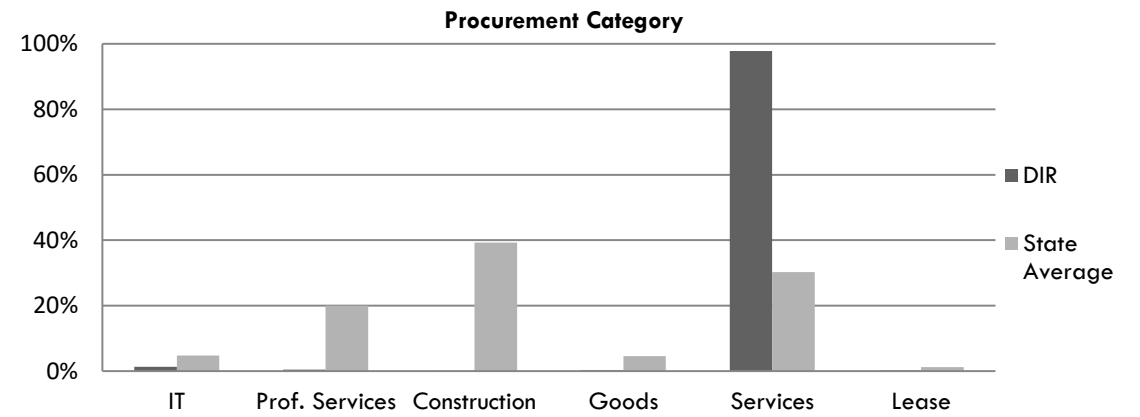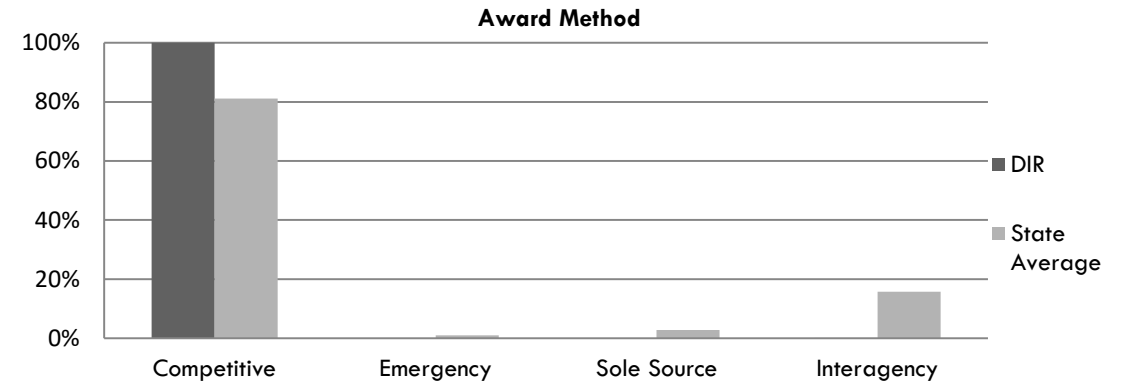
*Note: These figures reflect the total value of reported contracts awarded 09/01/2014 to 01/17/2017 and reported to the LBB contract database. Values can include planned expenditures for subsequent years and represent the amounts contracted which may include funds from sources other than appropriated or General Revenue Funds.

Contracting Highlights

(Dollar values rounded to the nearest tenth of a million)

Largest Active Contracts From Previous Fiscal Years

		Award Method		Total Value	% Change*	Award Date	Length	Renewals	Vendor
1	Data Center, Mainframe, and Network Services	Competitive	$	1,334.1	-	12/30/11	9 years	0	ATOS Govt. IT Oursourcing Services LLC
2	Texan Circuits Phone Services	Competitive	$	944.9	65.9%	07/01/11	8 years	3	AT&T
3	Texas Online Portal Web Hosting	Competitive	$	810.1	-	07/31/09	9 years	2	Texas NICUSA LLC
4	Data Center Master Services Integration	Competitive	$	137.6	-	12/28/11	7 years	0	Capgemini America Inc.
5	Data Center Print and Mail Services	Competitive	$	87.1	-	01/23/12	6 years	0	Xerox Corporation

Largest Competitive Contracts Awarded in FY 17 to 01/17/2017*		**Award Method**		**Total Value**	**% Change***	**Award Date**	**Length**	**Renewals**	**Vendor**
1	Data Center, Mainframe, and Network Services	Competitive	$	200.2	-	09/01/16	1 year	0	ATOS Govt. IT Oursourcing Services LLC
2	Texan/OAG Phone Services	Competitive	$	50.0	-	09/01/16	1 year	0	AT&T
3	Data Center Master Services Integration	Competitive	$	25.0	-	09/01/16	1 year	0	Capgemini America Inc.
4	Data Center Print and Mail Services	Competitive	$	15.0	-	09/01/16	1 year	0	Xerox Corporation
5	Texan Circuits Phone Services	Competitive	$	11.2	-	09/01/16	1 year	0	AT&T

Largest Competitive Contracts Awarded in FY 15-16*		**Award Method**		**Total Value**	**% Change***	**Award Date**	**Length**	**Renewals**	**Vendor**
1	Data Center, Mainframe, and Network Services	Competitive	$	52.7	-	09/01/15	1 year	0	AT&T
2	Data Center, Mainframe, and Network Services	Competitive	$	51.9	-	09/01/14	1 year	0	ATOS Govt. IT Oursourcing Services LLC
3	Texan/OAG Phone Services	Competitive	$	51.0	-	09/01/15	1 year	0	AT&T
4	Data Center Services Integration	Competitive	$	24.5	-	09/01/15	1 year	0	Capgemini America Inc.
5	Data Center Print and Mail Services	Competitive	$	16.4	-	09/01/15	1 year	0	Xerox Corporation

* Note: The Department of Information Resources issues purchase orders for its large contracts on an annual basis, and reports these individual purchase orders as standalone contracts to the LBB. As such, these contracts may repesent purchase orders issued under larger contracts that were awarded in previous fiscal years.

Department of Information Resources
Rider Highlights - House

Modification of Existing Riders

2. **Capital Budget.** Revise rider to align with recommended funding changes.
   - Revise: (1) Daily Operations – reduce by $70,000 due to the agency phasing out seat management services during the 2016-17 biennium; and (2) Data Center Consolidation – increase by $0.6 million for software licenses and hybrid cloud services.
   - Add: (1) Router and Network Upgrades – $0.6 million to replace new routers which are no longer vendor supported and acquisition of a telecommunications fiber inventory management system to manage data on the agency's fiber within the Greater Austin Area Telecommunications Network; and (2) Information Technology Staffing Portal – $0.5 million to implement a system to streamline the solicitation process for staff augmentation contracts.
   - Delete: (1) Personal Computer purchases – $0.4 million for the purchase of personal computers in the 2016-17 biennium due to the agency phasing out seat management; and (2) Technology Sourcing Automation – $0.8 million for implementation of a system to automate processes relating to management of Cooperative Contracts.

3. **DIR Clearing Fund Account.** Revise appropriations out of the Clearing Fund Account identified in the rider to align with recommended funding levels and strategy allocations.

5. **Cash Flow Contingency.** Revise rider to clarify language.

6. **Texas.gov Project and the Statewide Network Applications Account.** Revise rider to provide appropriation authority for Texas.gov revenues, including appropriated receipts and interagency contracts, to be deposited to the Statewide Network Applications Account beginning in fiscal year 2019. The rider would include limitations similar to those provided for the agency's other operating accounts, which would restrict the agency's expenditures out of the account to the amounts identified in the bill pattern unless approval is received from the Legislative Budget Board.

7. **Telecommunications and Statewide Technology Centers Capital Budget Purchases.** Revise rider to reduce the timeframe for providing advance notification to the Legislative Budget Board and Governor of capital purchases affecting the Capitol Complex Telephone System, TEX-AN, and DCS programs from 45 to 30 days prior to the acquisition.

8. **Telecommunications Revolving Account.** Revise appropriations out of the Telecommunications Revolving Account identified in the rider to align with recommended funding levels and strategy allocation.

9. **Statewide Technology Account.** Revise appropriations out of the Statewide Technology Account identified in the rider to align with recommended funding levels.

11. **Reporting Requirements for Cost Recovery Activities.** Revise rider to include the Statewide Network Applications Account in the requirements for reporting on cost recovery accounts and activities.

New Riders

12. **Statewide Contracts for Electronic Signature and Certified Electronic Mail Systems.** Add rider which directs DIR to determine if there is a need for statewide enterprise contracts for a digital or electronic signature and certified electronic mail system. If a need is found, DIR is directed to negotiate a master contract for agency use.

Article IX, Part 9 Information Resources Provisions

Sec. 9.04   **Information Technology Replacement.** Revise provision to include cyber security, telecommunications and network equipment as items for which DIR may initiate coordinated bulk purchases for state agencies.

Sec. 9.07   **Payments to the Department of Information Resources.** Revise provision for the following:
- include the Statewide Network Applications Account in annual fund balance reporting requirements;
- revise the fund balance authority for the Telecommunications Revolving Account from calculations based on two month operating expenses to four percent of annual revenues;
- revise the fund balance authority for the Statewide Technology Account from calculations based on two month operating expenses to one percent of revenues; and
- provide fund balance authority for the Network Applications Account based on calculations of four percent of annual revenues with requirements for excess of balances over the four percent to be transferred to the General Revenue Fund.

Sec. 9.09   **Server Consolidation Status Update.** Revise the frequency of reporting of server consolidation updates for DIR and for agencies participating in the DCS program from quarterly reporting to semiannual reporting.

Sec. 9.10   **Prioritization of Cybersecurity and Legacy System Projects.** Revise rider to cite the statutory provision defining "legacy systems" as Section 2054.571, Government Code.

Sec. 9.11   **Cybersecurity Initiatives.** Delete rider which identifies requirements for agencies which received appropriations for cybersecurity initiatives during the 2016-17 biennium to coordinate with DIR to ensure security standards are met and which designates such projects a major information resources project for potential review by the Quality Assurance Team. Rider may be reinstated upon funding decisions being made by the budget committees for cybersecurity projects at affected state agencies.

Rider also contains authority for DIR to coordinate bulk purchases of network security hardware and software. This authority has been incorporated in revisions to Section 9.04 Information Technology Replacement.

Department of Information Resources
Items Not Included in Recommendations - House

		2018-19 Biennial Total					
		GR & GR-D	**All Funds**	**FTEs**	**Information Technology Involved?**	**Contracting Involved?**	**Estimated Continued Cost 2020-21**
Agency Exceptional Items - In Agency Priority Order							
1)	Increase in Clearing Fund - Appropriated Receipts to expand the application portfolio management (APM) system beyond the current pilot offering to additional agencies. The APM system would assist agencies in identifying and managing the resources applied towards their business applications and the lifecycles of those applications.	$0	$993,379	0.0	Yes	Yes	$2,750,000
2)	Increase the exempt position salary cap for the Executive Director from $184,792 to $227,038 and increase funding out of the Clearing Fund, Statewide Technology Account and Telecommunications Revolving Fund (Appropriated Receipts and Interagency Contracts) to increase actual salary from $184,792 to $215,000.	$0	$60,416	0.0	No	No	$60,416
TOTAL Items Not Included in Recommendations		**$0**	**$1,053,795**	**0.0**			**$2,810,416**

Department of Information Resources
Appendices - House

Table of Contents		
Appendix	**Appendix Title**	**Page**
A	Funding Changes and Recommendations by Strategy	14
B	Summary of Federal Funds	*
C	FTE Highlights	16
D	Performance Measure Highlights	17
E	Summary of Ten Percent Biennial Base Reduction Options	18

* Appendix is not included - no significant information to report

Department of Information Resources
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
STATEWIDE PLANNING AND RULES A.1.1	$1,671,109	$1,698,381	$27,272	1.6%	Recommendations reflect increase in router and network upgrades.
INNOVATION AND MODERNIZATION A.1.2	$2,420,749	$2,429,841	$9,092	0.4%	Recommendations reflect increase in router and network upgrades.
Total, Goal A, PROMOTE EFFIC. IR POLICIES/SYSTEMS	**$4,091,858**	**$4,128,222**	**$36,364**	**0.9%**	
CONTRACT ADMIN OF IT COMM & SVCS B.1.1	$8,145,115	$8,242,493	$97,378	1.2%	Recommendations provide increases for the development of an information technology staffing services contracts portal ($0.5 million) for the Cooperative Contracts program, router and network upgrades ($0.1 million) and the agency's internal data center services costs ($0.1 million) which are offset by decreases for development of the agency's technology sourcing automation project ($0.6 million).
DATA CENTER SERVICES B.2.1	$459,304,795	$488,765,482	$29,460,687	6.4%	Recommendations primarily provide for an increase of $28.8 million in data center services based on estimated growth in usage of services by customer agencies and other entities. Additionally, operating increases are provided for contracts providing support for procurement of data center services contracts ($0.5 million), router and network upgrades ($0.1 million) and the agency's internal data center services costs ($0.1 million).
TEXAS.GOV B.3.1	$2,416,337	$36,409,484	$33,993,147	1,406.8%	Recommendations are related to implementation of a new funding model for the state electronic internet portal, Texas.gov, in fiscal year 2019 and primarily reflect increases of $34.6 million in payments to the vendor for operation of the portal. Additionally, recommendations reflect a decrease of $0.8 million for procurement support contracts offset by an increase of $0.2 million for reallocation of funding towards salaries.
CAPITOL COMPLEX TELEPHONE B.4.1	$8,646,250	$9,399,057	$752,807	8.7%	Recommendations primarily reflect an increase of $0.8 million for increases in costs of providing services for the Capitol Complex Telephone System.

Department of Information Resources
Funding Changes and Recommendations - House, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
NETWORK SERVICES B.5.1	$158,219,283	$176,021,201	$17,801,918	11.3%	Recommendations primarily provide for an increase of $16.3 million for estimated growth in usage of TEX-AN services by customer agencies and local entities. Additionally, operating increases are provided for contracts providing support for procurement of Texas Agency Network (TEX-AN) contracts ($1.0 million), router and network upgrades ($0.1 million) and the agency's internal data center services costs ($0.3 million).
Total, Goal B, IT AND TELECOMMUNICATION SERVICES	**$636,731,780**	**$718,837,717**	**$82,105,937**	**12.9%**	
SECURITY POLICY AND AWARENESS C.1.1	$2,004,172	$2,845,016	$840,844	42.0%	Recommendations primarily reflect an increase of $0.8 for security assessments and training services which were reprocured during fiscal year 2016.
SECURITY SERVICES C.1.2	$15,660,226	$15,672,348	$12,122	0.1%	Recommendations reflect increase in router and network upgrades.
Total, Goal C, PROMOTE EFFICIENT SECURITY	**$17,664,398**	**$18,517,364**	**$852,966**	**4.8%**	
CENTRAL ADMINISTRATION D.1.1	$5,387,068	$5,467,068	$80,000	1.5%	Recommendations reflect increase in router and network upgrades.
INFORMATION RESOURCES D.1.2	$5,246,477	$4,983,822	($262,655)	(5.0%)	Recommendations include increases of $0.2 million for internal data center services costs which are offset by decreases of $0.1 million for acquisition of IT equipment and $0.4 million for personal computer purchases.
OTHER SUPPORT SERVICES D.1.3	$1,318,345	$1,339,553	$21,208	1.6%	Recommendations reflect increase in router and network upgrades.
Total, Goal D, INDIRECT ADMINISTRATION	**$11,951,890**	**$11,790,443**	**($161,447)**	**(1.4%)**	
Grand Total, All Strategies	**$670,439,926**	**$753,273,746**	**$82,833,820**	**12.4%**	

Department of Information Resources
FTE Highlights - House

Full-Time-Equivalent Positions	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
Cap	198.0	198.0	198.0	198.0	198.0
Actual/Budgeted	191.3	193.1	198.0	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 6	$180,285	$184,792	$184,792	$184,792	$184,792

Notes:

a) Fiscal years 2015 and 2016 reflect actual FTE figures which are lower than the FTE cap primarily due to staff turnover and vacancies.

b) The State Auditor's Office Report, Executive Compensation at State Agencies (Report 16-706, August 2016), indicates a market average salary of $204,173 and recommended salary range of $184,792 to $227,038, within the current salary group 6, for the Executive Director position at the Department of Information Resources. The agency is requesting to increase the salary cap for the Executive Director from $184,792 to $227,038.

	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
• Number of State Agencies Participating in DIR Facilitated Pilots of Enterprise	0	0	0	10	10

Measure Explanation: House Bill 1980, Eighty-fourth Legislature, Regular Session, requires DIR to develop and implement a shared data reporting and business analytics service and a shared application portfolio management program for state agencies; DIR is currently implementing these services as pilot programs. The bill also authorizes DIR to offer other shared solutions. The measure was added in the previous strategic planning process as an indicator of the level of interest of agencies for the shared services.

• Percentage of Customers Satisfied with Data Center Services Contract Management	80%	46%	85%	85%	85%

Measure Explanation: The measure reflects the percent of chief executives or their designees from DCS customer agencies that responded to a customer satisfaction survey. DIR has indicated that the responses to the survey question are contrary to overall business executive satisfaction of the DCS program and that they will seek feedback on DIR's contract management from the Business Executive Leadership Council (BELC), which is the seven-member DCS governance committee comprised of constituent agency membership. Survey results indicate potential dissatisfaction may be linked to program costs in comparison to market pricing for similar services as well as timeliness for service requests and delivery, and communications and customer service. In response, DIR is offering new hybrid cloud services which integrate current public government cloud options with the consolidated data centers. In January 2017, the agency will open a new online marketplace portal which allows agencies more control in managing and provisioning services. Additionally, beginning in fiscal year 2018, the DCS program will operate under a tiered pricing structure based on volume for affected resources. Currently, rates fluctuate monthly based on volume of services used; the new pricing structure should have the effect of stabilizing rates.

The next survey will be administered in February 2017. A summary of survey results will be requested at that time.

• Number of State Agency Security Assessments Performed	21	0	15	15	15

Measure Explanation: DIR typically initiates approximately 15 security assessments for state agencies in a fiscal year. The agency underwent the solicitation process for a new service provider of these assessments in fiscal year 2016. Additionally, the process was delayed due to other cyber security initiatives, and as a result, no assessments were performed in fiscal year 2016. The security assessments are being reinstated in fiscal year 2017 and will be performed by NTT Data.

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

Appendix E

			Biennial Reduction Amounts					
Priority	Item	Description/Impact	GR & GR-D	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill?
TOTAL, 10% Reduction Options			$0	$0	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, Statewide Technology Account and Statewide Network Applications Account. A ten percent reduction schedule was not included for this agency.