

Strategic Fiscal Review 2016-17
Senate Budget Recommendations: SB 2 as Introduced
Department of Information Resources (313)

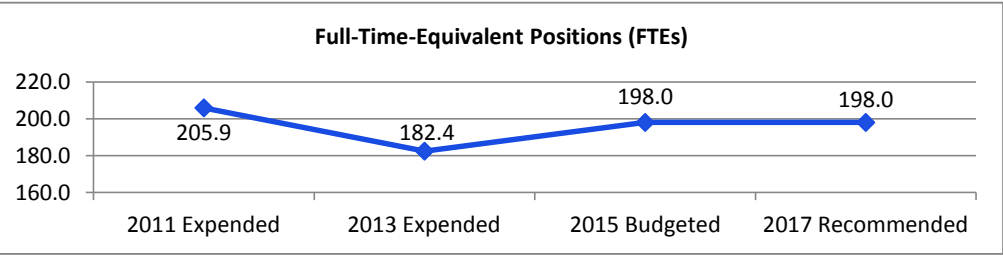
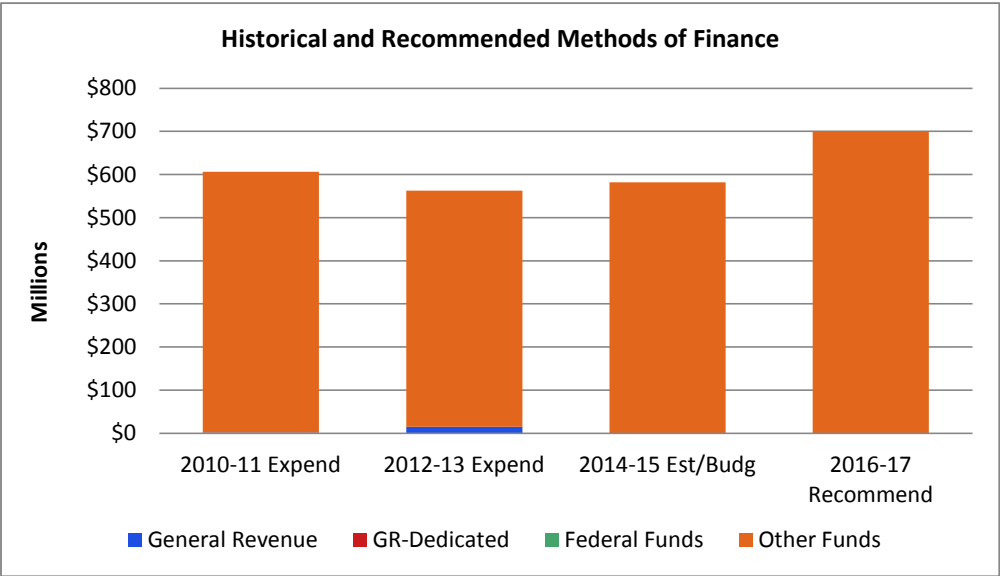
The staff of the Legislative Budget Board conducted the Strategic Fiscal Review in the fall of 2014. The analysis contained in these materials reflects that staff review. The budget amounts for 2016-17 reflect budget recommendations contained in Senate Bill 2 as Introduced.

Schedule 1: Agency Overview

Mission Statement: The mission of the Department of Information Resources (DIR) is to provide technology leadership, solutions, and value to Texas state government, education, and local government entities to enable and facilitate the fulfillment of their core missions.

Legal Authority: Government Code, Chapters 2054, 2055, 2059, 2157, 2170 and 2262.

Total Number of Programs: 13



Overview and Significant Findings

- **The agency is entirely fee supported.** Beginning in the 2014-15 biennium, all agency functions have been supported by fee revenue generated through four programs: Cooperative Contracts, Capitol Complex Telephone System, Texas Agency Network (TEX-AN), and Data Center Services. Fees are paid by customers of these programs which include state agencies, public K-12 schools, public institutions of higher education, local governmental entities, and assistance organizations. Accordingly, DIR's funding is in part supported by customer agencies' appropriations, which may include General Revenue and General Revenue-Dedicated Funds.
- **Use of fee revenue is limited through GAA provisions.** 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. **Recommendation:** These limitations are continued in recommendations.
- **The majority of agency costs are primarily payments to service providers.** The agency makes payments to service providers of Telecommunications and Data Center Services for services consumed by customers. DIR directly bills customers for these amounts, which the agency refers to as "cost of services." Costs of services generally make up 85 to 90 percent of the agency's appropriations. **Recommendations:** Increase funding by \$111.4 million to provide the agency authority to make payments to vendors for services consumed by customers of Telecommunications and Data Center Services.

Schedule 1: Agency Overview

Overview and Significant Findings, continued:

■ **The agency's program rankings do not consistently reflect the core mission of the agency.** The agency based their program rankings on several factors: impact to agencies, impact to citizens, cost to the state, and risk to the state. Although generally sound and reasonable, the methodology resulted in the Technology Planning and Policy program being reflected at a relatively lower priority. The 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 functions 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.

Notes:

- The agency did not initially provide internal performance measures beyond those which are included in the Automated Budget Evaluation System of Texas (ABEST).
- The agency has generally been responsive to requests for information and provided information by the date requested.
- In the instances where a program existed prior to fiscal year 2010, the agency shows 2010 amounts as the amounts for the first year of full implementation.

Overview of Revenue-Generating Programs and Fees

Program	Customers	Method of Finance	Collection	2014-15 Estimated / Budgeted	2016-17 Recommended
Cooperative Contracts: Purchasing program providing statewide negotiated pricing for IT commodities and services	<ul style="list-style-type: none"> ■ Required: state agencies ■ Voluntary: local governments, public K-12 and IHEs, assistance organizations and out of state jurisdictions, 2700+ customers in FY 2013 	Clearing Fund (Appropriated Receipts)	Administrative fee included in purchase price. FY 2015 estimate average administrative fee: 0.65 percent	\$23,452,021	\$27,897,263
Telecommunications Services: Includes Capitol Complex Telephone System (CCTS) and Texas Agency Network (TEX-AN)	<ul style="list-style-type: none"> ■ Required: state agencies ■ Voluntary: local governments, public K-12 and IHEs, and assistance organizations 	Telecommunications Revolving Account (Appropriated Receipts and Interagency Contracts)	Direct cost of service and administrative fee based on service	\$177,471,291	\$204,760,343
Data Center Services: Consolidated data center services including mainframe, server, and bulk print/mail operations; security and disaster recovery plans; and continuous hardware and software refresh	<ul style="list-style-type: none"> ■ 31 state agencies (27 full service agencies, one print/mail service only and three email only) ■ One Institution of Higher Education (Angelo State) <ul style="list-style-type: none"> ■ Texas.gov vendor 	Statewide Technology Account (Appropriated Receipts and Interagency Contracts)	Direct cost of service and 2.95 percent administrative fee	\$381,263,040	\$468,022,022

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Schedule 2A: Program Listing -- Services and Administration

Agency Submission		Review and Analysis								
Agency Ranking	Program Name	Year Created	State Authority	Federal Authority	Authority	Mission Centrality	State Service Category	Service Area	Significant Audit and/or Report Findings	Outsourced Services?
1	Texas.gov	2001	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	Yes	Yes
2	Statewide Technology Center (DCS)	2007	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	Yes	Yes
3	Network and Telecommunications Security Services	2008	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	No	Yes
4	Contract and Vendor Management	1992	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	Yes	No
5	Cyber Security	2005	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	No	Yes
6	Texas Agency Network (TEX-AN)	2001	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	Yes	No
7	Information Technology (IT) Security	2001	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	No	No
8	Capitol Complex Telephone Service	2001	Statute	NA	Strong	Strong	State Government Administration & Support	Regional	No	No
9	Enterprise Contract Management	1992	Statute	NA	Moderate	Strong	State Government Administration & Support	Statewide	Yes	No
10	Information Resources	1992	Statute	NA	Moderate	Moderate	State Government Administration & Support	NA	No	No
11	Technology Planning and Policy	1992	Statute	NA	Strong	Strong	State Government Administration & Support	Statewide	No	No
12	Central Administration	1992	Statute	NA	Moderate	Moderate	State Government Administration & Support	NA	Yes	No
13	Other Support Services	1992	Statute	NA	Moderate	Moderate	State Government Administration & Support	NA	No	No
Program Summary Included										

Notes: **Significant Audit and/or Report Findings.** SAO audit findings for (4) Contract and Vendor Management and (9) Enterprise Contract management and internal audit findings for (1) Texas.gov have been largely implemented. Sunset recommendations affecting several programs have also been largely implemented with an outstanding implementation related to (2) Statewide Technology Center (DCS) for establishing baseline DCS costs.

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Schedule 2B: Program Listing -- Fiscal

Agency Submission					Review, Analysis, and Funding								
Agency Ranking	Program Name	1st Year Full Implementation	2010-11 Expended	2012-13 Expended	2014-15 Est / Budg	2015 FTEs Budg	2016-17 SB 2 - Intro	2017 FTEs Rec.	Percent Change from Base	FTEs Change from Base	Revenue Supported?	Appropriate Use of Constitutional and GR-Dedicated Funds?	Agency Funding Alternatives in Recs?
1	Texas.gov	\$ 475,938	\$ 991,074	\$ 983,786	\$ 1,047,059	5.0	\$ 1,083,926	5.0	3.5%	0.0	Yes	NA	No
2	Statewide Technology Center (DCS)	\$ 186,922,204	\$ 368,455,097	\$ 356,060,417	\$ 378,031,895	24.0	\$ 464,170,628	27.1	22.8%	3.1	Yes	NA	No
3	Network and Telecommunications Security Services	\$ 1,042,651	\$ 1,494,140	\$ 713,604	\$ 813,359	3.0	\$ 1,083,095	3.0	33.2%	0.0	Yes	NA	No
4	Contract and Vendor Management	\$ 3,800,071	\$ 7,769,002	\$ 5,778,824	\$ 6,805,492	29.2	\$ 7,462,002	26.5	9.6%	-2.7	Yes	NA	No
5	Cyber Security	\$ 1,495,317	\$ 721,438	\$ 4,619,828	\$ 9,250,462	0.0	\$ 10,532,766	0.0	13.9%	0.0	Yes	NA	No
6	Texas Agency Network (TEX-AN)	\$ 81,378,693	\$ 187,855,082	\$ 154,494,887	\$ 163,026,060	45.0	\$ 189,930,601	45.8	16.5%	0.8	Yes	NA	No
7	Information Technology (IT) Security	\$ 364,468	\$ 1,070,350	\$ 542,573	\$ 1,423,107	8.0	\$ 1,694,104	8.0	19.0%	0.0	Yes	NA	No
8	Capitol Complex Telephone Service	\$ 6,027,747	\$ 9,369,489	\$ 6,097,364	\$ 6,927,588	19.3	\$ 7,965,179	18.3	15.0%	-1.0	Yes	NA	No
9	Enterprise Contract Management	\$ 5,721,264	\$ 9,546,495	\$ 4,428,196	\$ 1,625,562	8.0	\$ 2,236,742	7.0	37.6%	-1.0	Yes	NA	No
10	Information Resources	\$ 4,917,123	\$ 9,876,632	\$ 19,835,130	\$ 5,360,856	15.0	\$ 6,304,469	14.0	17.6%	-1.0	Yes	NA	No
11	Technology Planning and Policy	\$ 669,926	\$ 1,464,123	\$ 1,143,761	\$ 1,273,301	7.0	\$ 1,280,392	7.0	0.6%	0.0	Yes	NA	No
12	Central Administration	\$ 3,028,736	\$ 5,920,527	\$ 6,426,506	\$ 4,919,735	26.5	\$ 5,055,912	26.3	2.8%	-0.2	Yes	NA	No
13	Other Support Services	\$ 893,663	\$ 1,539,568	\$ 1,436,029	\$ 1,681,876	8.0	\$ 1,879,812	10.0	11.8%	2.0	Yes	NA	No
Total			<u>\$ 606,073,017</u>	<u>\$ 562,560,905</u>	<u>\$ 582,186,352</u>	<u>198.0</u>	<u>\$ 700,679,628</u>	<u>198.0</u>	<u>20.4%</u>	<u>0.0</u>			
Program Summary Included													

Notes: Data included in the column labeled *1st Year of Full Implementation* may reflect several different fiscal years and therefore it is not summed.

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Schedule 2C: Program Listing -- Explanation of Recommendations

Agency Submission		Review and Analysis	
Agency Ranking	Program Name	Funding Compared to 2014-15	Explanation of Recommendations
1	Texas.gov	↑	Funding: Increase (less than \$50,000) for oversight of the Texas.gov contract.
2	Statewide Technology Center (DCS)	↑	Funding: Increase of \$86.1 million primarily related to increased consumption of data center services to maintain current obligations, which include forecasted costs to maintain current services, agency projects which were initiated in the 2014-15 biennium and for transition and transformation milestone payments.
3	Network and Telecommunications Security Services	↑	Funding: Increase of \$0.3 million related to operations of the Network Security Operations Center and security testing services.
4	Contract and Vendor Management	↑	Funding: Increase of \$1.3 million primarily related to reprocurement of the Texas.gov service provider and two of three data center services contracts including the oversight/services integrator provider and print/mail service provider. The amounts noted are included in both the Contract and Vendor Mangement program and Enterprise Contract Management program.
5	Cyber Security	↑	Funding: Increase of \$1.3 million primarily related to enhancements of education and training services and statewide security policy and governance functions.
6	Texas Agency Network (TEX-AN)	↑	Funding: Increase of \$26.9 million of which \$25.3 million is related to increase in consumption of telecommunications service, primarily driven by local government customers.
7	Information Technology (IT) Security	↑	Funding: Increase of \$0.3 million for statewide information resources security planning and policy functions.
8	Capitol Complex Telephone Service	↑	Funding: Increase of \$1.0 million related to expansion of voice over internet protocol (VoIP) phone service.
9	Enterprise Contract Management	↑	Funding: Increase of \$1.3 million primarily related to reprocurement of the Texas.gov service provider and two of three data center services contracts including the oversight/services integrator provider and print/mail service provider. The amounts noted are included in both the Contract and Vendor Mangement program and Enterprise Contract Management program.
10	Information Resources	↑	Funding: Increase of \$0.9 million primarily related to hardware and software costs to maintain the agency's technical environment and the agency's planned transition from leasing IT equipment to purchasing equipment during the 2016-17 biennium.
11	Technology Planning and Policy	↑	Funding: Increase of approximately \$7,000 related to biennialization of the fiscal year 2015 two percent general employee state pay increase.
12	Central Administration	↑	Funding: Increase of \$0.1 million primarily to provide full staffing levels.
13	Other Support Services	↑	Funding: Increase of \$0.2 million providing \$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.
Program Summary Included			

Note:

Schedule 2C: Program Listing -- Explanation of Recommendations

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Schedule 3: Assessments of Mission Centrality and Authority

Department of Information Resources (313)

Mission centrality is a judgment of how directly connected a program is to the core mission and goals of the agency, as identified in statute, agency strategic plans, or other documents.

Authority is an assessment of how strong and explicit the legal basis is for the existence of the program and the way in which the agency is administering it.

		MISSION CENTRALITY		
		Weak	Moderate	Strong
AUTHORITY	Strong			Capitol Complex Telephone Service (8) Contract and Vendor Management (4) Cyber Security (5) Information Technology (IT) Security (7) Network and Telecommunications Security Services (3) Statewide Technology Center (DCS) (2) Technology Planning and Policy (11) Texas Agency Network (TEX-AN) (6) Texas.gov (1)
	Moderate			Enterprise Contract Management ¹ (9)
	Weak			

Notes: 1. The Enterprise Contract Management program is ranked as having moderate authority due to statute not directly addressing this function. However, since the agency is authorized by statute to contract with an entity for TEX-AN, DCS and Texas.gov services, it is assumed that management of those contracts is implicitly authorized.

2. The matrix does not include Indirect Administration programs.

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Schedule 4: Constitutional and General Revenue-Dedicated Accounts

The Department of Information Resources does not have any Constitutional or General Revenue-Dedicated Accounts. The agency is funded entirely through Other Funds, including Appropriated Receipts and Interagency Contracts to the Clearing Fund, Telecommunications Revolving Account, and the Statewide Technology Account.

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Schedule 5: Program Summary

All 2016-17 funding recommendations reflect SB 2 as Introduced

Program: Texas.gov

Agency Ranking

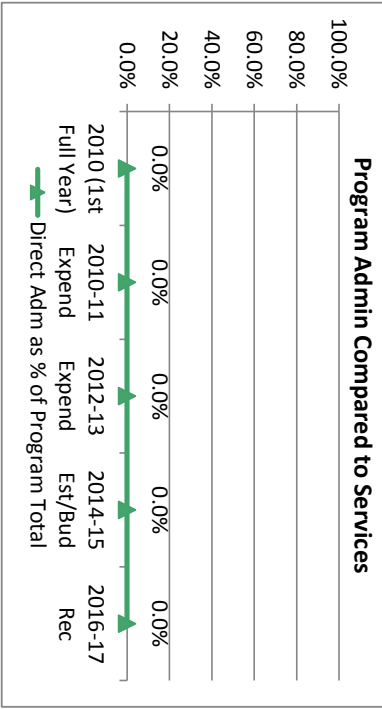
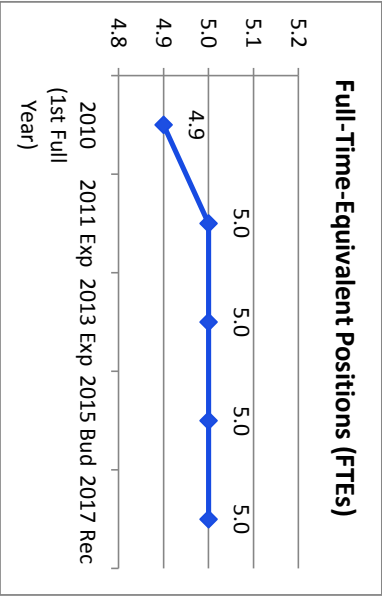
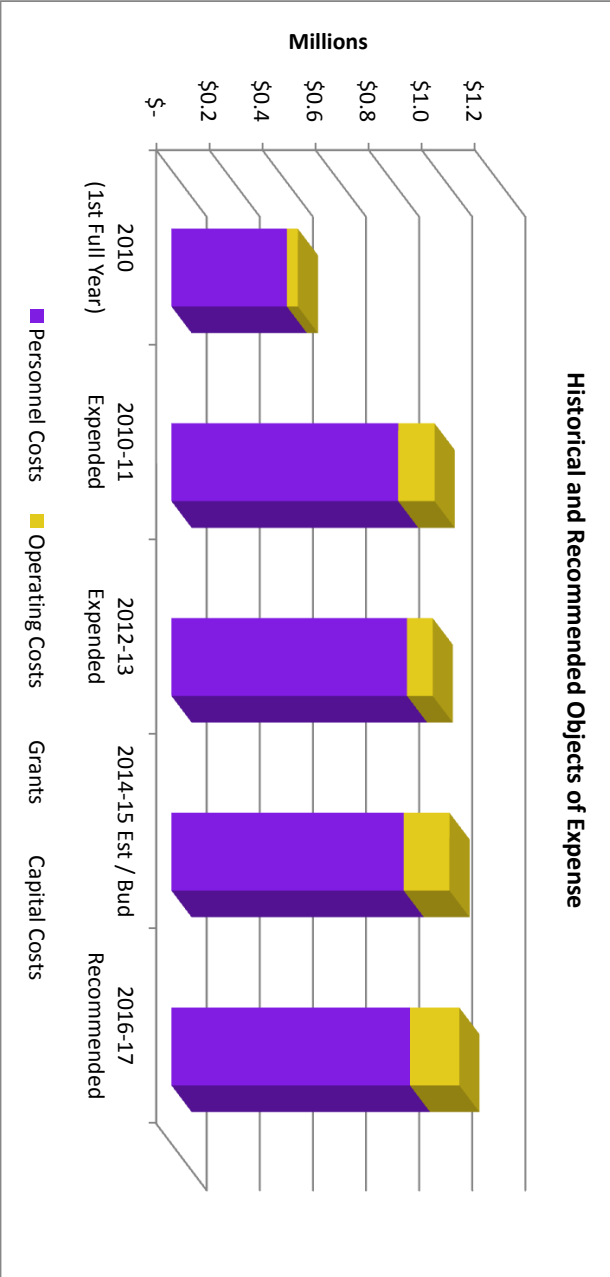
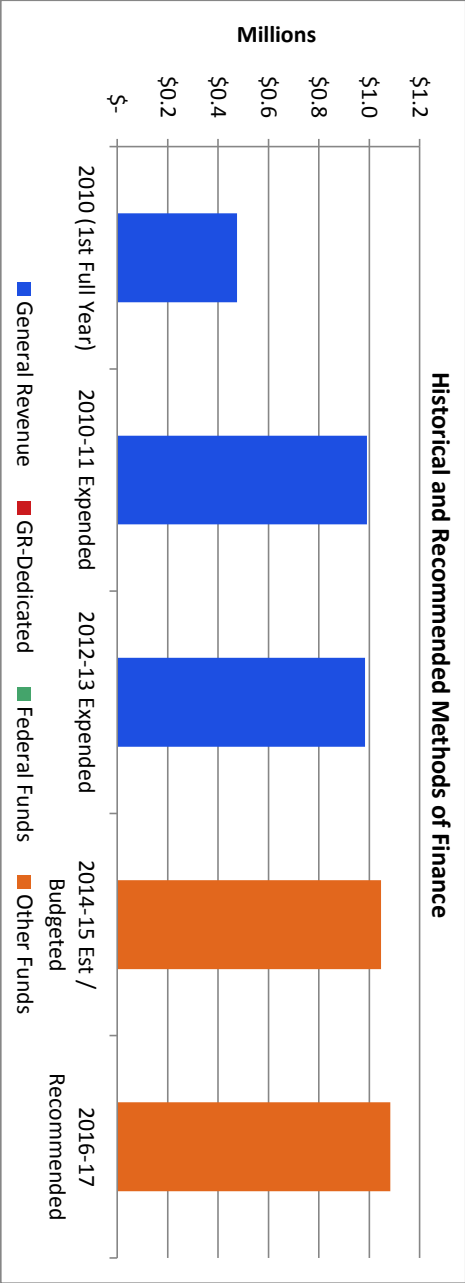
1out of 13

Provides contract oversight, performance monitoring, planning, policy development and program management for the Texas.gov website. Texas.gov is managed by an outsourced vendor and provides online services serving residents, state agencies, businesses, and local governments.

Legal Authority: Government Code, Sec. 2054.252

Year Created	2001	Performance and/or	Outsourced Services	Yes
Authority	Strong	Operational Issue	Revenue Supported	Yes
Centrality	Strong	Use of Dedicated Funds		NA
Service Area	Statewide	State Service Category	State Government Administration & Support	

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Oversight of State Website Operations	\$ 1,047,059	5.0	\$ 1,083,926	5.0	100.0%
TOTAL	\$ 1,047,059	5.0	\$ 1,083,926	5.0	100.0%



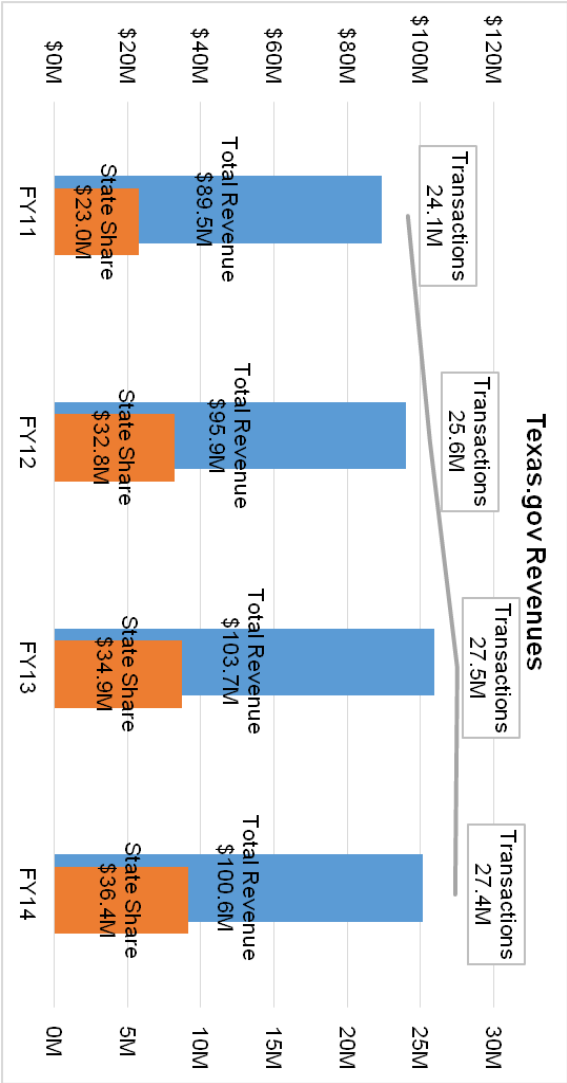
Summary of Recommendations

1 Use of Professional Consulting and Legal Services to Assist with Reprourement of Texas.gov Contract. Recommendations included in other programs (Contract and Vendor Management and Enterprise Contract Management) provide \$770,000 out of the Clearing Fund (Appropriated Receipts) for consulting and legal services related to reprourement of the Texas.gov contract. In addition, in fiscal year 2015 the agency has indicated expending \$510,000 for Texas.gov procurement support, providing a total reprourement cost of \$1,280,000. Due to the scope and specialized nature of the service as well as current staffing levels, the agency indicates they will procure a professional consulting services contract and a legal services contract to provide support for the procurement. Consulting services would be provided by vendors with specialized expertise in web portals and online services and would assist the agency in identifying alternative funding and service models for Texas.gov. 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.

2 Open Data Portal Request. Recommendations do not include \$486,000 from the Clearing Fund requested by the agency to procure software as a service (SaaS) for the Open Data portal on the Texas.gov website. The portal would post high value datasets from state agencies. The current Texas.gov vendor is providing this service at no additional charge and the Open Data portal was launched under a pilot phase on July 1, 2014. The agency indicated uncertainty as to whether the current or potential new vendor would continue to provide this portal at no additional cost.

Summary of Fiscal and Policy Issues

1 Overview of Existing Texas.gov Contract and Revenue Sharing. The current contract provides for a public-private partnership with National Information Consortium (NICUSA) for management and operations of the Texas.gov portal. That contract expires on August 31, 2016 with options to extend the contract for a one-year period twice. 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. As indicated in the table below, the current revenue sharing agreement provided \$36.4 million to the state in fiscal year 2014, which was deposited to General Revenue. This is an increase of approximately \$20.2 million or 124.2 percent above the state share deposited to General Revenue in fiscal year 2009 (\$16.3 million). The agency has indicated that through the reprourement process, alternative funding and revenue sharing models, including those used by other states, may be considered and evaluated. However, it is unknown at this time if changes to statute are necessary to accommodate any alternative arrangements.



Source: Department of Information Resources

2 Revenue Decline. While revenue has increased each year since fiscal year 2009, revenue is expected to decline in fiscal year 2015 due to the SmartBuy statewide procurement system moving off of Texas.gov. That system is now operated by the Comptroller's office as part of the agency's statewide enterprise resource planning project known as the Centralized Accounting and Payroll/Personnel System (CAPPS). The Comptroller's office estimates revenue from that system to be \$12 million each fiscal year. This revenue is appropriated to the Comptroller's office to support CAPPS implementation.

Performance and/or Operational Issues

- 1 Sunset Reviews.** Sunset recommended the following during the 2010-11 review cycle:
- Require DIR to create contract management guides for major contracts and detailed management plans specific to each major contract.
 - Strengthen oversight of DIR contracts by requiring more direct Board and customer involvement.
 - Require DIR to establish an Internal Audit Department and Board audit subcommittee.

According to DIR, the agency implemented the recommendations.

2 Texas.gov Process Audit (Internal Audit 12-201, November 2012). Recommendations include strengthening procedures to verify state share of Texas.gov revenues. The report also recommends that DIR, the Comptroller and Texas.gov vendor to determine if a better method could be used to ensure quick and accurate collection of and accounting for Texas.gov revenues and expenditure. According to DIR, the agency implemented most recommendations but indicated that the recommendation on accounting for Texas.gov revenues and expenditures is ongoing and would be included in reprourement discussions.

Program: Texas.gov

Agency Ranking1 out of 13

3 Recent Awards: The Texas.gov website in recently came in 4th place in the 2014 Best of the Web (BOW) award for state portals by e.Republic's Center for Digital Government. The award recognizes government portals and websites based on innovation, functionality, productivity and performance. The portal also received the following distinctions in 2014:

- Interactive Media Award's Best in Class Government Website;
- Platinum AVA Digital Award awarded by Association of Marketing and Communication Professionals;
- Finalist for the Center for Plain Language ClearMark Award of Distinction; and
- Silver Communicator Award

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		
	GR-Related	All Funds	2017 FTEs
1 Agency provided an alternative funding model to record Texas.gov costs and revenue transactions. Essentially the model would include in DIR's appropriations the vendor revenue share (which has generally not been included in the GAA) and also fund Texas.gov contract oversight through revenue generated through Texas.gov. The model would take effect in fiscal year 2017, when Texas.gov transitions to a new vendor. Under the new model, revenue generated from Texas.gov from convenience and service fees, excluding the state share of revenue, would be deposited to a new operational account. This amount is estimated by DIR to be \$39.9 million and would provide the vendor's cost as well as fund DIR's contract oversight expenses (which was requested at \$809,963 for fiscal year 2017). The state share, estimated to be \$26.6 million, would still be deposited by DIR to the General Revenue Fund.	\$ 39,873,018	\$ 39,873,018	0.0

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Schedule 5: Program Summary

All 2016-17 funding recommendations reflect SB 2 as Introduced

Program: Statewide Technology Center (DCS)

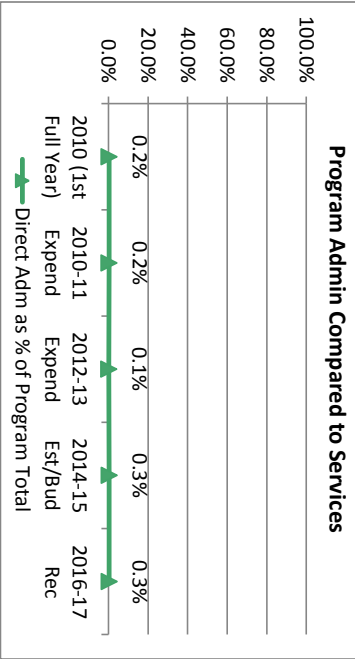
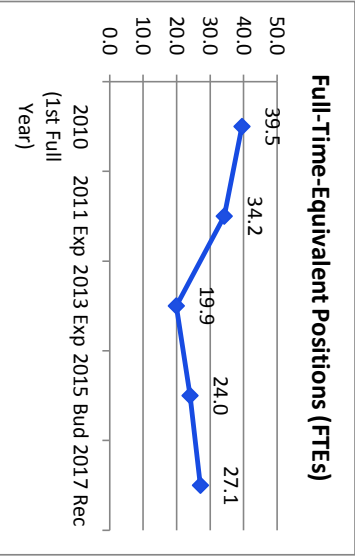
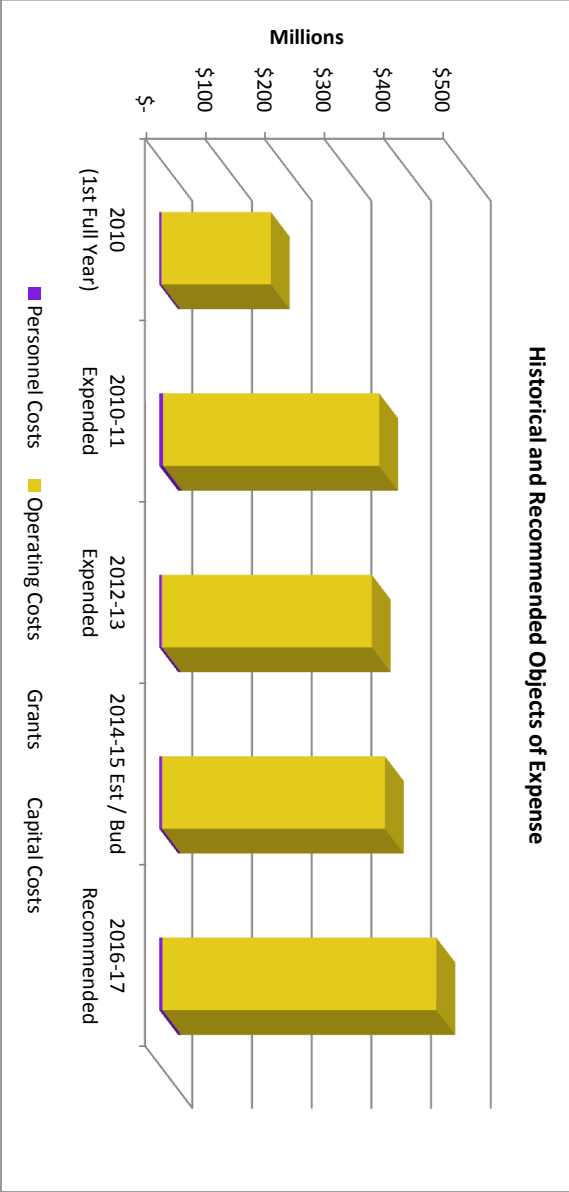
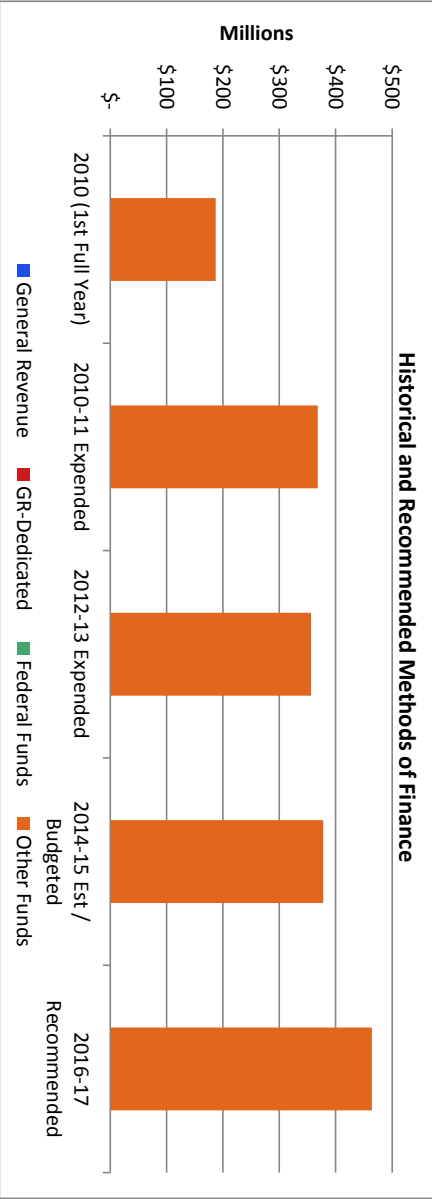
Agency
Ranking 2
out of 13

Provides data center services to 28 state agencies. Includes the consolidation of server, mainframe, network services, disaster recovery, data center facilities, print/mail operations and help desk functions into the two state data centers.

Legal Authority: Government Code, Sec. 2054.378 and Sec. 2054.380

Year Created	2007	Performance and/or		Outsourced Services	Yes
Authority	Strong	Operational Issue Yes		Revenue Supported	Yes
Centrality	Strong			Use of Dedicated Funds	NA
Service Area	Statewide	State Service Category	State Government Administration & Support		

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Direct Administration	\$ 1,121,500	5.8	\$ 1,346,608	6.8	0.3%
DCS Operations	\$ 3,116,514	8.7	\$ 4,269,738	10.8	0.9%
Cost of Services	\$ 371,754,229	0.0	\$ 456,679,022	0.0	98.4%
Customer Services	\$ 1,499,727	6.5	\$ 1,304,988	6.5	0.3%
Enterprise Solution Services	\$ 220,484	1.0	\$ 224,566	1.0	0.0%
Program and Portfolio Management	\$ 319,441	2.0	\$ 345,706	2.0	0.1%
TOTAL	\$ 378,031,895	24.0	\$ 464,170,628	27.1	100.0%



Program: **Statewide Technology Center (DCS)**

Agency	2
Ranking	out of 13

Summary of Recommendations

- 1 Use of Professional Consulting and Legal Services to Assist with Reprourement of Data Center Services Contracts.**

Recommendations included in other programs (Contract and Vendor Management and Enterprise Contract Management) provide \$1,250,000 out of the Clearing Fund (Appropriated Receipts) for consulting and legal services related to the reprourements of the oversight/services integrator and print/mail contracts, currently managed by Capgemini and Xerox respectively. Due to the scope and specialized nature of the service as well as current staffing levels, the agency indicates they will procure a professional consulting services contract and a legal services contract to provide support for the reprourements. Consulting services would be provided by vendors with specialized expertise in data centers and would assist the agency in identifying alternative funding and service models for the DCS program. 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.

Both the Capgemini and Xerox (print/mail) contracts expire on August 31, 2018, with options to extend the contract twice for one-year periods. Reprourement processes generally begin two years prior to the expiration of the contracts.

The remaining contract with Xerox State and Local Solutions expires on August 31, 2020. The agency anticipates the reprourement of this contract will be initiated in the 2018-19 biennium.
- 2 Statewide Funding for Data Center Services.** Recommendations for Data Center Services (DCS) provide for amounts to maintain current obligations for 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.

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 (TMAP) 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 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.
- 3 Application Remediation.** Data Center pricing structures provide for lower rates for consolidated servers as compared to remote or nonconsolidated servers, which are both managed by DCS service providers. 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 in the Data Centers environment. 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.

Recommendations also include a provision with reporting requirements on server consolidation status in Article IX, Section 9.09, Server Consolidation Status Update. Additionally, this provision would also designate any application remediation projects related to DCS as a major information resources project for review by the Quality Assurance Team (QAT).

4 Continuation of Limitations on Expenditures and Fund Balances out of the Statewide Technology Account.

Recommendations continue requirements for the agency to seek written approval from the LBB in order to make expenditures out of the Statewide Technology Account which exceed amounts identified in the General Appropriations Act. Recommendations also extend the limitation on expenditures to unexpended balances carried forward from the prior biennium (estimated to be \$0.6 million). As a reminder, the Statewide Technology Account includes receipts from participating DCS agencies (Interagency Contracts) and the Texas.gov vendor for the system which is housed within the statewide data centers (Appropriated Receipts). The receipts also reflect a 2.95 percent administrative fee charged by the agency to recover costs to administer the DCS program. These limitations are included in Rider 9, Statewide Technology Account.

DIR is also subject to limitations on the amount of unexpended and unobligated balances the agency may maintain for the Statewide Technology Account balance. These limitations are included in Article IX, Section 9.07, Payments to the Department of Information Resources. Recommendations maintain the methodology used to calculate the agency's maximum allowable fund balance as specified in the 2014-15 GAA: an annual projected average direct and indirect administrative costs for two months for providing Data Center Services, excluding payments to DCS vendors for which DIR directly bills its customers (\$941,518 based on projected revenues and costs for fiscal year 2016).

Recommendations continue provisions in Article IX, Section 9.07 which require DIR to report annually on fund balances and return excess fund balances to customers, unless waived or delayed by the LBB.

5 DCS-Related Capital Projects. Recommendations amend Rider 7, Telecommunications and Statewide Technology Centers Capital Budget Purchases, to exempt from capital budget limitations in Article IX, Section 14.03 Limitations on Expenditures - Capital Budget Purchases, purchases of equipment, software and maintenance to facilitate cost savings or technical advancement for data center services and requires the agency to provide notification of such purchases 45 days in advance of the purchase.

Summary of Fiscal and Policy Issues

1 Overview of Data Center Services Program. With the goal of upgrading technology, increasing security, and leveraging economies of scale, the Seventy-ninth Legislature in 2005 initiated a program to merge the data centers of 27 state agencies into two consolidated data centers in Austin and San Angelo. Consolidated data center services (DCS) include mainframe, server, and bulk print and mail operations; standardization of security and disaster recovery plans and annual testing; and replacement of older technology, including a hardware and software refresh schedule.

Since July 2012, Data Center Services are provided under three service provider contracts:

- **Oversight/Services Integrator:** The agency 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).
- **Infrastructure Services:** The agency contracted with Xerox State and Local Solutions to deliver infrastructure services for mainframe, servers, networks and data center operations. The contract value is projected at \$1.1 billion over eight years (2012-2020).
- **Print/Mail Services:** The agency 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).

Agencies are billed for each specific service consumed, such as mainframe central processing unit (CPU) hours or tape storage. Each service has an associated rate which is based on monthly baseline volumes. Actual rates fluctuate monthly based on service consumption levels. Discounts are applied for services consumed above baseline volumes, resulting in overall lower rates across participating agencies. Conversely, premiums are applied for services consumed below baseline volumes, resulting in higher rates across participating agencies.

Currently, data center infrastructure services are provided to 27 state agencies (including DIR), one state agency for print and mail operations only (Department of Agriculture) and three additional agencies (Military Department, Board of Architectural Examiners, and Racing Commission) which procure only cloud email services through the DCS program.

The most recent cost assessment for the DCS project was completed in November 2009. DIR hired consulting firm EquaTerra, which specializes in evaluating outsourcing and information technology contracts, to provide a comprehensive assessment of the DCS program. EquaTerra gathered data, interviewed customers, DIR staff, and IBM staff, and reviewed previous reports completed about the DCS program. The assessment highlighted the value of consolidating state information technology resources and recommended changes to DIR's implementation of the DCS project. EquaTerra's recommended changes included involving agency customers in program governance, changing the technical approach to consolidation, and increasing flexibility in services offered to better match with customer needs. The assessment did not identify specific cost savings.

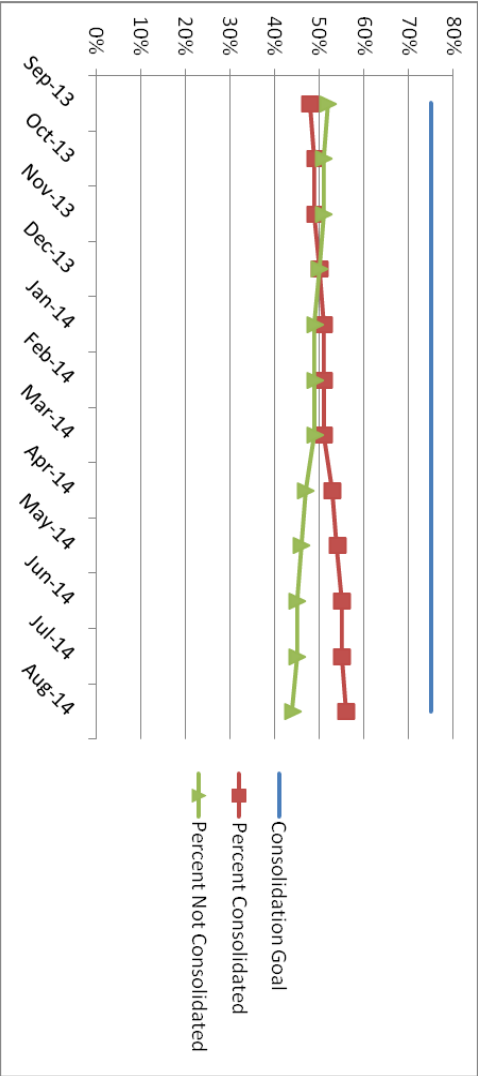
2 Consolidation Status. Recommendations for certain agencies identified below include funding for application remediation projects. According to DIR, approximately 56 percent of agencies' servers have been consolidated as of September 2014. The agency's goal is to have 75 percent of servers consolidated by August 31, 2016. The following chart indicates the progress of server consolidation in fiscal year 2014. Of note is that not all servers would be or are planned to be consolidated. Some servers, for business or technical reasons, would remain operated at remote or agencies' legacy data centers although they are still managed through the DCS service providers. Consequently, DIR's 75 percent consolidation goal does not reflect the true consolidation goal since the percentage is based on the total number of servers operated through the program rather than the total number of servers which are planned for consolidation. Therefore, recommendations include a provision in Article IX, Section 9.09, Server Consolidation Status Update, which would direct participating DCS agencies to report quarterly to the LBB and DIR on status and plans for server consolidation, and would also require DIR to report quarterly on the overall status of server consolidation based on planned consolidations.

Note: Consolidation is complete for all 8 agencies with mainframe technology and all 12 agencies with print and mail operations.

Program: Statewide Technology Center (DCS)

Agency
Ranking 2
out of 13

Fiscal Year 2014 Server Consolidation



Source: Department of Information Resources

Performance and/or Operational Issues

- 1 Sunset Reviews.** Sunset recommended the following during the 2010-11 review cycle impacting DCS :
- Require DIR to establish clear procedures for setting, adjusting, and approving administrative fees for each of its cost-recovery programs and report the fees and methodology to LBB annually as part of the Department's budget process.
 - Establish DIR's accounts in statute and limit expenditure to program purposes.
 - Require DIR to create contract management guides for major contracts and detailed management plans specific to each major contract (including the DCS Contract).
 - Strengthen oversight of DIR contracts by requiring more direct Board and customer involvement.
 - Require DIR to consistently measure and report annually the cost savings and project status of major consolidation projects.
 - Require DIR to establish an Internal Audit Department and Board audit subcommittee.

The 2012-13 Sunset review provided an additional recommendation to require formalized coordination and improved data collection between DIR and the Texas Procurement and Support Services Division at the Comptroller's office to allow for a more complete Sunset evaluation of their procurement programs for the 2020-21 review cycle.

DIR indicated that most recommendations have been implemented. The recommendation to report cost savings of major consolidation projects is currently in progress, the agency indicated that they will use baseline DCS costs from January 2013 to track costs and savings going forward.

- 2 Improvements in Service and Governance.** The DCS program experienced modest increases in certain aspects of performance captured in two key outcome measures:

• **Percent of Monthly Minimum Service Level Targets Achieved:** This measure documents the extent to which DCS meets minimum expectations for an array of metrics addressing system availability, problem resolution, and completion of designated scheduled deliverables. In fiscal year 2011, performance for this measure was at 91 percent under the previous service provider and in fiscal year 2014 the new service provider met 99 percent of minimum service level targets which exceeded the 92 percent target in the 2014-15 GAA.

• **Percentage of Customer Satisfied with DCS Contract Management:** This measure reflects the percent of participating agencies that respond to an annual customer satisfaction survey question and report a favorable rating for DIR's DCS contract management. In fiscal year 2011, while DCS was still under the previous contract, the percentage of customer agencies satisfied was reported at 58 percent. Although still under the 2014-15 target of 95 percent, customer satisfaction increased to 78 percent in fiscal year 2014. To address this gap the 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.

Governance: Improvements in customer satisfaction, may be attributable to the owner-operator governance model implemented under the new service provider contracts. Under this model, participating agencies "own" the business being supported but also have responsibilities to operate selected processes necessary to receive services. Additionally, participating agencies have representation in committees and solution groups for strategic decision-making and program issue resolution.

Program: Statewide Technology Center (DCS)

Agency Ranking

2out of 13

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		
	GR-Related	All Funds	2017 FTEs
<p>1 Agency was directed to provide funding scenarios for both reductions and additions of nine agencies (approximately one-third of current participating agencies) from or to the DCS program. Rather than selecting nine agencies for removal or addition, the agency calculated estimates based on the average services consumption of participating agencies. Specifically, DIR used the 2016-17 biennium forecasts submitted by DCS customers (totaling \$483.9 million) as a baseline for calculating the effect of a 33 percent reduction or increase in volume in the DCS program.</p>			
<p>(a) Decreased Participation by Nine Agencies: DIR estimates that reducing customer volumes by 33 percent would lower the total overall costs to the DCS program by \$126.4 million (26.2 percent). There would not be a 33 percent reduction in total costs because those customers remaining in the DCS program would incur higher per unit costs due to the pricing structure of current DCS contracts which provides increases in per unit prices for services as consumption of services decrease.</p> <p>The agency assumed continuation of transformation and transition milestone payments to the service providers, the cost of which would be distributed across the remaining agencies. In addition, DIR indicated the agencies that removed their compute volume outside of the DCS program would incur additional costs to acquire technology infrastructure in addition to ongoing operating costs.</p>			
	\$	- \$	(126,444,005) (3.0)
<p>(b) Increased Participation by Nine Agencies: DIR estimates that increasing customer volumes by 33 percent would increase the total overall costs to the DCS program by \$83,840,519 (17 percent). There would not be a 33 percent increase in total costs because all customers in the DCS program would incur lower per unit costs due to the pricing structure of current DCS contracts which provides decreases in per unit prices for services as consumption of services increase.</p> <p>The agency did not include in their estimates any changes for transition and transformation milestone payments or any increase in fixed costs or equipment for new agencies moving services into the DCS environment. As indicated in Item #5, prior to consolidation, applications may need to be remediated in order to reside within the DCS environment which may initially reduce savings from per unit pricing decreases.</p>			
	\$	- \$	83,840,519 3.0

Strategic Fiscal Review 2016-17
Department of Information Resources (313)

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect SB 2 as Introduced

Program: Compilation of Contract Management Programs

Agency Ranking4 out of 13

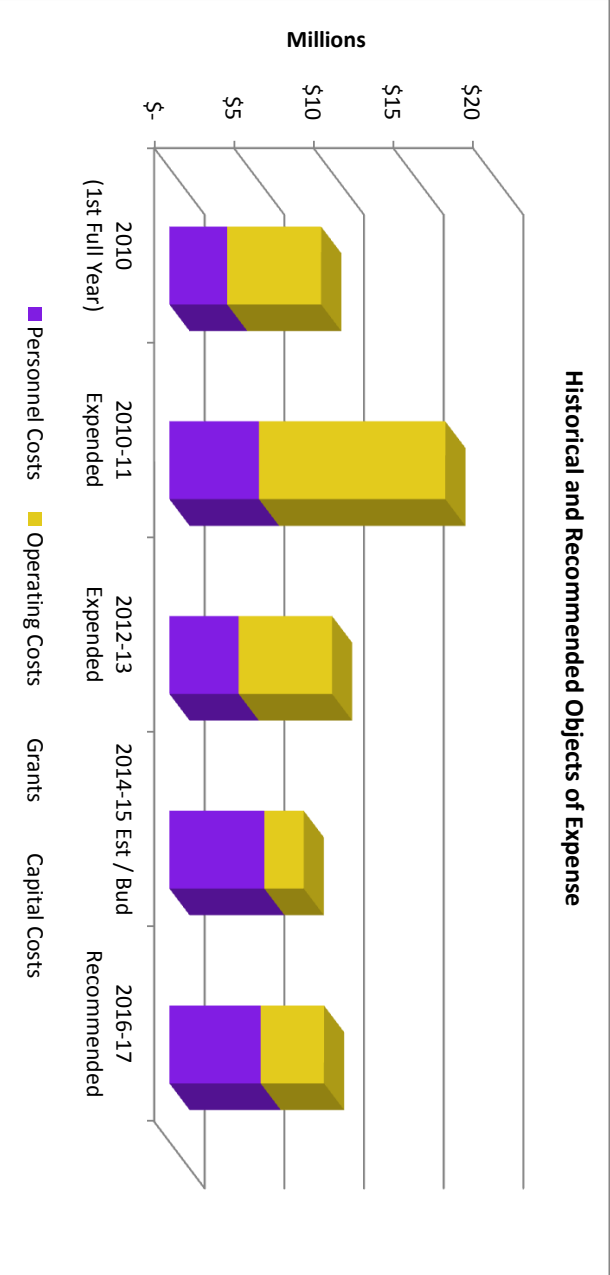
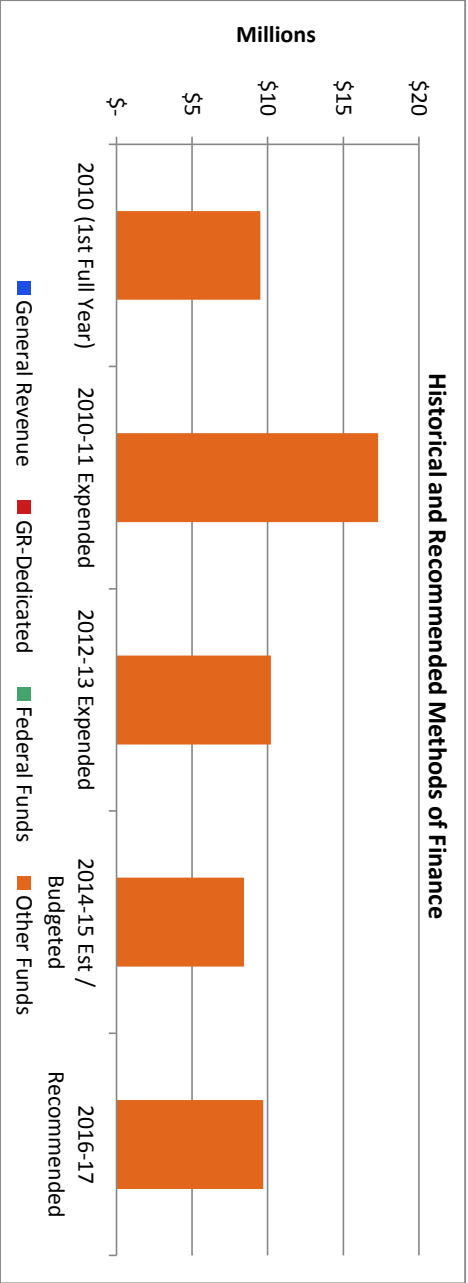
Contract and Vendor Management Program: Implements and manages statewide contracts for IT commodities and services. Entities eligible to purchase commodities and services under the contracts include state agencies, local government, and public education providers. Program is commonly referred to as the Cooperative Contracts program.

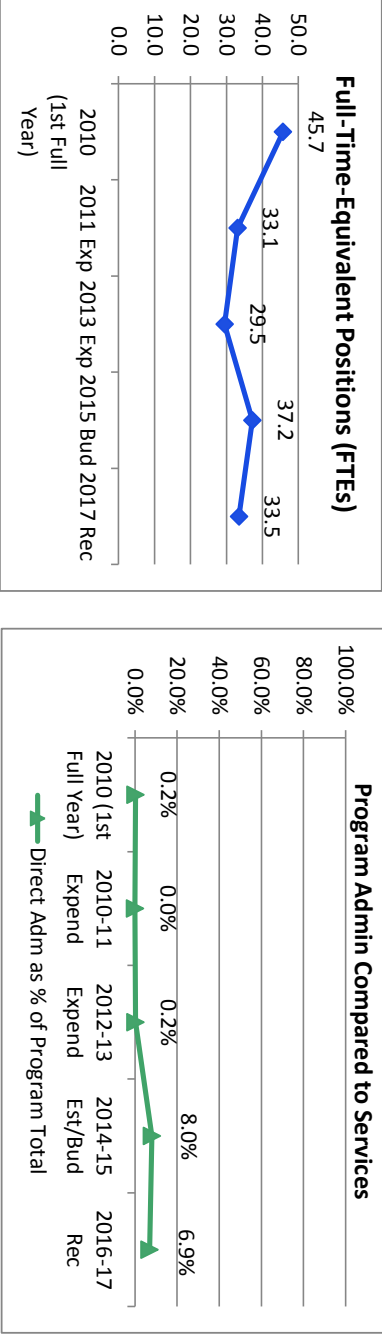
Enterprise Contract Management Program: Coordinates, manages, and monitors performance of DIR enterprise contracts, including contracts for data center services, Texas.gov, and TEX-AN network.

Legal Authority: Government Code, §§ 2157.068, 2054.051(e), 2054.0565, 2054.252(d), 2054.378(b)

Year Created	1992	Performance and/or	Outsourced Services	No
Authority	Strong	Operational Issue	Revenue Supported	Yes
Centrality	Strong	Use of Dedicated Funds		NA
Service Area	Statewide	State Service Category	State Government Administration & Support	

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
CONTRACT & VENDOR MANAGEMENT PROGRAM:					
Direct Administration	\$ 676,503	3.2	\$ 668,486	3.2	6.9%
Manage Statewide IT Procurments &	\$ 5,452,042	21.0	\$ 6,101,354	18.3	62.9%
Sourcing Analytics	\$ 361,022	3.0	\$ 377,886	3.0	3.9%
Historically Underutilized Business	\$ 315,925	2.0	\$ 314,276	2.0	3.2%
ENTERPRISE CONTRACT MANAGEMENT PROGRAM:					0.0%
Manage Large Enterprise Contracts	\$ 1,585,562	8.0	\$ 1,216,742	7.0	12.5%
Procurement Related (DCS)	\$ -		\$ 750,000		7.7%
Procurement Related (Texas.gov)	\$ 40,000		\$ 270,000		2.8%
Procurement Related (TEX-AN)	\$ -		\$ -		0.0%
TOTAL	\$ 8,431,054	37.2	\$ 9,698,744	33.5	100.0%





Summary of Recommendations

1 Funding Increase for the Contract and Vendor Management and Enterprise Contract Management programs: Recommendations out of the Clearing Fund (Appropriated Receipts) reflect an increase of \$0.9 million for procurement of a sourcing automation system to assist with oversight and management of contracts within the Cooperative Contracts program and \$1.5 million for the procurement 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 program summaries for Texas.gov and Statewide Technology Centers-DCS).

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.

2 Continuation of Limitations on Expenditures and Fund Balances out of the Clearing Fund. In accordance with the 2012-13 Sunset review of the agency (see Performance and/or Operational Issues #1), recommendations continue requirements for the agency to seek written approval from the LBB in order to make expenditures out of the Clearing Fund which exceed amounts identified in the General Appropriations Act. As a reminder, the Clearing Fund includes receipts (Appropriated Receipts) from an administrative fee charged to purchases made by state agencies and institutions of higher education, local government customers, and assistance organizations making IT commodity purchases through the Cooperative Contract, local government customers, and assistance organizations making IT commodity purchases through the Cooperative Contract, local government customers, and assistance organizations making IT commodity purchases through the Cooperative Contract. The administrative fee rate for fiscal year 2015 is expected to be an average of 0.65 percent. Beyond the Cooperative Contracts and Enterprise Contract Management programs, the Clearing Fund is also used for all other programs excluding those for Telecommunications Services and DCS. These limitations are included in Rider 3, DIR Clearing Fund Account.

DIR is also subject to limitations on the amount of unexpended and unobligated balances the agency may maintain as their Clearing Fund balance. These limitations are included in Article IX, Section 9.07, Payments to the Department of Information Resources. Recommendations modify calculation of fund balance limitations as described below; estimated balances are based on projected revenues for fiscal year 2016:

- **Current calculation:** ten percent of prior fiscal year revenue (\$1,484,523).
- **Recommended calculation:** ten percent of current fiscal year revenue (\$1,562,571).

The slight increase in allowable fund balances would assist the agency in being able to stabilize administrative fees rates charged to over several hundred contracts within the Cooperative Contracts program and would align with the agency's most recent revenue trends.

Recommendations would continue provisions in Article IX, Section 9.07 which require DIR to report annually on fund balances and which require rebates to customers of excess fund balances, unless waived or delayed by the LBB.

3 Continuation of Bulk Purchasing Requirements. DIR initiated a bulk purchasing effort in fiscal year 2014 to obtain lower pricing for bulk purchases 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 initiative. 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 (summary table follows):

- 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 more PCs and laptops 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.

Program: Compilation of Contract Management Programs

Fiscal Year 2014 Bulk Purchases

Agency	Desktops Purchased	Laptops Purchased	Cost Savings
Texas Historical Commission	23	5	\$ 11,514
State Office of Risk Management	130	None Reported	\$ 47,840
Texas Department of Criminal Justice, Board of Pardons and Paroles (Housed at TDCJ)	8,935	620	\$ 3,599,395
Texas Parks and Wildlife Department	435	373	\$ 273,793
Texas Medical Board	7	12	\$ 10,037
Texas State Board of Pharmacy	18	6	\$ 10,284
Texas Department of Agriculture	145	150	\$ 216,465
Railroad Commission	215	None Reported	\$ 109,669
Texas Department of Insurance	None Reported	385	\$ 194,040
Work Force Solutions Deep East Texas	101	None Reported	\$ 17,149
	10,009	1,551	\$ 4,490,186

Source: Department of Information Resources

Performance and/or Operational Issues

- 1 Sunset Review. Sunset recommended the following during the 2010-11 review cycle relevant to the Contract and Vendor Management Program:
 - The Legislature, through the appropriations process, should transfer a portion of DIR's surplus fund balances (which totaled \$29 million at the end of fiscal year 2009) to General Revenue, and require DIR to adhere to a "not to exceed" level of appropriations.

Note: In fiscal years 2011 and 2012, the Department returned \$16.4 million to customers through rebates, and the Legislature transferred \$4.3 million in DIR fund balances to the General Revenue Fund in accordance with House Bill 4 (Eighty-Second Regular Session).

 - Require DIR to establish clear procedures for setting, adjusting, and approving administrative fees for each of its cost-recovery programs and report the fees and methodology to LBB annually as part of the Department's budget process.
 - Establish DIR's accounts in statute and limit expenditure to program purposes.
 - Require DIR to create contract management guides for major contracts and detailed management plans specific to each major contract (including the DCS Contract).
 - Strengthen oversight of DIR contracts by requiring more direct Board and customer involvement.
 - Require DIR to consistently measure and report cost savings and project status of major consolidation projects.
 - Require DIR to establish an Internal Audit Department and Board audit subcommittee.

The 2012-13 Sunset review provided an additional recommendation to require formalized coordination and improved data collection between DIR and the Texas Procurement and Support Services Division at the Comptroller's office to allow for a more complete Sunset evaluation of their procurement programs for the 2020-21 review cycle.

According to DIR, the agency implemented the recommendations and entered into a memorandum of understanding (MOU) with the Comptroller of Public Accounts to facilitate coordination and data collection related to both agencies' procurement programs for the next Sunset review.

- 2 SAO Reports. The State Auditor's Office released two audit reports in recent years pertaining to the Cooperative Contracts program (Report No. 12-004 and 14-007). Recommendations relate to verification of vendor sales reports and vendor collections of DIR's administrative fee, strengthening efforts to obtain best value for the state and measuring cost savings of contracts and sales. The following are highlights of the reports' recommendations to DIR.

Report 12-004:

- Implement controls to verify the accuracy, completeness and timeliness of the program fees it collects.
- Ensure that program fee is set based on program implementation costs.
- Ensure that fees deposited to the Clearing Fund are only for the Cooperative Contracts Program and not for the Telecommunications programs.

Report 14-007:

- Strengthen efforts to ensure the procurement process provides the best value for the State.
- Verify the completeness and accuracy of monthly sales reports that vendors submit and administrative fees that vendors remit.
- Develop a process to enable its contract managers to easily monitor whether vendors provide customers with discounts specified in contracts.
- Seek guidance and work with the LBB to update, implement, and follow an agreed-upon methodology for calculating cost savings for all contracts.
- Limit and secure access to contract data.

The agency agreed with all recommendations of both audits and most have been completed while the remaining are currently in the process of being implemented. Also, during the 2016-17 strategic planning process, DIR worked with LBB and the Governor's office to document the methodology used to calculate cost savings and cost avoidance generated through the Cooperative Contracts program. The methodology generally benchmarks prices of products and services against those available from similar cooperative purchasing programs and uses cost avoidance percentages developed based on top selling products and/or services for each contract which is then applied to the total contract.

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		2017 FTEs
	GR-Related	All Funds	
1 None.	\$ -	\$ -	0.0

Strategic Fiscal Review 2016-17
Department of Information Resources (313)

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect SB 2 as Introduced

Program: Cybersecurity

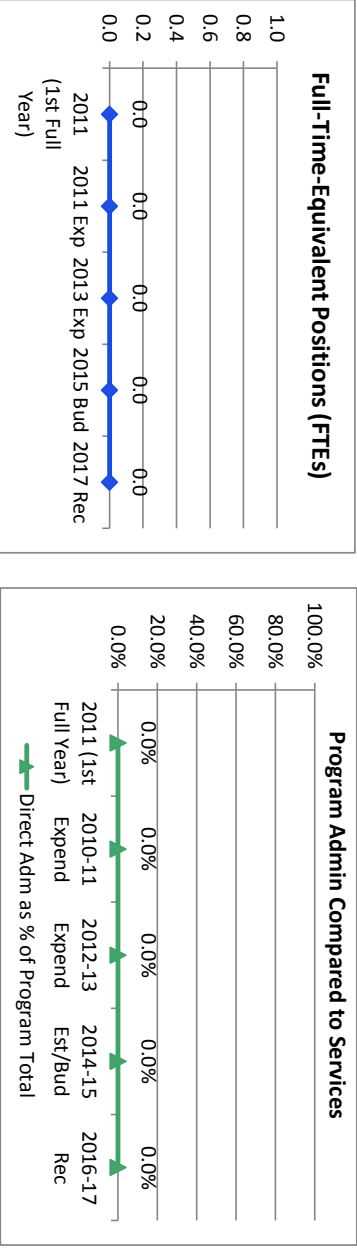
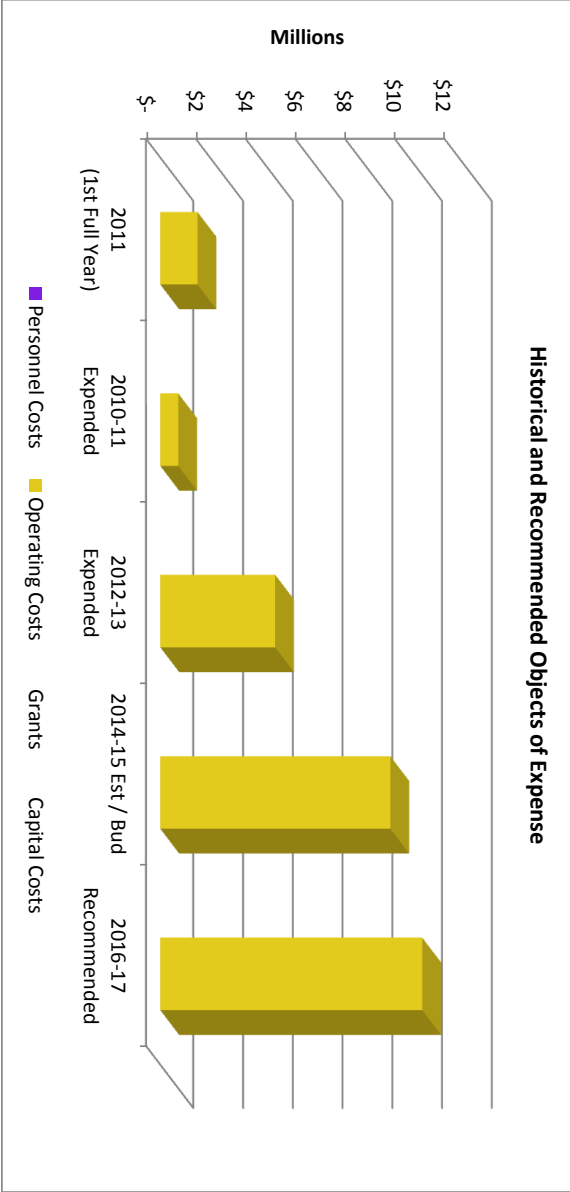
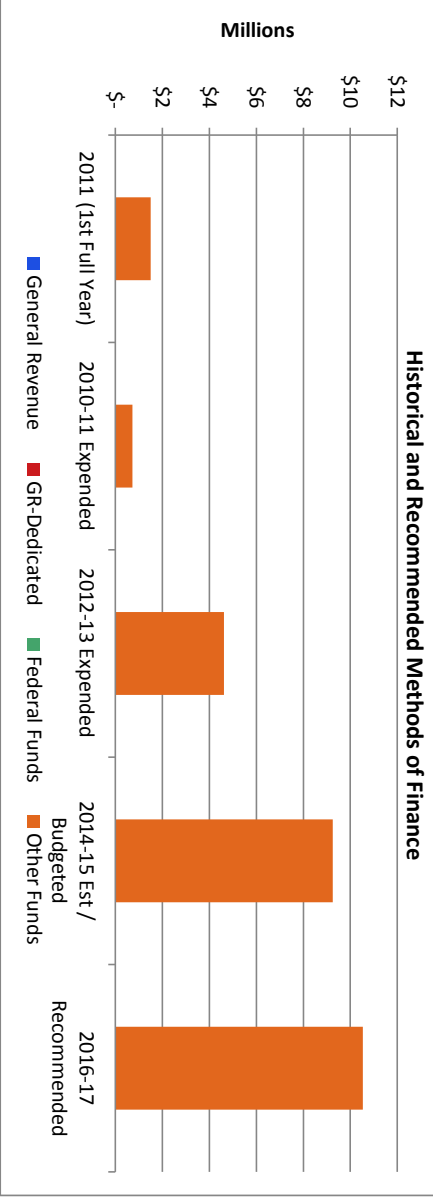
Agency Ranking5 out of 13

Assist state agencies and institutions of higher education in the protection of information and information resources, compliance requirements and risk reduction with best practices and guidelines through cybersecurity education, training, risk management tools, and cybersecurity related services.

Legal Authority: Government Code, Sec. 2054.059

Year Created	2005	Performance and/or		Outsourced Services	Yes
Authority	Strong	Operational Issue No		Revenue Supported	Yes
Centrality	Strong			Use of Dedicated Funds	NA
Service Area	Statewide	State Service Category	State Government Administration & Support		

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Cybersecurity Policy & Governance	\$ 2,167,977	0.0	\$ 2,732,766	0.0	25.9%
Cybersecurity Assessments	\$ 4,868,606	0.0	\$ 5,000,000	0.0	47.5%
Cybersecurity Training & Education	\$ 2,213,879	0.0	\$ 2,800,000	0.0	26.6%
TOTAL	\$ 9,250,462	0.0	\$ 10,532,766	0.0	100.0%



Program: Cybersecurity

Agency
Ranking 5
out of 13

Summary of Recommendations

1 **Recommended Funding Increase.** Recommendations reflect an increase of \$3.1 million out of the Clearing Fund offset by a decrease of \$1.9 million out of the Telecommunications Revolving Account (Appropriated Receipts and Interagency Contracts) due to the agency shifting funding for the Cybersecurity program solely to the Clearing Fund. Overall increase of \$1.3 million provides additional cybersecurity educational and training services, including curriculum for industry professional certification preparation, as well as increases related to cybersecurity risk management systems and reporting tools.

2 **Agency Cybersecurity Projects and Funding.** Recommendations include a new provision, Article IX, §9.10, Prioritization of Cyber Security and Legacy System Projects, which directs DIR to submit a prioritized list of state agencies' cyber security projects to be considered for funding by the legislature to the Legislative Budget Board by October 1, 2016.

Beginning in the 2012-13 biennium and continued in the current biennium, DIR lead several activities to assist agencies to identify and mitigate IT security risks as part of the Cybersecurity program. One major project includes providing security assessments to selected agencies using an outsourced IT firm. The Eighty-third Legislature passed Senate Bill 1597 which requires state agencies to submit a security plan to DIR by October 15 of each even-numbered year. Senate Bill 1134 (Eighty-third Regular Session) requires DIR to develop strategies and a framework for the security of cyber infrastructure to be used by state agencies. Accordingly, DIR developed the Texas Cybersecurity Framework that identifies 40 objectives that include minimum components of a complete agency security program.

DIR also completed a study of legacy systems of over 80 state agencies. The study found that the over half of state agencies' business applications are considered legacy and therefore presents a higher security risk. A legacy system is defined in statute as a computer system or application program that is operated with obsolete or inefficient hardware or software technology.

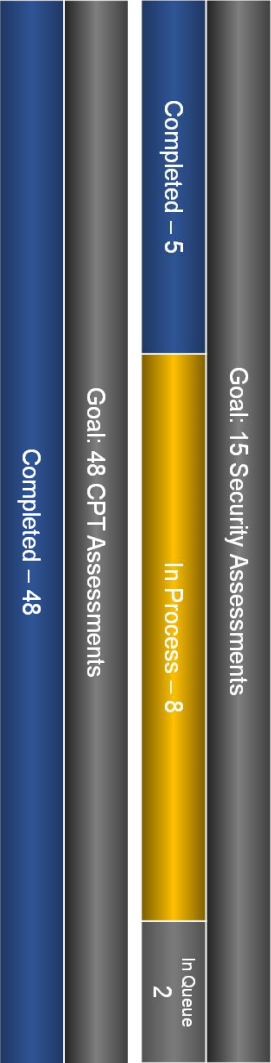
As a result of these efforts, several agencies requested funding for various security-related initiatives. The recommendations would allow for review and analysis of requests prior to the next legislative session.

Summary of Fiscal and Policy Issues

1 **Security-related Programs:** There are two other security-related programs and a component of the TEX-AN program which includes security-related costs. 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. The following provides a summary of each program:

- **Cybersecurity:** provides assistance to state agencies and institutions of higher education with addressing security risks. Program provides risk management tools, such as incidence and compliance reporting, access to security research and advisory materials, and training. Additionally, the program includes security assessments, provided by a third-party vendor, which assess agencies overall security postures and identifies areas for improvement. In fiscal year 2014, the agency indicated that 15 assessments were initiated (although five were completed within the fiscal year and reported in the key performance measure *Number of State Agency Security Assessments Performed*). Agencies are selected to receive security assessments based on various risk factors, as well as agency size and budget. Agency may also volunteer or request to have an assessment.
- **IT Security:** Implements the State Enterprise Security Plan and provides statewide information technology security policies, procedures, standards, and guidelines to state agencies. Recommendations include \$1.7 million in Other Funds for this program.
- **Network Telecommunications and Security Services:** Operates the Network and Security Operations Center (NSOC) which delivers enhanced statewide network communications services. The program provides network security services, including incident monitoring and response and various network testing services to participating state agencies and institutions of higher education. Among testing services are controlled penetration tests (CPTs) which identifies network and system vulnerabilities by attempting a mock-attack on agencies networks. The agency indicated 48 CPTs were performed in fiscal year 2014. Recommendations include \$1.1 million in Other Funds for this program.
- **Texas Agency Network (TEX-AN):** The TEX-AN telecommunications program includes an activity for Network and Security Operations Center Managed Services which provides for contract costs, primarily for equipment and software, to manage the state network and to also monitor the state network for threats/risks. Recommendations include \$8.6 million in Other Funds for this activity within the TEX-AN program.

Fiscal Year 2014 Security Assessments and CPTs Performed



Source: Department of Information Resources

Recommended Statutory Changes for Program Improvement

1 None.

Program: Cybersecurity

Agency Ranking

5 out of 13

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		
	GR-Related	All Funds	2017 FTEs
¹ The agency was directed to providing funding alternatives for the Cybersecurity program to both increase and decrease funding by 20 percent or \$2.1 million. The agency indicated the following impact for each scenario:			
(a) Increased Funding: DIR indicated that an increase in funding for the program would allow the agency to increase the number of agencies offered security assessments in the biennium. The agency currently anticipates offering 30 assessments each biennium under current and recommended funding levels. The agency indicates that an increase in funding by 20 percent would enable DIR to provide assessments to most agencies and institutions of higher education every other biennium and would enable DIR to measure the impact of cybersecurity programs and enhance efforts to assess the cybersecurity posture of the state.	\$ -	\$ 2,106,554	0.0
(b) Decreased Funding: DIR indicates that a 20 percent decrease to the program would eliminate security assessments entirely, which would negatively impact the cybersecurity posture of the state.	\$ -	\$ (2,106,554)	0.0

Strategic Fiscal Review 2016-17
Department of Information Resources (313)

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect SB 2 as Introduced

Program : Texas Agency Network (TEX-AN)

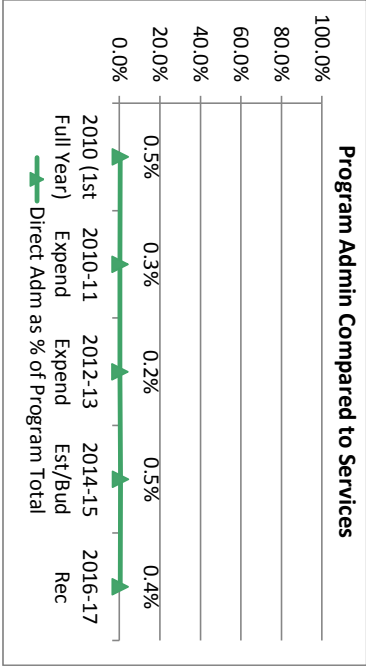
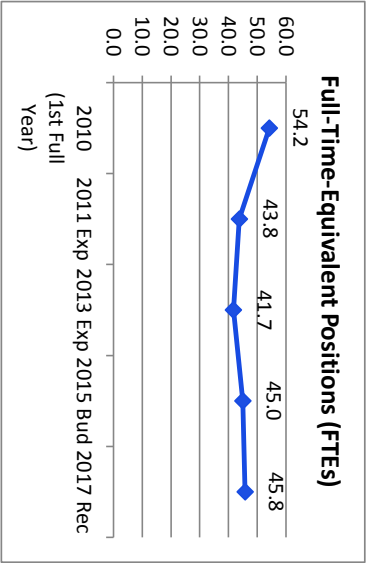
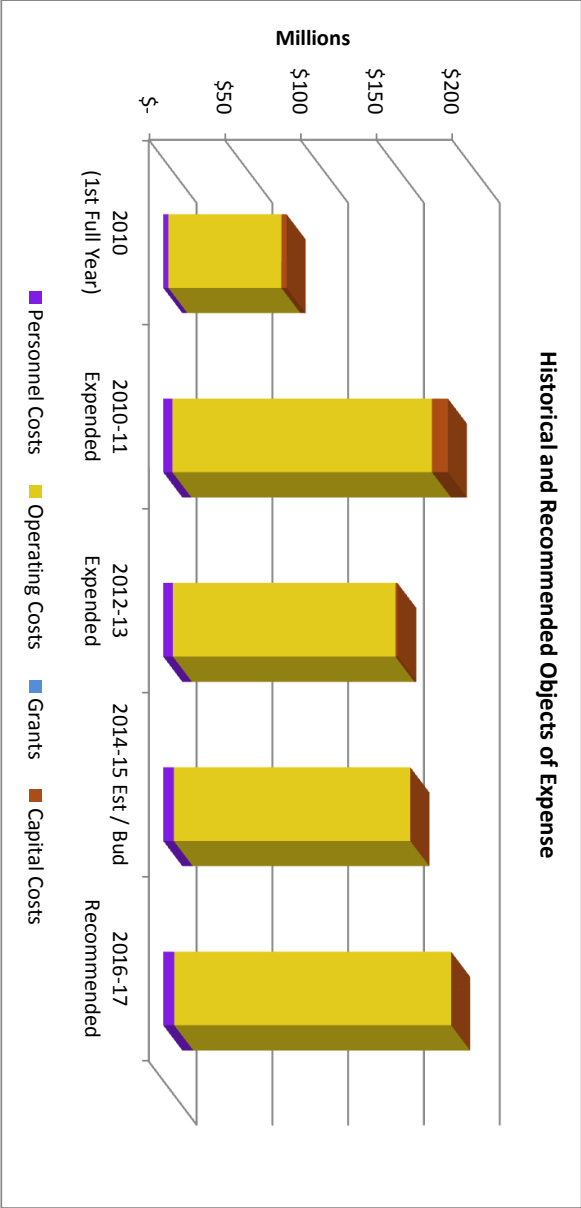
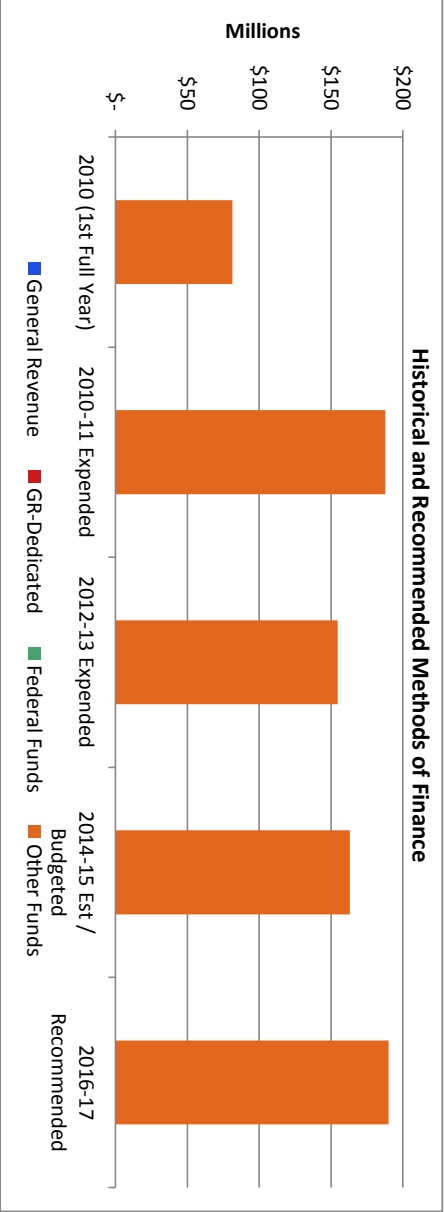
Agency Ranking6 out of 13

Provides voice and data communication technology services and infrastructure to state agencies and local entities.

Legal Authority: Government Code, Sec. 2170.002 and Sec. 2170.051

Year Created	2001	Performance and/or	Outsourced Services	No
Authority	Strong	Operational Issue Yes	Revenue Supported	Yes
Centrality	Strong		Use of Dedicated Funds	NA
Service Area	Statewide	State Service Category	State Government Administration & Support	

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Direct Administration	\$ 860,569	5.3	\$ 752,899	5.3	0.4%
Network & Telecom Communications Operations	\$ 9,556,762	28.0	\$ 9,227,174	28.8	4.9%
Cost of Services	\$ 144,447,410	0.0	\$ 169,705,872	0.0	89.4%
Network & Security Operations Center Managed Services	\$ 6,633,902	0.0	\$ 8,600,000	0.0	4.5%
Program & Portfolio Management	\$ 630,465	3.7	\$ 700,096	3.7	0.4%
Service Fulfillment	\$ 896,952	8.0	\$ 944,560	8.0	0.5%
TOTAL	\$ 163,026,060	45.0	\$ 189,930,601	45.8	100.0%



Program : Texas Agency Network (TEX-AN)

Agency
Ranking

6
out of 13

Summary of Recommendations

1 Recommended Funding Increase. 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, which includes costs for software and equipment, for the management of the state network and monitoring of network 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 \$0.3 million for TEX-AN operations.

2 Continuation of Limitations on Expenditures and Fund Balances out of the Telecommunications Revolving Account. In accordance with the 2012-13 Sunset review of the agency (see Performance and/or Operational Issues #1), recommendations continue requirements for the agency to seek written approval from the LBB in order to make expenditures out of the Telecommunications Revolving Account which exceed amounts identified in the General Appropriations Act. As a reminder, the Telecommunications Revolving Account includes receipts from TEX-AN customers which include agencies and institutions of higher education (Interagency Contracts) and local governmental entities and school districts (Appropriated Receipts). The receipts also reflect an administrative fee which varies by service:

- 12.0 percent for TEX-AN vendor-provided services,
- 4.0 percent for Go DIRect local service contracts,
- 2.0 percent for Go DIRect wireless services and conferencing, and
- 0.5 percent for GO DIRect managed telecommunications services.

Note: Go DIRect contracts and services are directly billed by the vendor. Similar to collection of the Cooperative Contract administrative fee, the service provider is responsible for collecting the administrative fee which is remitted to DIR monthly.

Expenditure limitations are included in Rider 8, Telecommunications Revolving Account.

DIR is also subject to limitations on the amount of unexpended and unobligated balances the agency may maintain in the Telecommunications Revolving Account. These limitations are included in Article IX, Section 9.07, Payments to the Department of Information Resources. Recommendations maintain the methodology used to calculate the agency's maximum allowable fund balance as specified in the 2014-15 GAA: 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 (\$2,496,342 based on projected revenues and costs for fiscal year 2016).

Recommendations continue provisions in Article IX, Section 9.07 which require DIR to report annually on fund balances and return excess fund balances to customers, unless waived or delayed by the LBB.

Performance and/or Operational Issues

1 Sunset Review. Sunset recommended the following during the 2010-11 review cycle relevant to the TEX-AN program and revenues:

- The Legislature, through the appropriations process, should transfer a portion of DIR's surplus fund balances (which totaled \$29 million at the end of fiscal year 2009) to General Revenue, and require DIR to adhere to a "not to exceed" level of appropriations.

Note: In fiscal years 2011 and 2012, the Department returned \$16.4 million to customers through rebates, and the Legislature transferred \$4.3 million in DIR fund balances to the General Revenue Fund in accordance with House Bill 4 (Eighty-Second Regular Session).

- Require DIR to establish clear procedures for setting, adjusting, and approving administrative fees for each of its cost-recovery programs and report the fees and methodology to LBB annually as part of the Department's budget process.
- Establish DIR's accounts in statute and limit expenditure to program purposes.
- Require DIR to create contract management guides for major contracts and detailed management plans specific to each major contract (including the DCS Contract).
- Strengthen oversight of DIR contracts by requiring more direct Board and customer involvement.
- Require DIR to establish an Internal Audit Department and Board audit subcommittee.

DIR indicated that the agency implemented the recommendations.

2 Communications and Technology Services Performance Audit (Internal Audit #12-300, July 2012). Recommendations include that the agency ensure disaster recovery plan is tested and establish a testing schedule; address user controls and monitor controls for the telecommunications billing system; and automate billing dispute process. Agency indicated that disaster recovery and billing systems controls have been implemented; automation of billing disputes process is currently in progress.

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations		
	GR-Related	All Funds	2017 FTEs
1 None.	\$	- \$	- 0.0

Strategic Fiscal Review 2016-17
Department of Information Resources (313)

Schedule 5: Program Summary

All 2016-17 funding recommendations reflect SB 2 as Introduced

Program: Technology Planning and Policy

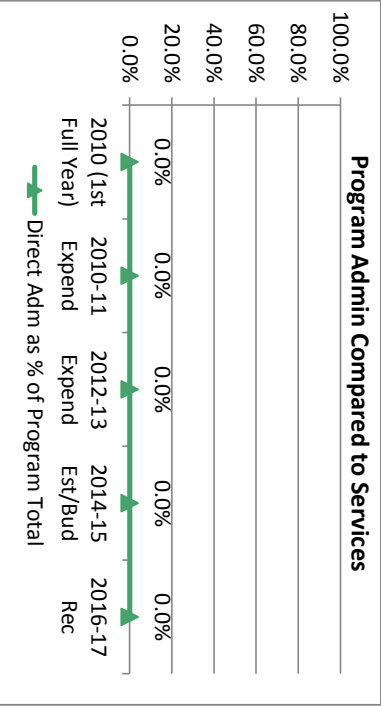
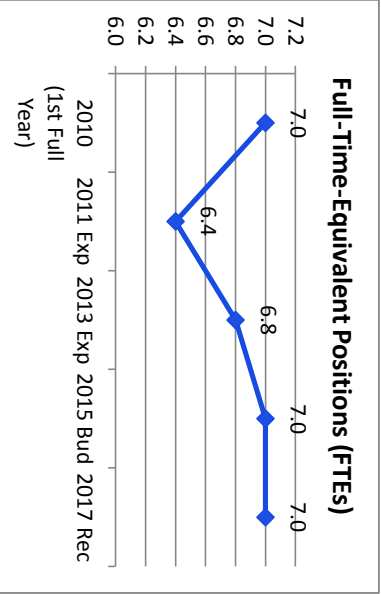
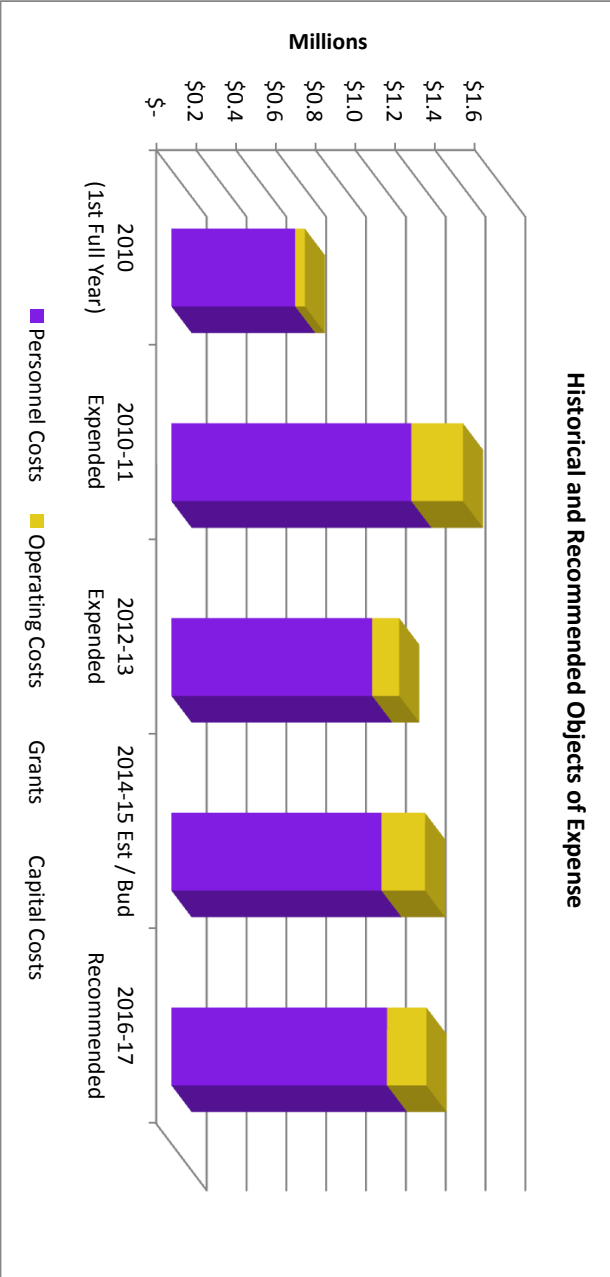
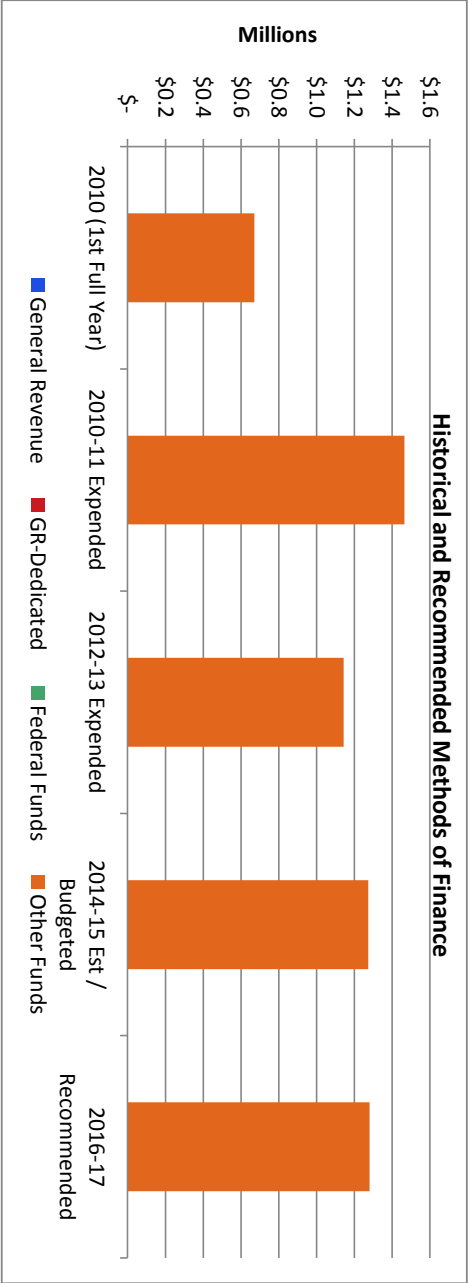
Agency Ranking11 out of 13

Develops policies, guidelines and tools to assist agencies in managing information technology (IT) resources and complying with statewide standards. Produces statutorily required reports on statewide IT planning, including the biennial state strategic plan for information resources management. Provides agency membership in and support for the Quality Assurance Team (QAT).

Legal Authority: Government Code §§ 2054.051a, 2054.052b, 2054.052d, 2054.055, 2054.091

Year Created	1992	Performance and/or	Outsourced Services	No
Authority	Strong	Operational Issue No	Revenue Supported	Yes
Centrality	Strong		Use of Dedicated Funds	NA
Service Area	Statewide	State Service Category	State Government Administration & Support	

Major Activities	2014-15 Estimated	2015 FTEs	2016-17 Recommend	2017 FTEs	% of Total
Statewide Technology Planning	\$ 644,183	3.5	\$ 640,196	3.5	50.0%
Rule and Guidance Development	\$ 629,118	3.5	\$ 640,196	3.5	50.0%
TOTAL	\$ 1,273,301	7.0	\$ 1,280,392	7.0	100.0%



Summary of Fiscal and Policy Issues

1 Recommendations maintain current funding (out of the Clearing Fund) and FTE levels. The program develops policies, guidelines and tools to assist agencies in managing information technology (IT) resources and complying with statewide standards. The program produces two statutorily required biennial reports including the State Strategic Plan on Information Resources Management and the Biennial Performance Report. The State Strategic Plan sets the priorities, directions, best practices, and long-range planning guidelines for information resources management for state government for the five following fiscal years. The Biennial Performance Report assess the progress towards meeting the goals and objectives identified in the State Strategic Plan and also identifies proposed major information resources projects for the next state fiscal biennium.

The program also provides:

- guidance and tools to support state agencies with IT project management and includes support for Quality Assurance Team which reviews and monitors major information resources projects;
- training to state agencies on state and federal accessibility requirements; and
- information and guidance through conferences, briefings, and forums on technology areas of interest to information resources managers and IT staff.

2 Program Ranking and Prioritization: Although Technology Planning and Policy is one of the core functions (and earlier mandated function) of the agency, funding for the program has changed very little over recent biennia. The agency's 2014-15 estimated/budgeted funding levels is approximately \$0.2 million lower than 2010-11 expended amounts. The program was also ranked 11 out of 13 by the agency even though the program produces statutorily required documents including the State Strategic Plan for Information Resources Management and Biennial Performance Report.

Recommended Statutory Changes for Program Improvement

1 None.

Funding Alternatives Not Included in the Recommendations	Change from Recommendations			2017 FTEs
	GR-Related	All Funds		
1 The agency was directed to providing funding alternatives for the Technology Planning and Policy program to both increase and decrease funding by 20 percent or \$0.25 million. The agency indicated the following impact for each scenario:				
(a) Increased Funding: DIR indicated that an increase in funding for the program would provide more in-depth technology tools and resources to state IT staff to improve statewide IT maturity. Potential additional tools and resources identified relate to assessment of agency capabilities and maturities; assessments of technologies in the market and potential benefits of automating and delivering services more efficiently; support opportunities for enterprise collaboration across state agencies; and producing more guidelines and best practices based on state experience and success with IT innovation.	\$	- \$	256,078	1.0
(b) Decreased Funding: DIR indicates that a 20 percent decrease to the program would eliminate training and technical assistance provided to agencies relating to website accessibility and IT project planning as well as review of agency plans submitted to the Quality Assurance Team.	\$	- \$	(256,078)	(1.5)