

BUDGET REQUEST AND GOVERNOR'S RECOMMENDATIONS

Fiscal Year 2002



*The Department of Management will be the Strategic Planning,
Finance, and Accountability Center of Excellence in State
Government.*

Presented to the Administration and Regulation
Budget Subcommittee

January 24, 2001

Iowa Department of Management
Cynthia P. Eisenhauer - Director

AGENDA

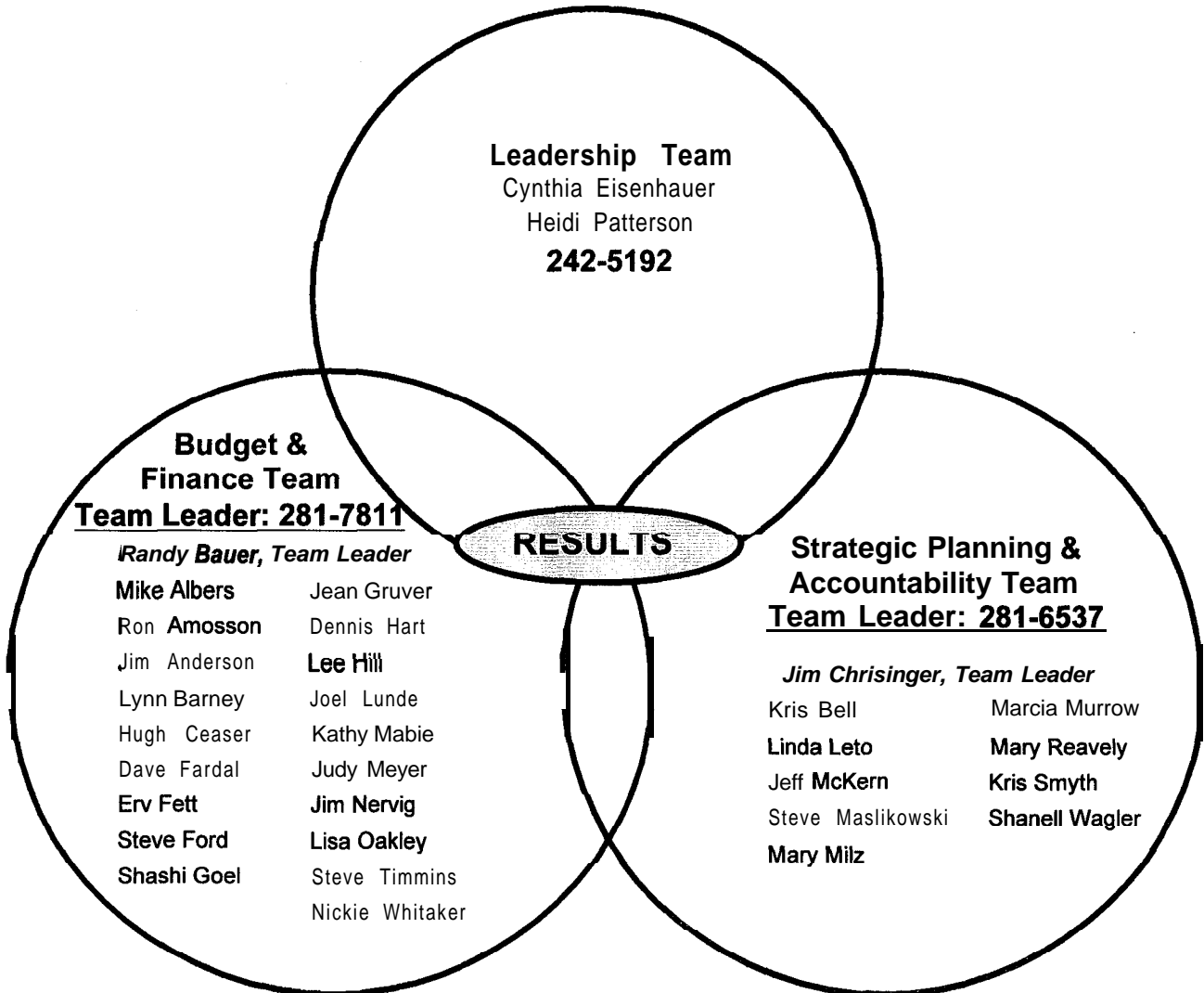
DEPARTMENT OF MANAGEMENT BUDGET PRESENTATION FY 2002

January 24, 2001

- *Organization and Core Services*
- *Budget Overview*
- *Line Item Trends*
- *Emerging Issues*

Department of Management Organization

January 2001



CORE SERVICES

- | | |
|--|--|
| <ul style="list-style-type: none"> *Support the legislative budget process (8.6) *Forecast and track revenue (8.6; 8.22A) *Create and manage local budget systems (8.6) *Coordinate the Appeal Board (24.26) *Manage salary model and support collective bargaining (8.6 Ch.1219 (16) 2000 session laws) *Offer budgeting technical assistance to state departments and local governments (8.6) *Create and manage enterprise budget and financing systems (8.6) | <ul style="list-style-type: none"> *Lead enterprise strategic planning (8.52) *Facilitate department strategic planning (8.52) *Lead enterprise results measurement and reporting (8.52) *Facilitate department results measurement/reporting (8.52) *Lead enterprise continuous improvement efforts (8.52) *Coordinate enterprise internal/external communications (8.52) *Facilitate public forums (8.52) *Support the achievement of enterprise goals (8.52) *Analyze enterprise policies and proposals (8.6; 8.52) *Forecast trends and impacts (8.52) |
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IOWA DEPARTMENT OF MANAGEMENT
Budget FY 2001- FY 2002

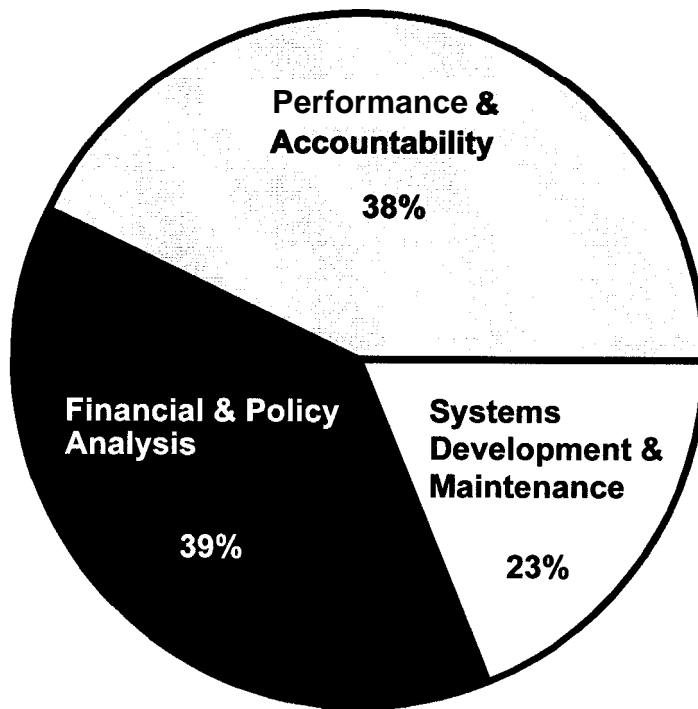
General Office	Revenues		FY 2001 Estimated	FY 2002 Dept. Req.	FY 2002 Gov's Rec.
Blue Book Pg 223	GF Approp.	D01	\$2,361,258	\$2,361,258	\$2,361,258
	RUTF Approp.	D23	\$56,000	\$56,000	\$56,000
	Receipts		\$7,650	\$2,650	\$2,650
	Total Revenues		\$2,424,908	\$2,419,908	\$2,419,908
	Authorized FTE Level		28.00	29.00	29.00
Prop. Tax Administ.	GF Approp.	D21	\$90,078	\$90,078	\$90,078
Blue Book Pg 232	Authorized FTE Level		1 .00	1 .00	1 .00
Empowerment	Intra State Transfer		\$200,000	\$200,000	\$200,000
	Authorized FTE Level		2.00	2.00	2.00
Salary Model Admin.	Intra State Transfer		\$133,800	\$133,800	\$133,800
	Authorized FTE Level		1 .00	1 .00	1 .00
Enterprise Resource Plan	Non-GF Approp.	OD2	\$0	\$11 ,155,000	\$0
Blue Book Pg 244	Authorized FTE Level		0.00	25.00	0.00
Federal Overbilling	GF Approp.	DO4	\$0	\$0	\$2,000,000
Blue Book Pg 229	Authorized FTE Level		0.00	0.00	0.00

Department of Management FY 2002 Budget Request

GENERAL OFFICE: Blue Book, page 223

General Fund	\$2,361,258	\$2,361,258	\$0
RUTF	\$56,000	\$56,000	\$0

Summary of Proposed FY 2002 Budget by Program



Department of Management Programs and Performance Measures

Program: Performance and Accountability **\$1,080,639**

Program Purpose: To provide leadership and build capacity in State government to achieve desired results and efficiencies through the use of planning, change processes, and enterprise-wide management.

Performance Measures:

- Percentage of Enterprise Goals that show improvement.
- Percentage of agencies with quantifiable result-oriented goals.
- Percentage of state expenditures reported **annually** that are tied to Enterprise goals and have results measures.

Program: Financial and Policy Analysis **\$1,109,076**

Program Purpose: To provide timely and accurate policy, operational, and financial information to the Governor, other public officials, State government agencies and citizens to assist to assist informed decision-making.

Performance Measures:

- Total dollar amount of savings/redirected resources in agencies.
- Create and regularly issue an understandable report card for Iowans on the State's financial health.

Program: Systems Development and Maintenance **\$654,071**

Program Purpose: To create easily maintained and readily accessible information systems to State government and its partners that provide data in a consistent, uniform and user **friendly** format for financial, operational, and policy analysis.

Performance Measures:

- Percentage of all systems under control of DOM that are tested, accessible and available for use, as desired by State government and its partners.
- Percentage of budget redesign completed.

Total Department of Management Operations Budget – FY 02 **\$2,843,786**

Emerging Issues in the Department of Management

- I. Enterprise Resource Planning (ERP)
(see enclosed brief)
- II. Information Technology (IT) Overbilling
(see enclosed brief)
- III. Accountable Government Act
(see enclosed list of features)
- IV. Increased demand for customer service

Department of Management Emerging Issue Enterprise Resource Planning (ERP) Project

Critical Issues

1. State government's core business processes (payroll, accounting, budgeting, procurement and customer support) are outdated, inefficient, and not well integrated.
2. Because of lack of integration, much similar data is maintained on more than one system, which increases staffing costs and makes it difficult to obtain enterprise-wide information quickly and easily.
3. Present systems cannot adapt to a results-focused approach to budgeting and administration.
4. The lack of updated support systems is costing the state money – at present, we do not have the capacity to implement cost saving methods such as electronic procurement.

Initiative

As recommended by Deloitte and Touche in their ERP migration plan, the State should develop a framework to better integrate its core business processes. As developed in the Deloitte and Touche plan, the proposal should update and integrate these processes in stages over a 5-year period.

According to the Deloitte and Touche study, past ERP initiatives have led to tangible benefits such as personnel reduction and redeployment, inventory reduction, improved productivity, reductions in procurement costs, revenue enhancements, and reductions in IT costs.

Cost

The Deloitte and Touche study estimated the total cost of the project at \$42.4 million spread over 5 years. In consultation with the Treasurer of State's office, it is projected that \$37.3 million of this total is eligible for financing through the State's master lease purchase contract. This would allow the State to complete the project in stages and reduce overall financing costs. The FY 2002 finance costs are projected to total **\$1,160,588** and are included in the Governor's recommendations for pooled technology funding.

Approximately \$5.1 million of the estimated cost of the project over 5 years would not be eligible for financing. This would mostly be increased State support to operate and maintain the system. It is assumed that some of these will be reallocations of existing positions, but there likely will be the need for some additional staffing resources. These schedules will be developed as implementation plans are developed.

As noted above, past ERP initiatives have resulted in cost savings. As these are identified, it would be appropriate to apply them to the overall costs of the project, which should reduce the appropriations necessary to carry out this initiative. Those savings have not been included in our cost projections. Likewise, there are opportunities to charge a portion of the costs of the project to other funds, such as federal funds. This will also reduce the costs of some components of the project, particularly the budget, payroll, and accounting functions.

Department of Management Emerging Issue

Federal Overbilling by the Information Technology Department

Critical Issues

In April and December of 2000, the State Appeals Board paid three claims to the federal government totaling \$2.7 million for over-billing by the Information Technology Department (ITD) during FY95-FY99.

Half of all ITD services are provided to agency accounts that are billed for services, and the other half are provided to accounts that receive a “memo-bill” -- a bill they do not pay. The memo-billed services are supposed to be covered by the general fund appropriation to the Information Technology Department. Agency services have increased, but ITD’s appropriation has not. Increases in memo-billed services are now paid for by increased rates for billed services, which means that billed services are paying too much and memo-billed services are paying too little.

Unless we take steps to reduce and eliminate federal overbilling for information technology services, the State of Iowa can expect the federal repayment to reach at least \$2 million in FY02 alone. The federal government could eventually add penalties on top of the repayments for overbilling.

Initiative

The 2000 Legislature asked the Department of Management to recommend a solution to federal overbilling. The federal over-billing work group developed a plan to eliminate ITD overbilling in as little as three years. The Governor’s recommended budget reflects this study’s conclusions. These recommendations will be phased in as the funding needed is appropriated.

- 1) Agency accounts which currently are memo-billed will pay for ITD services out of their own agency’s budget in the future.
- 2) The Department of Management will allocate IT adjustment money to agency budgets which are currently memo-billed. This will continue several years until agency base budgets are adjusted to pay for their initial level of memo-billed services (corrected for the new, lower billing rates)
- 3) The IT adjustment money in FY02 will only be able to pay for part of the memo-billed services. IT adjustment money will pay a growing share and ITD over-billing will pay a reduced share each year until over-billing is eliminated.

Cost

The Governor’s budget recommends a general fund appropriation of \$2 million to reduce overbilling in FY02. The Department of Management will allocate this money to pay for services to agencies which currently do not pay for IT services.

Results

1. Reduced overpayments to federal government for FY02 IT overbilling.
2. Within as little as three years, IT overbilling can be eliminated completely.
3. Consistency and fairness in how IT services to agencies are paid for.

Accountable Government Act:

Main Features

- ✓ **Strategic Planning,**
- ✓ **Performance Measurement,**
- ✓ **Results-Oriented Budgeting,**
- ✓ **Performance Reporting,**
- ✓ **Performance Audits,**
- ✓ **Performance Contracting, and**
- ✓ **Return on Investment.**