

Federal Over-Recovery for ITD Services Provided to Agencies

ITD is an enterprise IT service provider for major shared enterprise systems (Accounting, Budgeting, Procurement, Human Resources, etc.). Additionally, ITD provides a significant amount of IT services to the programs (both state and federal) managed by the Department of Human Services (DHS) and to programs managed by other state agencies. ITD currently (FY2003) provides approximately \$12.0 million in uncompensated IT services (see table below) to these systems and programs. The state general fund (GF) appropriation to ITD was originally intended to compensate ITD for these “free” services. However, as time has progressed and budgets have gotten tighter, the GF appropriation (currently \$3.0 million) to ITD has been reduced well below the amount needed (\$12.0 million) to pay for these free services. For FY2003, ITD is projected to experience a financial resource deficit of approximately \$9.0 million. As the attached table indicates, this resource deficit continues to grow on an annual basis.

In billing state agencies for various information technology (IT) services, ITD is required to follow specific federal guidelines, rules, and regulations regarding cost recovery if federal program funds are utilized to pay for these services. On an annual basis, the federal government conducts “appropriateness” audits concerning IT charges billed to its programs (by ITD). As a result of these audits, ITD is continually cited for violating these guidelines, rules, and regulations as a result of over-charging (over-recovery) federal programs. This is due to the fact that in order to meet the financial needs of ITD required to support the provision of “free” IT services to enterprise systems and to DHS programs, ITD over-charges federal programs. Accordingly, this practice triggers financial penalties and sanctions from the federal government. This situation will continue until ITD receives funding (GF) sufficient to cover the cost of free services.

Information Technology Department Billing History

	Billable Amount	General Fund (GF) Appropriation	Non-billable Amount	Total Budget (Billable Amount + GF Appropriation)	Total Non-billable Amount in Excess of GF Appropriation
FY91	\$ 3,149,421	\$ 6,686,131	\$4,362,070	\$ 9,835,552	\$ (2,324,061)
FY92	\$ 4,074,042	\$ 6,703,698	\$ 5,027,249	\$ 10,777,740	\$ (1,676,449)
FY93	\$ 5,083,948	\$ 5,877,435	\$ 5,737,032	\$ 10,961,383	\$ 140,403
FY94	\$ 5,683,322	\$ 5,217,522	\$ 5,959,962	\$ 10,900,844	\$ 742,440
FY95	\$ 6,481,012	\$ 5,298,180	\$ 6,940,510	\$ 11,779,192	\$ 1,642,330
FY96	\$ 5,887,061	\$ 4,751,679	\$ 7,829,044	\$ 10,638,740	\$ 3,077,365
FY97	\$ 5,199,845	\$ 4,528,721	\$6,373,634	\$ 9,728,566	\$ 1,844,913
FY98	\$ 6,193,100	\$ 4,818,924	\$ 7,309,624	\$ 11,012,024	\$ 2,490,700
FY99	\$ 10,623,538	\$ 4,678,978	\$ 8,536,346	\$ 15,302,516	\$ 3,857,368
FY00	\$ 13,522,017	\$ 4,802,289	\$ 9,622,173	\$ 18,324,306	\$ 4,859,844
FY01	\$ 12,315,108	\$ 4,656,347	\$ 9,239,207	\$ 16,971,479	\$ 4,578,712
FY02	\$ 18,851,696	\$ 3,243,826	\$ 11,506,026	\$ 22,095,522	\$ 8,282,200
FY03	\$ 19,105,263	\$ 2,967,323	\$ 12,000,000	\$ 22,072,586	\$ 9,032,677

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**Information Technology Department
Recap of Budget – FY91 though FY03**

Fiscal Year	Receipts	General Fund Appropriations	Total Budget (Receipts + Appropriations)
FY91	\$3,149,421 (32%)	\$6,686,131 (68%)	\$ 9,835,552
FY92	\$4,074,042 (38%)	\$6,703,698 (62%)	\$ 10,777,740
FY93	\$5,083,948 (46%)	\$5,877,435 (54%)	\$ 10,961,383
FY94	\$5,683,322 (52%)	\$5,217,522 (48%)	\$ 10,900,844
FY95	\$6,481,012 (55%)	\$5,298,180 (45%)	\$ 11,779,192
FY96	\$5,887,061 (55%)	\$4,751,679 (45%)	\$ 10,638,740
FY97	\$5,199,845 (53%)	\$4,528,721 (47%)	\$ 9,728,566
FY98	\$6,193,100 (56%)	\$4,818,924 (44%)	\$ 11,012,024
FY99	\$10,623,538 (69%)	\$4,678,978 (31%)	\$ 15,302,516
FY00	\$13,356,146 (74%)	\$4,802,289 (26%)	\$ 18,158,435
FY01	\$12,315,108 (73%)	\$4,656,371 (27%)	\$ 16,971,479
FY02	\$18,851,696 (85%)	\$3,243,826 (15%)	\$ 22,095,522
FY03*	\$19,105,263 (87%)	\$2,967,323 (13%)	\$ 22,072,586

*Estimate

Information Technology Department Appropriation as Percent of Total Budget FY91 through FY03

