IT Consolidation Update for the Legislative Fiscal Committee September 16, 2011

Iowa Department of Administrative Services

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Information Technology Enterprise

Prepared by:

Department of Administrative Services

August 31, 2011

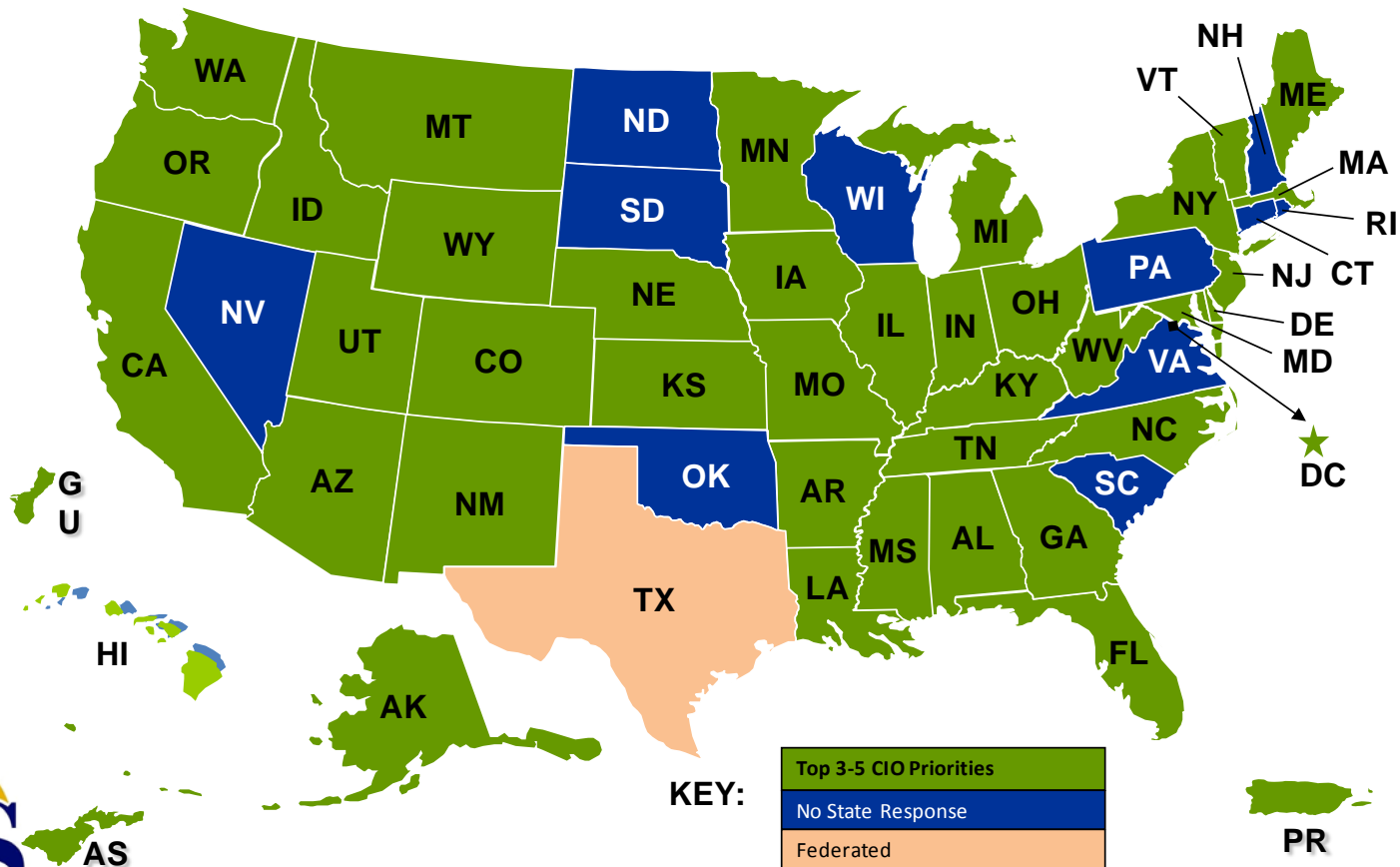# IT Consolidation Update --- Agenda

I.   Validation   ---   From Across the Country

II.   PROGRESS UPDATES: Past   ---   Current   ---   Future
            A. Past --- Discovery Phase
            B. Past --- Initial Inventory Data
            C. Current --- Servers in Central Data Centers
            D. Future --- Server Migrations
            E. Current --- E-Mail Migrations Complete
            D. Future --- E-Mail Migrations on the Horizon
            E. Current --- DAS Print Services Consolidated
            F. Future --- Print Services Consolidation Next Steps
            G. Current --- Agency IT Infrastructure Consolidations

III.   Overview – Agency Project Implementation Phases

IV.   Financials & Rate Review Checkpoints

V.   Summary - Expected Results

VI.   Questions

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States Priority of IT Consolidation

Consolidation: In CIOs Top Priorities for 2010-11

KEY:

Top 3-5 CIO Priorities	
No State Response	
Federated	

Source: NSASCIO September 2010 CIO Priority Survey

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Can Savings Be Achieved?

- On March 2010, there were 33 states that had or were consolidating IT. Today, there are 49 states at some stage of IT consolidation.

  - 25% of the states did not contribute as they were fully consolidated and no longer tracked savings
  - 75% of the states said they saved money

Consolidated 12 IT Functional Areas
12.5% of the states
$100m savings

Consolidated 7-11 IT Functional Areas
25% of the states
$15 - $30m savings

Consolidated 2 – 4 IT Functional Areas
25% of the states
$150,000 - $500,000 savings

Lowered per unit IT service costs
12.5% of the states
(over 5 yrs based on 11 IT areas)

Source: DAS-ITE survey of all States March 2010

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Specifics from Across the Country

- ✓ Missouri saved $3m in new PC purchases (NASCIO 2007)
- ✓ Texas saved $41m in IT contract renegotiations (NASCIO 2006)
- ✓ Indiana saved $15m in IT contract renegotiations (NASCIO 2005)
- ✓ Michigan saved $9.5m First Yr./ ROI 5 Yrs. $19.1m in data center consolidations (NASCIO 2007)
- ✓ Michigan saved $2.9m from email (NASCIO 2007)
- ✓ Tennessee saved $775,000 annually from hardware & personnel (NASCIO 2007)
- ✓ West Virginia decreased IT staffing by 15.06% (NASCIO 2009)
- ✓ Kentucky decreased IT staffing 15% (NASCIO 2007)
- ✓ Alabama saved $3m from email consolidations (NASCIO-2008)
- ✓ Missouri saved $2m from email consolidations (NASCIO -2008)
- ✓ Colorado reduced annual IT expenditures by $250m (State website – IT Report)
- ✓ Delaware has a target of 10% savings = $20m (State website)
- ✓ Indiana has a target of 19% reduction target (State website)

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This is just a sampling!

Past --- Current --- Future

<u>January 2010 – September 2010</u>
Planning Teams
Implementation Recommendations

<u>March 2010 – current</u>
Consolidation by IT Service Type
Consolidation by Agency

<u>Going Forward</u>
Consolidation by Agency

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Past --- Discovery Phase

January 2010 – September 2010   IT Planning Teams

- E-mail (implementation checklist, service levels, federal/state rules, open records, and email retention policies)

- Networks – local area networks (common approach to a secure, cost-effective network; centrally manage firewalls; share bandwidth; remove hardware and software duplication)

- Help Desks (Single provider to receive and document incidents, first level calls)

- Desktops (Further review of virtualization options)

- Print Services (print usage standards, acquisition standards, reduce printers, acquire a print managed software solution)

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Past --- Inventory

	# of servers	Off the Capitol Complex	On the Capitol Complex (March 2009)	Located in the Central Data Center (Aug 2011)	State IT FTE's (Dec 2010)	State IT Spend (estimate)
Executive Branch	1,988	1,144	844	623	779 IT class 85 IT related in non-IT class	$100,566, 403 IT Expenditures (FY'11) $90,000,000 Personnel (estimate)
Judicial Branch	100	26	74	47	N/A	N/A
Legislative Branch	28		28	0	N/A	N/A
Elected Offices	59	17	42	55	N/A	N/A
Regents	6,110	6,110		0	N/A	N/A
Totals	8,285	7,297	988	725	864	$190,566,403

Source: State survey results March 2009

Current --- Servers In Central Data Centers (26 agencies)

DAS	Commerce – Banking	Commerce – Utilities Division
Cultural Affairs	Economic Development Authority	Iowa Finance Authority
Education	ICSAC	Dept of Aging
ICN	Human Rights	Human Services
Inspections & Appeals	Dept of Management	Natural Resources
IPERS	Public Health Pharmacy Bd	Revenue
SOS	DOT	TOS
Public Health Nursing Bd	Iowa Dental Board	Iowa Learning Online – Educ
Judicial	I/3	

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Future --- Server Migrations in Process

Infrastructure Servers Decommissioned		
Agency Name	Total Servers	# Completed
Economic Development	3	1
Inspections & Appeals	26	0
Division of Credit Unions	8	0
Cultural Affairs	5	2
Totals	42	3

Current --- E-Mail Migrations Complete

Agency Migration Status

	Complete
	Planning
	To Be Engaged

Bar values: 46, 3, 6
Axis: 0%, 50%, 100%

E-Mail Count Status

	Complete
	Planning
	To Be Engaged

Bar values: 12192, 10414, 1535
Axis: 0%, 20%, 40%, 60%, 80%, 100%
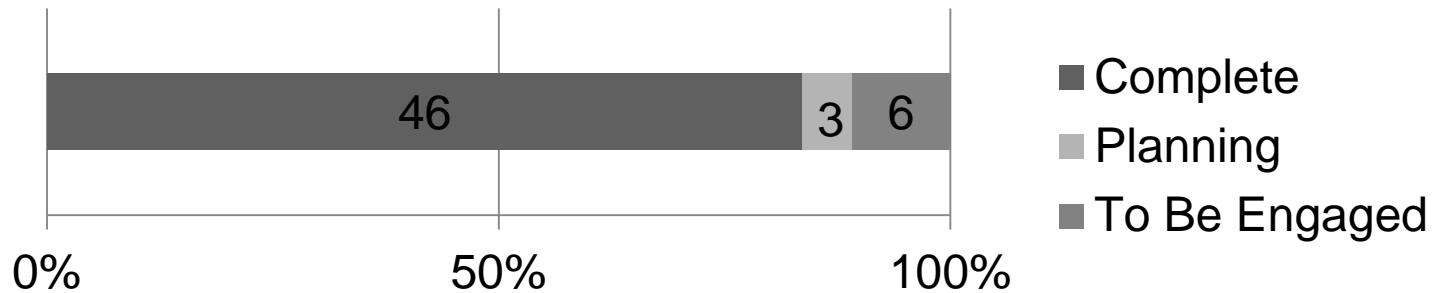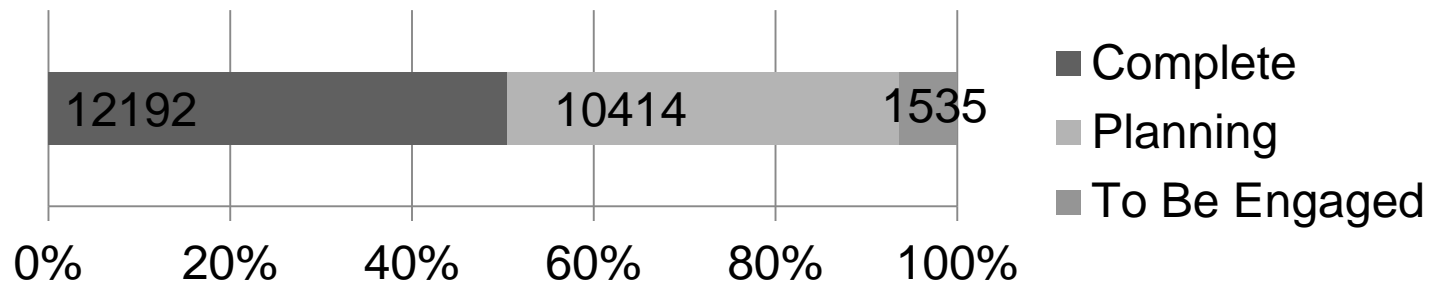
Future --- E-Mail Migrations
Remaining Agency E-Mail Counts

Remaining Agency Mailbox Count

Agency	Count
Total Mailboxes Converted	12,192
Department of Human Services (DHS)	6,386
Department of Transportation (DOT)	2,828
Iowa Veterans Home (IVH)	1,200
Department of Public Safety (DPS)	1,000
Public Defender (SPD)	200
Iowa Public Television (IPTV)	150
Department for the Blind (Blind)	140
Iowa Prison Industries (IPI)	30
Fair Authority	15
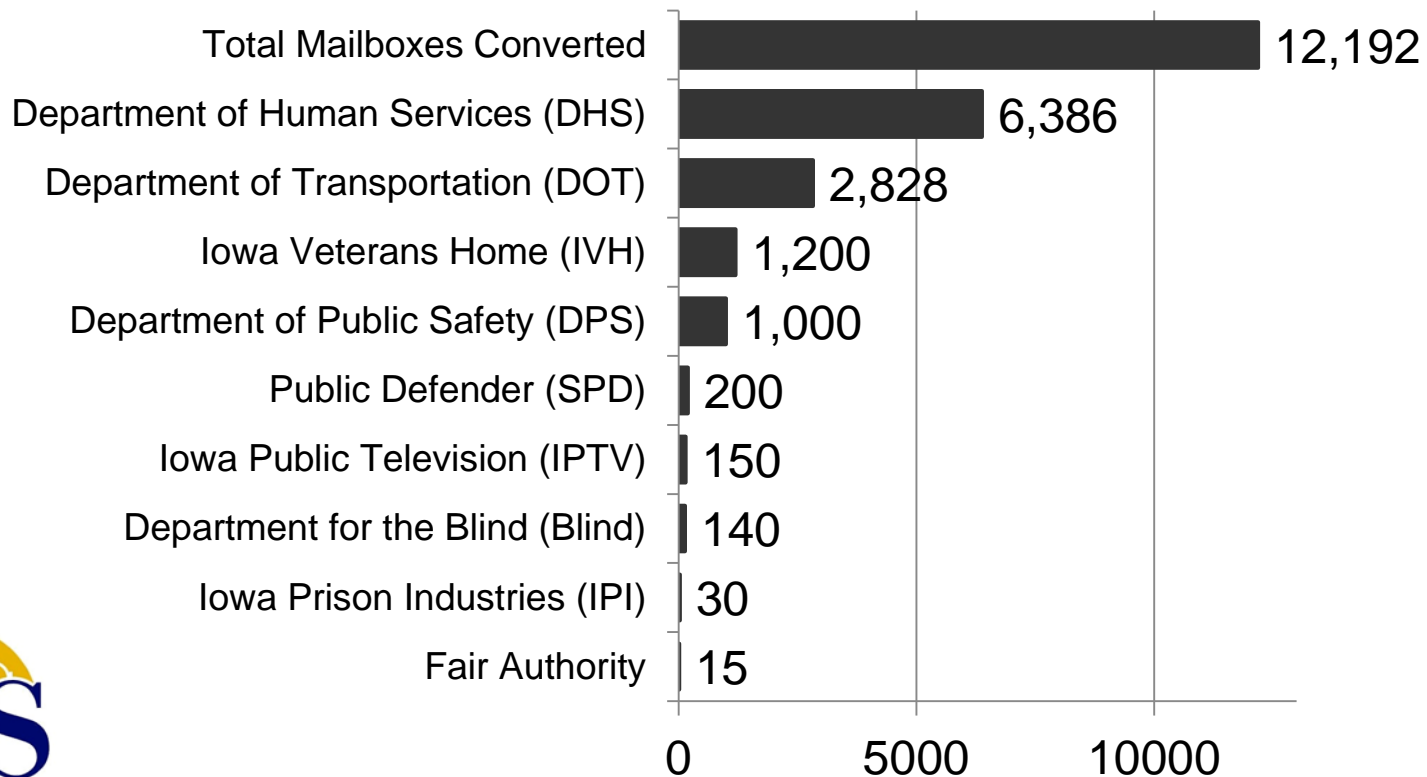
Current and Future --- Print Services

Current

- Closed the DAS-ITE campus satellite offices
- Merged the two DAS-ITE print areas into one facility location
- Provisioned disaster recovery for warrant printing at secondary data center

Future

- Just acquired a managed print software product (Laser Resources LLC)
  - Gather information regarding number of printers and utilization
  - Agency plan to best deploy printers to meet user needs and cost savings
- Further review of agency print shop facilities and needs
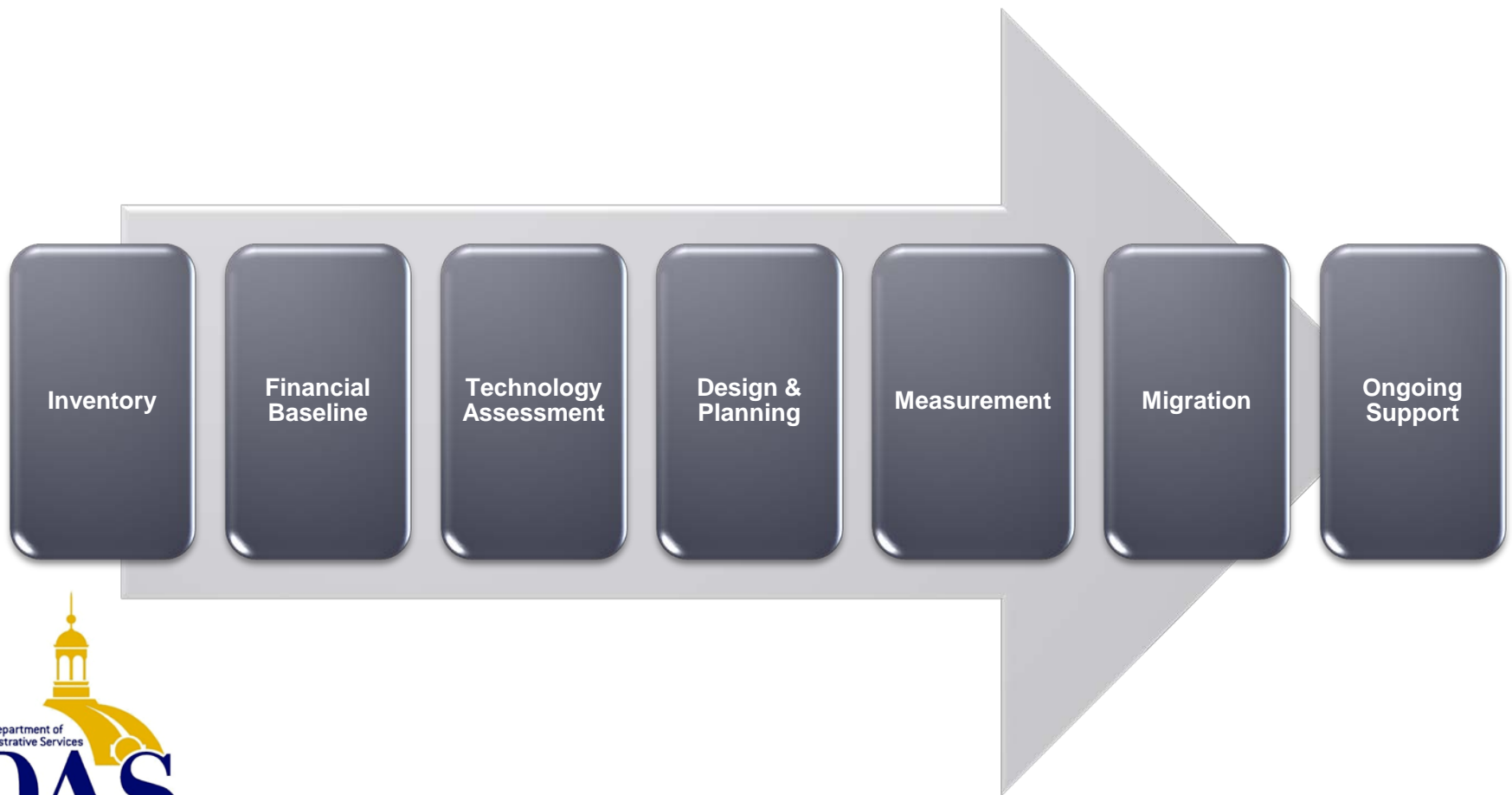
Current   ---   Agency IT Infrastructure Consolidations

In process of consolidating ALL IT infrastructure technology supports:

- Iowa Credit Union Division
- Department of Inspections and Appeals
- Department of Cultural Affairs

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The IT Project Implementation Phases

IT Consolidation Financials

- Financial Summary
    - Cost Savings/Avoidance --- E-Mail Consolidation
    - Economies of Scale --- IT Consolidation
    - Rate Review Checkpoints
    - FY'11 IT Expenditure Spend (by agency)
    - 15% target --- projected savings

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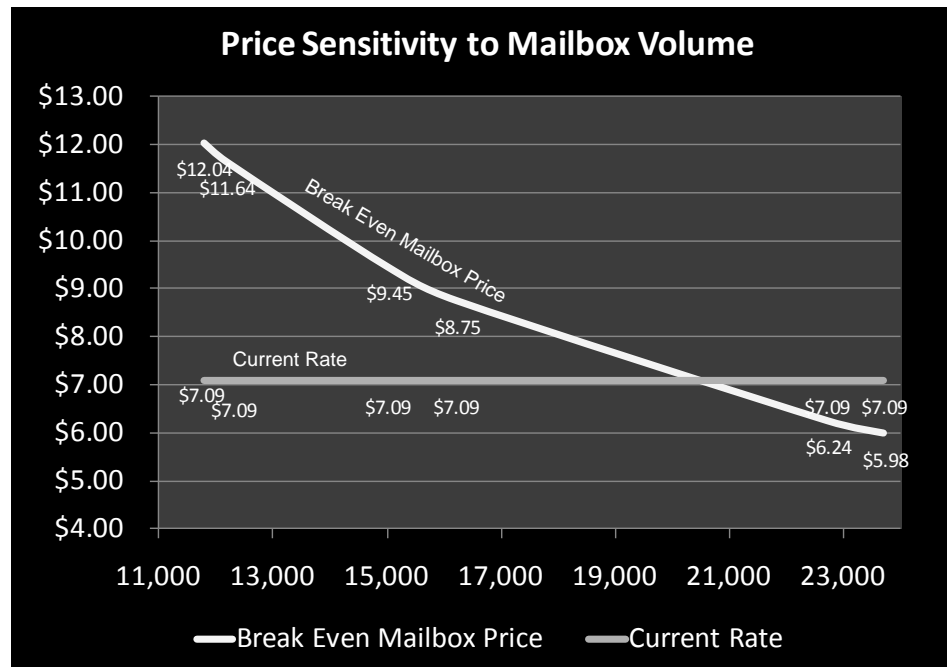Administrative Services
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Cost Savings/Avoidance --- E-Mail

- The estimated savings assumes 54 of the 72 servers decommissioned thus far would have been replaced at some point.

- $2,280,000: Potential savings over three years, including future cost avoidance
    - Maintenance (software assurance/maintenance, Exchange support, hardware maintenance): $2,500 over three years x 54 servers = $135,000
    - Avoid replacement of existing email related servers: $5,000 x 54 servers = $270,000
    - Storage removal of duplicate service: $15,000 x 10 agencies x 3 years = $450,000
    - Data backup removal of duplicate service: $10,000 x 10 agencies x 3 years = $300,000
    - Staff savings (reduction of 5 positions): $425,000 x 3 years = $1,125,000
- $345,000: Potential Investments (50% already expended during FY'11)
    - Costs may be offset by transferring licenses from legacy/existing agency email systems.
    - Alternate products already owned by agencies may be repurposed to offset these costs.
    - Storage and tape disk required was estimated.
    - Assumes one additional FTE.

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Economies of Scale

- The "popularity" of IT consolidation has risen rapidly in recent years – why?
    - Economies of Scale - <u>Spend the limited $ wisely</u>
        - Costs are less when you buy and provision IT volume
        - Consolidate and provision more IT functions/elements on <u>fewer systems</u>
        - Technology standardization, service enhancements, operational innovation and increasing demand allow DAS to reduce enterprise rates charged to client agencies. The illustration below shows a leading example of this trend through ongoing email consolidation efforts.

Price Sensitivity to Mailbox Volume

Legend: —— Break Even Mailbox Price —— Current Rate

Data points labeled on chart: $12.04, $11.64, $9.45, $8.75, $7.09, $7.09, $7.09, $7.09, $7.09, $7.09, $6.24, $5.98

Break Even Mailbox Price, Current Rate

Rate Review Checkpoints

IT Service	Government Sector		Private Sector	
	Lower Limit	Upper Limit	Lower Limit	Upper Limit
Mainframe	$400/CPU Hr.	$810/CPU Hr.	$400/CPU Hr.	$450/CPU Hr.
App. Dev.	$50/Hr.	$113/Hr.	$75/Hr.	$100/Hr.
Network Ports	$42/Port	$89/Port	$100/Port	$150/Port
Network Consulting	$50/Hr.	$112/Hr.	$135/Hr.	$150/Hr.
Desktop Support	$29/Dev/Mo.	$63/Dev/Mo.	$105/Hr./Call	$60/Dev/Mo.
Data Center Co-location	$13/U/Mo.	$22/U/Mo.	$24/U/Mo.	$125/U/Mo.
Server Hosting	$131/Dev/Mo.	$180/Dev/Mo.	$107/Dev/Mo.	$130/Dev/Mo.
E-mail	$6.21/Box/Mo.	$8.50/Box/Mo.	$5.00/Box/Mo.	$9.95/Box/Mo.

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State of Iowa IT Spend – FY'11

Department FY 11 IT Expenditures and Encumbrances	Totals	Department FY 11 IT Expenditures and Encumbrances	Totals
Administrative Services, Dept	$24,679,541.16	Dept For The Blind	$197,569.40
Human Services	$19,015,037.54	Iowa Department on Aging	$156,030.04
Transportation, Dept Of	$14,385,408.91	Racing Commission/Insp&Appeals	$134,361.76
Workforce Development	$11,577,444.78	Cultural Affairs, Dept Of	$130,693.57
Revenue	$6,637,632.86	Utilities	$118,285.24
Public Safety, Dept Of	$3,665,615.74	Governor	$115,489.68
Education	$3,484,464.45	Veterans Affairs	$112,872.29
Corrections	$3,037,294.03	Office of Energy Independence	$90,162.58
Public Health, Dept Of	$2,885,988.43	Gov Off.Of Drug Ctrl Policy	$80,527.82
Iowa Communications Network	$2,667,742.41	Civil Rights Commission	$71,915.40
Human Rights, Dept Of	$1,844,530.38	Professional Licensing/Reg	$53,098.36
Natural Resources, Dept Of	$1,536,628.67	Ethic & Campaign Disclosure	$34,451.43
Economic Development, Dept Of	$892,573.48	Parole Board	$33,628.08
Iowa Veterans Home	$787,259.60	Law Enforcement Academy	$27,989.47
Inspections & Appeals, Dept Of	$534,391.74	Consumer Advocate	$25,111.43
State Public Defender/DIA	$460,545.23	Civil Commitment Unit for Sexual Offenders	$21,505.23
Management, Dept Of	$301,014.52	AG- Development Authority	$20,018.61
College Aid	$267,479.59	Rebuild Iowa Office	$17,201.70
Public Defense, Dept Of	$245,587.16	Iowa Veterans Home Capitals	$9,411.23
Banking	$201,048.71	Public Employment Relations	$8,850.64
		Grand Total	$100,566,403.35

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We Can Do It: Cost Savings

Governor's Goal: Decrease the cost of government by 15%
$100M (FY'11 IT expenditures only) x 15% = $15M/annually

Assumptions:
- Executive Branch FY'12 IT budgets equal $100m
- Federal funds remain aligned with State expenditures
- No severe negative impacts

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Summary: Results of IT Service Centralization

Goal: Effectively manage and leverage technology investments for the State of Iowa to capitalize on IT best practices, purchasing, contracting, service provisioning and business processes in meeting State agencies missions.

- Data Security – Expanded capabilities
  - Integrated disaster recovery
  - Data privacy and information security
  - Share data seamlessly
- Efficiencies
  - Remove network and server architecture complexities
  - Green efficiencies

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Summary: Results of IT Service Centralization (continued)

- Leverage IT personnel resources
  - Increased technical expertise and cross training
  - Succession planning issues facing our aging IT workforce
- Reduced IT expenditures = cost savings
  - Minimize hardware and software duplications
  - Leverage volume purchasing
  - Fewer hardware and software maintenance agreements
  - Enhance efficiencies by controlling costs

Results: Increased data security, service delivery improvements, optimize IT resources and reduce costs

Moving Forward

✓ Continue to make IT an integral part of Agency Strategic Business Planning

✓ Re-Alignment with State strategy to improve efficiency, productivity, and service across the Executive Branch.

✓ Collaborate on shared goals

✓ Achieve a minimum of 15% cost savings

✓ Make it happen

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Questions?