2017-19 Biennium Budget
Decision Package

Agency: 163 - Consolidated Technology Services (WaTech)

Decision Package Code/Title: A0 - IT Master Contracts and Procurement

Budget Period: 2017-19

Budget Level: PL

Agency Recommendation Summary Text:

Consolidated Technology Services (WaTech) is requesting $5.9 million in revenue and expenditure authority and 19 FTE to assume responsibility for IT master contracts and procurement.

Fiscal Summary:

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 458-6	2,994,000	2,910,000	3,047,004	3,196,000
Total Cost	**2,994,000**	**2,910,000**	**3,047,004**	**3,196,000**
Staffing	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
FTEs	19	19	19	19
Revenue	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Fund 458-6	2,994,000	2,910,000	3,047,004	3,196,000
Object of Expenditure	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Obj. A	1,407,000	1,432,000	1,547,000	1,671,000
Obj. B	490,000	495,000	517,000	542,000
Obj. G	3,000	3,000	3,000	3,000
Obj. J	114,000	0	0	0
Obj. T	980,000	980,000	980,000	980,000

Package Description

The goal of this proposal is to align the structure of information technology governance by consolidating information technology ("IT") procurement and master contracts within WaTech. This structure will align strategy with execution and enable more effective management of information technology by harmonizing IT governance, finance, and operations to support a long term brokering model. IT Solutions require strategic planning, project and risk management, oversight, enterprise architecture, security, privacy, partner management, and procurement. The OCIO has authority for all of the pieces today, minus IT procurement.

IT Governance is addressed by vesting the ability to set and delegate IT procurement authority in the Office of the Chief Information Officer (OCIO). The OCIO, along with the Technology

Services Board (TSB) only has partial authority and responsibility to set the state's policy regarding IT procurements and standards that govern the acquisition and disposition of equipment, proprietary software, and purchased services. Restoring full authority over IT will give the OCIO a more granular, fine-tuned tool for IT Project oversight by enabling levels of delegation for IT procurement authority. Today, the OCIO only has the hammer of project termination. With IT procurement authority, it is afforded more options instead of project termination.

Financially, relocating IT Master Contracts enables WaTech to collect the administrative fee. The fee can be scaled as appropriate, depending on the complexity and services offered. Moreover, the fees collected can be used to benefit the IT community.

Operationally, WaTech's business model includes evolving brokering solutions for our customers. The ability to enter into IT Master contracts enables WaTech to increase transparency into partner management and spend, provide more technical solutions consistent with OCIO standards, and to offer compliance as a service by building in privacy and security protections to the contracts. Contracts for even moderately complex applications often require expertise in procurement as well as in any affected applications, networks, IT security, legal requirements, and business processes. Because WaTech has enterprise responsibility for this spectrum of IT services, adding master contracts increases the efficiency and effectiveness of the contract process.

Base Budget: If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

Please see the attached Excel file.

Decision Package expenditure, FTE and revenue assumptions, calculations and details:

WaTech's proposal includes the following staff and workload assumptions:

Partner and Legal Affairs 16 FTEs to:

- Monitor partner performance
- Analyze aggregation opportunities
- Coordinate cooperative purchasing engagements
- Coordinate customer outreach teams
- Develop, monitor, and amend licenses enterprise-wide
- Manage enterprise licenses for new opportunities with vendors such as Microsoft, Adobe, Oracle, Citrix

OCIO 1 FTE to:

- Monitor procurements associated with ongoing IT projects under OCIO oversight
- Enforce procurement consistency with enterprise architecture and strategic direction

Communications and Finance 2 FTEs to:

- Manage a master contracts website, business plan and, OWMBE events
- Establish pricing/rates for master contracts; develop and maintain service offerings

Funding for this staffing level would come from contract management fees assessed on vendors that engage in IT master contracts. The level of agency involvement and performance would depend on the amount of funding available through the fee structure. The higher the fee, the more WaTech can do to effectively manage vendors and master contracts. For example:

- Tier 1 at a fee of 0.74% would reduce IT costs due to efficiencies gained through centralized procurement and enterprise-wide economies of scale.

- Tier 2 at a fee of 3.0% would support a statewide technology procurement office and center of excellence that would create model contracts and documents; develop alternative procurement methods; manage procurement for high-risk agencies; provide broad training in strategic sourcing and; engage more thoroughly with stakeholders.

Decision Package Justification and Impacts

What specific performance outcomes does the agency expect?

Resting procurement authority within the OCIO will resolve the split between policy development and implementation enforcement. This will support consistent application of IT policy and allow for economies of scale in IT procurements across the enterprise level.
Master Contracts residing in the State's centralized IT agency will simplify and streamline IT procurement for state agencies in many ways:

- WaTech is able to screen and aggregate vendors that are best suited for an enterprise solution-based IT portfolio
- IT contracting expertise is concentrated in one agency that assures the competitive process and contract terms are performed at the highest level of diligence and legal requirement
- WaTech can broker services, ensuring the data architecture is correct; the products and services work in the state environment and; customers are provided support with deployment and troubleshooting.
- WaTech's existing governance structures ensure that master contracts are established in a manner consistent with the state's IT Vision, road map, and stakeholder needs
- A reduction in time, effort, and cost associated with customers' acquisition processes
- Providing Compliance as a Service with the respective competitive, security, privacy, and regulatory requirements for the customers
- Increased customer ability to respond to urgent needs without violating or avoiding competitive requirements
- Increased visibility of vendor performance through enterprise-wide information sharing
- Elimination of redundant work across multiple customers and elimination of the associated vendor impact

Under the current arrangement, master contracts are established for services that are in direct competition or are duplicative of services provided by WaTech. Some master contracts are even for services that agencies pay for under the Central Services Model. This situation allows for redundant effort and expense and can obviate opportunities for significant economies of scale in the enterprise acquisition of almost any IT service or equipment.
Specific areas where Master Contracts could supplement or support WaTech's value add proposition include:

- Network
- Desktop services
- O365 license enterprise-wide management
- Brokering
- Equipment
- Procurement consulting and subject matter expert professional services.

Performance Measure detail: The decision package supports the Results Washington goal # 5: Efficient, Effective & Accountable Government.

Fully describe and quantify expected impacts on state residents and specific populations served.

State populations served by any state or local agency that is a WaTech customer will realize benefits from this proposal through more efficient spending of tax payer money.

What are other important connections or impacts related to this proposal?

Impact(s) To:		Identify / Explanation
Regional/County impacts?	No	Identify:
Other local gov't impacts?	No	Identify:
Tribal gov't impacts?	No	Identify:
Other state agency impacts?	Yes	Identify: This proposal would move current IT procurement and master contract authority out of the Department of Enterprise Services. DES revenue and expense would decline accordingly.
Responds to specific task force, report, mandate or exec order?	No	Identify:
Does request contain a compensation change?	No	Identify:
Does request require a change to a collective bargaining agreement?	No	Identify:
Facility/workplace needs or impacts?	No	Identify:
Capital Budget Impacts?	No	Identify:
Is change required to existing statutes, rules or contracts?	Yes	Identify: Several sections of RCW would have to be amended. The agency is submitting a legislative proposal.
Is the request related to or a result of litigation?	No	Identify lawsuit (please consult with Attorney General's Office):
Is the request related to Puget Sound recovery?	No	If yes, see budget instructions Section 14.4 for additional instructions

Identify other important connections

Please provide a detailed discussion of connections/impacts identified above.

What alternatives were explored by the agency and why was this option chosen?

WaTech's request for delegated authority from the Department of Enterprise Services was denied. WaTech chose this option because it offers strategic and efficient alignment with policy, oversight and, implementation of IT spending.

What are the consequences of not funding this request?

If this proposal is not funded and the accompanying agency request legislation is not enacted, IT purchases will continue without strategic alignment with OCIO standards. Procurement authority will continue to be split between two agencies. Redundant efforts between multiple state agencies grappling with the same or similar issues will continue. The state will continue to lose economies of scale due to the fractured approach to IT procurement.

How has or can the agency address the issue or need in its current appropriation level?

WaTech cannot support this request within its current funded level.

Other supporting materials: None

Information technology: Does this Decision Package include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

☐ No STOP

☒ Yes Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2017-19 IT Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can. (See chapter 12.1 of the operating budget instructions for guidance on what counts as "IT-related costs")

Information Technology Items in this DP (*insert rows as required*)	FY 2018	FY 2019	FY 2020	FY 2021
ITS5 (License Management)-5 staff	840,000	819,000	860,000	903,000
Sr IT Policy & Management (OCIO)-2 staff	379,000	372,000	391,000	413,000
Total Cost	**1,219,000**	**1,191,000**	**1,251,000**	**1,316,000**

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? ☐Yes ☒ No
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.) ☐Yes ☒ No
3. Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See OCIO Policy 121.) ☐Yes ☒ No

If you answered "yes" to *any* of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to chapter 12.2 of the operating budget instructions for more information.

WaTech Staffing and Fiscal Note Model

Activity A402 Admnistrative Activity

Fiscal Year	FTE	Object A	Object B	Object C	Object E	Object ED	Object G	Object J	Object N	Object P	Object T	Object TZ	Total
Total Fiscal Year 1	19.0	1,407,000	490,000		0	0	3,000	114,000		0	980,000	0	2,994,000
Total Fiscal Year 2	19.0	1,432,000	495,000		0	0	3,000	0		0	980,000	0	2,910,000
Total Fiscal Year 3	19.0	1,547,000	517,000		0	0	3,000	0		0	980,000	0	3,047,000
Total Fiscal Year 4	19.0	1,671,000	542,000		0	0	3,000	0		0	980,000	0	3,196,000
Biennial Total	**19.0**	**6,057,000**	**2,044,000**	**0**	**0**	**0**	**12,000**	**114,000**	**0**	**0**	**3,920,000**	**0**	**12,147,000**

Source of Funds

Fund	Account	% of Total	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
458-1	Appropriated	0.00%				
458-6	Non-Appropriated	0.00%	2,994,000	2,910,000	3,047,000	3,196,000
472	Non-Appropriated	0.00%	0	0	0	0
461	Non-Appropriated	0.00%	0	0	0	0
Total each Fiscal Year			**2,994,000**	**2,910,000**	**3,047,000**	**3,196,000**
Biennial Total				**5,904,000**		**6,243,000**