

BILL SUMMARY
1st Session of the 52nd Legislature

Bill No.: HB 1704
Version: FA2 (7332)
Author: Representative Derby
Date: March 10, 2009
Impact No Fiscal Impact Change From FA1:
FY-10 CIO Salary - 9 Month
Estimate: \$105,000- \$120,000;
Contingent Consultant Costs - \$200 Per Hr.

**FY-11 and Thereafter: Potential Savings
From Efficiencies and Economies of Scale;
Estimated Additional FTE Costs - \$1.6 Million;
Potential Relocation/Rental Costs - \$940,000**

Bill Summary

Research Analyst: Dante Giancola

Floor Amendment 2 for HB1704 amends the education eligibility requirements for the position of CIO that are spelled out in FA1 of this bill. FA2 removes Technology Management, Business Administration, and Finance as eligible baccalaureate degrees to qualify for the job.

The rest of FA2 is identical to FA1. It creates the Oklahoma Information Services Act, creating the Office of Information Services (OIS). The OIS is to be operated and administrated by a Chief Information Director setting the eligibility requirements, salary and other expenses for the director to be budgeted through the Office of the State Treasurer.

The director shall among other things:

- Within 9 months complete an assessment of the information technology system;
- Within 12 months issue a plan of action for the transformation, coordination, and modernization of the information technology for all state agencies;
- Employ personnel to accomplish the purpose of the office;
- Be responsible for the procurement of all information technology equipment and services for the state;
- Be subject to the Central Purchasing Act, Public Competitive Bidding Act of 1974, the Oklahoma Lighting Energy Conservation Act, and the Public Building Construction and Planning Act when procuring technology, telecommunication services, etc.;
- Establish and implement charges and a system to asses the charges to state agencies for their use of centralized information technology and telecommunication services;
- Establish, implement, and enforce policies and procedure for the development and procurement of an interoperable radio communication system for state agencies;
- Prepare an annual report detailing the ongoing net savings attributable to the reallocation and consolidation of information technology and telecommunication resources and personnel.

Additionally, Floor Amendment 1 for HB 1704 prohibits in FY-10 any state agency from buying or contracting for a communication or telecommunication system exceeding \$10,000 without the authorization of the CIO.

Finally the bill transfers The Information Services Division of the Office of State Finance to the Office of Information Services.

Fiscal Summary

Fiscal Analyst: Terry McKenna

The FA2 for HB 1704 creates the Office of Information Services (OIS). The measure provides that the salary of the Chief Information Officer (CIO) shall be comparable with the prevailing salaries for similar private sector positions, and that the CIO shall be appointed no later than January 1, 2010. The FA2 provides eligibility requirements that include: a baccalaureate degree in Computer Information Systems, Information Systems Management, Information Systems, or other similar degrees. For FY-10, the salary and any other expenses incurred by the CIO shall be budgeted through the Office of the State Treasurer which shall provide office space, equipment and support. Within 9 months, the CIO shall complete an assessment of the transfer, coordination, and modernization of the information technology systems for all state agencies, and within 12 months shall issue a report setting out a plan of action for the OIS. The CIO may contract with private consultants to assist during both the assessment and development of the plan of action report. During FY-10, no state agency shall buy or contract for a communication or telecommunication system exceeding \$10,000 without the authorization of the CIO, or fill or replace administrative-level information technology positions. Beginning July 1, 2010, the CIO is authorized to employ personnel and fix duties and compensation rates and shall be responsible for the procurement of information and telecommunication-related equipment and services, and the review and approval of all related statewide contracts. On the same date, the Information Services Division of the Office of State Finance (OSF), with all its assets and FTE is transferred to the OIS. Finally, the measure provides that the net saving realized through the reallocation and consolidation of information technology and telecommunication resources and personnel, after compensating for up-front costs and ongoing costs of the OIS, shall be realized no later than July 1, 2011.

Fiscal Analysis

The fiscal impact of the FA2 for HB 1704 is the same as the FA1 and is as follows: The measure provides that in FY-10 the salary and any other expenses incurred by the (CIO) shall be budgeted through the Office of the State Treasurer, which shall also provide office space, equipment and support services. OSF advises that the annual salary of the CIO would be between \$140,000 to \$160,000; assuming the search for a qualified CIO takes ninety days, the FY-10 CIO salary would be \$105,000-\$120,000. Were the CIO to contract with private consultants for the development of a plan of action, recent experience (a similar study in Texas) indicates that information systems and information technology analysts are paid at the rate of \$200 per hour. The cost of office space, equipment and support to be budgeted through the Office of the State Treasurer is pending review by the agency.

OSF advises that to implement the provisions of the FA2 for HB 1704 would require the hire of 13 additional FTE and the use of 2,500 square feet of office at an annual additional cost of

\$1,555,000 (4 Technology Mangers, 2 Secretaries, 1 Controller, 3 Accounting Specialists, 1 HR manager, 1 HR specialist and 4 procurement specialists, plus the cost of office space).

If the OIS were to be located outside of OSF, the Department of Central Services (DCS) has previously calculated that moving and furnishing costs could be as much as \$670,000. DCS has estimated annual rental costs of \$270,000.

Long Term Fiscal Considerations

The creation of the OIS would centralize the state's information systems, information technology and all financial and management information services. Significant savings from the elimination of redundancies and the economies of scale could be realized by the creation of the OIS as provided under the provisions of the FA2 for HB 1704.

Fiscal Analysis Reviewed By:

Janice Buchanan

House Fiscal Director