OIT FY16/17 RATES – August 2014

OIT has finalized its rates for FY16/17. The rates have been uploaded to the IT Budget Module to allow service centers/agencies to understand the implications of the rates and to finalize their IT budget requests.

SUMMARY:

Information Technology has three main tenets:
1. System Availability (Maintaining current investments)
2. Project Management (Launching new investments)
3. Risk Management (Safeguarding all investments against threats)

1. Operational (infrastructure) Drivers:

Since our consolidation we have seen a steady increase in the demand and consumption of technology services. Over the past year we have had several audits of our environments and all have said that we need to modernize our environment taking advantage of technical advancements that have taken place in the industry over the past three years.
- Increased demand
  - The increase workload introduced through projects competes with the resources that are assigned to maintain operations (keep the lights on)
    - From 2005-2009 there was an average of 60,517 requests processed for some form of technical assistance
    - From 2009-2013 the average has gone up to 76, 161
    - As of July 31st, 2014 we have processed 45,732 tickets requesting IT services
      - This equates to a projection 78,396 tickets that will be processed for 2014.
  - 7x24 systems availability requirements are increasing
  - Development of an effective BC/DR plan
  - Increased demand for on-line file and print storage
  - Cloud offering of Microsoft Office 365
  - Increased Freedom of Access Act (FOAA) requests
- To effectively manage the increased demand
  - We must acquire end to end system monitoring tools that provide technicians with early notifications of system malfunctions
  - We need to work with agencies to develop a business continuity plan to identify those critical applications that require extended support and automatic failover to ensure zero down time

- We need resources available after hours, weekends and holidays to respond to critical system outages.
- The development and implementation of a Disaster Recovery plan that includes
    - We need to identify a DR site that will be readily available in the event of a disaster
- Hardware that is at end of life needs to be upgraded and replaced
- Contracted support with vendors for higher bandwidth capacity to the internet will need to be renegotiated
- Alternate paths to ensure redundancy to the internet will need to be architected and implemented

2. Increased projects:

Over the past several years, we have seen significant increase in the number and complexity of agency software projects.   To ensure success, we must have the trained management and project resources in place. In the past we have under invested in developing and hiring project and development managers. We must make this investment now to avoid risk of loss of agency technology investments:

- The PMO and App Dev work on a combined $125,000,000.00 in projects and tools agencies need to perform their mission
- The PMO is currently managing 47 projects with only 9 state PMs, and 9 state Business Analysts. We are filling in with contractors, but we cannot manage additional contractors without adding more managers.
- The industry standard for staff per manager is 1 manager per 10 reports. App Dev has many instances of 1 manager to 30 reports. The average is 1 manager to 20 reports, including contractors.
- Without sufficient Project and Development management we introduce risk to agencies reaching the goals for this investment.
- The lack of proper investment in Project and Development Management has led to the loss billions of dollars in taxpayer money nationwide
- Every year App Dev and the PMO uncover problems that could have led to failure. Not investing in managers harms OIT's ability to find and fix these issues.

3. Risk Management:

Risk Management has two broad components:

- Business Continuity (BC) & Disaster Recover (DR)
  Disaster Recovery: Currently, the State does not have an adequate disaster recovery provision. If a State data center were to burn down, it is uncertain if the State could ensure public safety, disburse food stamps, disburse unemployment insurance, and collect revenue. Beyond fire, adverse events include weather (snow, ice, rain, hurricane, flood, etc.), earthquake, terrorism, pandemic flue, electric grid failure, etc. The State is a $3B/annum organization, providing critical public safety and human

services to its citizens. Currently we spend almost nothing on Disaster Recovery. The industry standard is at least 2% of the I.T. budget. OIT is taking the first necessary steps to remedy this deficiency. But it does require a modest outlay in human resources.

o   Cyber Security
Cyber Security: We are facing an unprecedented increase in attacks against our network. The attacks are simultaneously more frequent and of higher sophistication. (One day in July, there were 36,000 hostile attempts against our file transfer infrastructure.) Protecting the State network against such attacks not only requires new security apparatus, but also new human resources to operate the new security apparatus.

Other Information:

- Most of the rated services rates (ie. servers, sharepoint, subscription laptops/desktops) are staying the same or are lower than FY14/15 rates.

- 6 rated services rates are increasing (the increase difference is shown per unit):

Print: $0.01 per copy	Estimate 10% consumption reduction	
Cybermation: $485.60 per application	In FY14/15, it was estimated that only .5 of an FTE would work on this service. In FY16/17, that has been adjusted (based on reality) to 1.1.	Cybermation is workload scheduling tool. It is used in approximately 20 applications. This is a per application (per month) charge (not per user).
Desk phone: $2.00 per standard phone line	To cover existing and anticipated contractual obligations	
Network Access: $2.00 per connection	Additional enterprise security initiatives (ie. staff, tools, monitoring, etc.)	
Desktop Support: $5.00 per device	Added staff to get closer to best business practices recommendation of 1 staff person per 250 devices supported	Technical support and operational assistance for all desktop support devices on State of Maine network. The subscription rate for both desktop and laptop has decreased by $2.50 per device/per month, which partially offsets this $5.00 increase.
Email: $0.89 per account	Zix Gateway licenses	

- IT Enterprise Services (formerly known as OCIO) is decreasing to $3.9MM from $4.6MM each year. Items covered in this service:
  - Chief Information Officer
  - Business Continuity/Disaster Recovery (staff person, consulting, software, auditing/testing, etc.)
  - Technical assistance for Freedom of Information Act requests and archiving requirements
  - Technical Business Consultants (five staff, one director)
  - Website accessibility
  - Enterprise architecture (three staff)
  - Interns
  - Internal business systems (ie. OIT Billing system, IT Budget Module system, Asset Inventory system)

Details on some of the factors that have impact on OIT business/rates:

Statewide Personal Services increases (Health Insurance, Retirement, etc.) to all headcount, including new positions	$2,900,000	
Increases to Personal Services due to position reclassifications	$672,618	
Monitoring tools	$629,000	
Refreshing radio equipment (no longer funded with general fund appropriation)	$780,000	Affects radio rates only
3% vendor inflation assumption	$500,000	

New Positions Requested	Rate Impact	Agency-Specific consumption	Estimated Cost	Explanation for Position Request
6 Core	X		$630,000	2 Network Services, 2 Security, 1 Network, 1 Windows
3 Finance	X		$315,000	Separating financial analysis from technical business analysis
9 PMO		X	$945,000	Must have the trained management and project resources in place (see above)
6 Apps	X	X	$630,000	Improved management structure, analytics warehouse, licensing/permitting, law enforcement, application architecture

- We did run an impact analysis. Using FY14 information, we averaged usage for certain services over that year. Then we divided by old rate and multiplied by new rate. For most agencies, the impact was flat or a decrease. Please note: this analysis does not include Application Development information – this is about rated services.

- Application Development fully burdened rates for billable resources. The current budget has reallocated management positions from both agency specific budgets and from the IT Enterprise Services (formerly known as OCIO) account. Adding the necessary resource management and absorbing the statewide Personal Services increase results in a $20K per billable resource increase. Statewide this is somewhat offset by the $700,000 reduction in the IT Enterprise Services. The purpose of this alignment is to address a number of nondiscretionary issues that represent another step to full consolidation of statewide OIT:
  1. Guarantee adequate management support by linking it to the size of the workforce.
  2. Improves organizational accountability. Eliminates treating management as named resources:
     o Improves latitude for staff reassignments based organizational best fit
     o Expands staff development opportunities
     o Moderate staffing requirements necessitated by succession planning and other types of attrition planning

There are 200 non-managerial state employees in applications development. These are composed of systems team leads, systems analysts and programmers. In addition this group is augmented by a variable number of contracted analysts and programmers which raises the total number of staff above 300.

The result is a ratio of managers to staff of 12.5 to 1. To be clear this is an average. We have had and will continue to see disparities in some areas and particularly areas with very large development staffs. However, treating the group as a management cadre affords us greater flexibility to deal with attrition, staff development and succession. Additionally, the staffing request addresses several egregious occasions where in 6 agencies there are no managers overseeing staff.

- Follow this link to a complete listing of OIT Services Rates and OIT Fully Burdened Rates for FY16/17: http://www.maine.gov/oit/services/rates.shtml. Rates will be updated and posted by 8/21.

We will also post a comparison of rated services rates from FY14/15 to FY16/17.

We will also post a comparison of fully burdened rates from FY14/15 to FY16/17. The reason for increase: Personal Services increases that affect all State employees (for instance, Health Insurance and Retirement increases); billable App Dev resources now include an overhead component that covers management, internal services, and application development tools; Human Resources approved reclasses must be funded in the budget, etc.