



Dave Heineman
Governor

STATE OF NEBRASKA

OFFICE OF THE CHIEF INFORMATION OFFICER
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Senator Lavon Heidemann, Chairperson
Appropriations Committee
Nebraska State Legislature
Capitol
Lincoln, NE 68509

Dear Senator Heidemann:

Attached is the report of the Office of the Chief Information Officer detailing the specific actions and plans to implement budget actions pursuant to Legislative Bill 1 of the One Hundred First Legislature, First Special Session, 2009.

We appreciate the opportunity to provide this information to the Legislature and would be happy to address any questions you may have on the report.

Sincerely,

Brenda L. Decker
Chief Information Officer

BLD/hs

Cc: Members of the Appropriation Committee
Scott Danigole, Legislative Fiscal Office
Gerry Oligmueller, Budget Division

**Office of the Chief Information Officer
Report to the Legislature
Implementation of Appropriation Changes
101st Legislature, 2009 Special Session**

I. Agency Summary

This report is submitted in response to Section 10 of LB 1 (2009 Special Session). The Office of the CIO provides a full range of information technology and telecommunication services to state agencies and many political subdivisions. The Office of the CIO also provides staff support for the Nebraska Information Technology Commission and its councils.

The tables, below, summarize the provisions of LB 1 affecting the Office of the CIO:

Summary of Reductions to Re-appropriations

Program	Fund Type	Category	LB 1 Reduction
101	General	Operations	(173,965)
101	Cash	Operations	(296)
170	Revolving	Operations	(573,906)
172	Revolving	Operations	(15,115,508)
173	Cash	Operations	(2,678,067)
173	Revolving	Operations	(4,513,999)
245	General	Operations	(500,000)
		TOTAL	(23,555,740)

Summary of Reductions to New Appropriations

Program	Fund Type	Category	LB 1 Reduction FY 2010	LB 1 Reduction FY 2011
101	General	Operations	(10,578)	(21,170)
170	Revolving	Operations	(64,010)	(128,050)
172	Revolving	Operations	(565,802)	(1,131,603)
173	Cash	Operations	(115,307)	(229,771)
173	Revolving	Operations	(161,820)	(323,044)
		TOTAL	(917,517)	(1,833,638)

Summary of Budgeted Positions Eliminated

The following positions have been closed and eliminated from the NIS vacancy report. These positions are currently vacant, and there are no plans to reinstate them.

PROG. NO.	EMPLOYEE NAME	POSITION DESCRIPTION	TOTAL ANNUAL SALARY
172	Vacant	IT Systems Programmer/Lead	73,520

PROG. NO.	EMPLOYEE NAME	POSITION DESCRIPTION	TOTAL ANNUAL SALARY
172	Vacant	IT Systems Programmer/Lead	65,714
172	Vacant	IT Data/Database Analyst/Lead	65,405
172	Vacant	IT Applications Developer/Sr	67,594
172	Vacant	IT Applications Developer/Lead	61,224
172	Vacant	IT Applications Developer/Sr	63,469
		TOTAL	\$396,926

II. Overall Fiscal Management

One of Governor Heineman's Enterprise Information Technology Principles is to "eliminate duplication of IT expenditures and services; lower costs through enterprise purchases and agreements; and provide more efficient and effective ways for delivery of services to our citizens." Reflecting this goal, the Office of the CIO has adopted a key operating principle to "continually look for efficiencies to be gained. We believe it is everyone's job to identify ways in which we can do our work more efficiently. Our customers appreciate and expect this diligence about saving time and money."

Each year, the annual report for the Office of the CIO summarizes actions taken during the year to provide direct cost savings to agencies. Below is a summary from the FY2009 Annual Report and a listing of actions taken so far this fiscal year (FY2010).

Initiatives to Provide Savings to Agencies – FY2009

During fiscal year 2009, the Office of the CIO implemented several measures that will produce direct savings for our customers in FY2010 and subsequent years. Some of these savings will affect the budget of the Office of the CIO as they are charges provided by our agency to our customers. However, several of these charges are direct billings to our customers and do not directly affect our budget. These initiatives include:

INITIATIVE	ACTION	SAVINGS
Data Network Circuit Costs	Network upgrades and circuit transitions	\$97,249.50
Data Network Maintenance Costs	Terminated contracts for maintenance and supported with state staff	\$54,600.00
IBM License and Maintenance Renewal	Aggregation of IBM purchases, license renewals for software & hardware	\$236,000.00
Intergovernmental Data Services Network	Reassessed retainer billed to agencies and found efficiencies to drop rate	\$70,080.00
Internet Access	Aggregated bid for State, higher education and political subdivisions - dropped the rate.	\$384,000.00

INITIATIVE	ACTION	SAVINGS
Microsoft Class Action Lawsuit	Collected the State's portion of the Microsoft Class Action Lawsuit for agencies.	\$173,113.00
Vendor Management Services	Bid a single provider to manage the State IT subcontractors for supplemental tech staff.	\$275,000.00
	TOTAL	\$1,290,042.50

The Office of the CIO reduces rates whenever circumstances change because of lower costs or higher usage that allows us to achieve greater economies of scale. Rate changes during FY 2009 will generate on-going savings for many customers:

SERVICE	OLD RATE	NEW RATE	AGENCIES	PROJECTED ANNUAL SAVINGS
Analytics Reporting Service	\$31 per user per month	\$27 per user per month	5	\$41,568
CICS (mainframe)	\$.30 per CPU Sec	\$.255 per CPU Sec	21	\$850,000
Internet FAX	\$.095 per page	\$.08 per page	5	\$10,000
Kronos (Time Reporting/Scheduling)	\$1.62 per user	\$.87 per user	2	\$50,000
Network Nebraska Participation Fee	\$197.80 per district per mo	\$192.47 per district per mo	232	\$15,000
SAN Virtual Machines	\$205 per month	\$150 per month	OCIO	
Secure Email	\$5.00 per user per month	\$1.20 per user per month	9	\$270,000
zIIP Processor (mainframe)	\$.075 per CPU Sec	\$.070 per CPU Sec	16	\$350,000
z/OS Job Setup (mainframe)	\$1.35 per job	\$1.32 per job	15	\$15,000
			TOTAL	\$1,602,000

Initiatives to Provide Savings to Agencies – FY2010

During fiscal year 2010, the Office of the CIO implemented several measures that will produce additional savings for our customers. These initiatives include:

INITIATIVE	ACTION	SAVINGS
Application changes to increase efficiency.	OCIO recommended improvements to file maintenance and database calls will save one agency \$39,000 in mainframe processing costs per year.	\$39,000 (annually)
Intergovernmental Data Services Network Retainer	A one-time reduction to the retainers for DMV and the Supreme Court for the Intergovernmental Data Services System to reduce excess revolving funds.	\$300,000 (FY2010)
Vendor Management Services	Following a competitive request for proposals, the OCIO selected a single provider to manage subcontracts for supplemental technical staff. Based on the first year's experience, 5 agencies will save a net amount of \$373,075 per year compared to previous rates.	\$373,000 (annually)
TOTAL		\$712,000

The Office of the CIO reduces rates whenever circumstances change because of lower costs or higher usage that allows us to achieve greater economies of scale. Rate changes implemented during FY 2010 will generate on-going savings for many customers:

SERVICE	OLD RATE	NEW RATE	AGENCIES	PROJECTED SAVINGS FY2010
CCTV 19" TV (closed circuit TV)	\$9.17 per month	\$7.14 per month	26	\$1,991*
Desktop Leasing Package	\$100 per month	\$75 per month	8	\$35,600*
Laptop Leasing Package	\$150 per month	\$130 per month	8	\$5,920*
z/OS CPU Rate	\$.115 per CPU Sec	\$.095 per CPU Sec	14	\$476,000*
z/OS DB2 Rate	\$.115 per CPU Sec	\$.095 per CPU Sec	7	\$118,000*
zIIP Processor (mainframe)	\$.070 per CPU Sec	\$.065 per CPU Sec	7	\$54,000*
			TOTAL	\$691,511*

*The rate reduction was effective on or before November 1, 2009. Annualized savings for a full year would be proportionately higher.

In addition, the Office of the CIO has followed the Governor's directive to exercise spending restraint as outlined in his memo to agencies dated October 7, 2009. Specific provisions that we have implemented include:

- Not filling vacant positions;

- Minimizing travel;
- Delaying the purchase of equipment unless absolutely necessary;
- Planning for significant reductions in state appropriations.

Decisions by agencies will also impact expenditures by the Office of the CIO. Some agencies may be reducing their purchase of information technology and communication services as they reduce staff, close offices, and postpone work on applications. Other agencies may increase their use of technology to save costs. One example of the latter is greater reliance on video conferencing to reduce travel. Providing those services could increase expenditures by the Office of the CIO. At this point, it is too early to determine the net effect of the many decisions that agencies will make.

As stated in the budget request narrative for the Office of the CIO, consolidation of duplicative services is a strategy that can reduce overall spending, make for more effective use of IT staff, and generate other benefits. The Office of the CIO will continue to investigate opportunities for collaboration and consolidation, whenever a sound financial and technical justification exists.

A recent example of consolidation has been the migration of all state agencies to a single email system. Previously there were 11 agencies that independently provided email services to employees. Based on a conservative estimate of one FTE per agency to support email, this equated to a minimum of 11 FTE. By consolidating email and using five FTE in the Office of the CIO to support a single system, the 11 agency positions can be redeployed to other IT projects as needed within those agencies. With a centralized environment fewer servers are needed, which also allows a more efficient operation.

III. Reductions to Re-appropriations Detail

Program	Fund	LB1 Reduction	Comment
101	General	(12,776)	Reduce Community Technology Fund expenses
		(73,959)	Reduce GIS Special Project Funding
		(87,230)	Reduce dollars allocated to Special Project Funds
101	Cash	(296)	Eliminate cash funds
170	Revolving	(573,906)	Reduce excess spending authority in fund
172	Revolving	(15,115,508)	Reduce excess spending authority in fund
173	Cash	(2,678,067)	Reduce excess spending authority in fund
173	Revolving	(4,513,999)	Reduce excess spending authority in fund
245	General	(500,000)	Allocation of revolving funds to project
	TOTAL	(23,555,741)	

General	(673,965)
Cash	(2,678,363)
Revolving	(20,203,413)
Total	(23,555,741)

IV. Reductions to New Appropriations Detail

A. Program 101 (NITC Staff and Councils)

Program	Fund	LB 1 Reduction FY 2010	LB 1 Reduction FY 2011	Actions to Reduce Budget
101	General	(5,500)	(5,500)	Reduction in Council travel & expenses
101	General	(5,000)	(5,000)	Reduction in staff travel budget, conf exp
101	General	(78)	(670)	Reduction in other operating expenses
101	General		(10,000)	Reduction in SOS/Intern
	TOTAL	(10,578)	(21,170)	

B. Program 170 (Intergovernmental Data Services)

Program	Fund	LB 1 Reduction FY 2010	LB 1 Reduction FY 2011	Actions to Reduce Budget
170	Revolving	(64,010)	(128,050)	Reduce operating expenses by reducing travel expenses and extending life of equipment, including printers, personal computers and thin clients.
	TOTAL	(64,010)	(128,050)	

C. Program 172 (Information Management Services)

Program	Fund	LB 1 Reduction FY 2010	LB 1 Reduction FY 2011	Actions to Reduce Budget
172	Revolving	(35,192)	(35,192)	50% reduction in travel budgets
172	Revolving	(247,6970)	(396,926)	Reduction in budgeted positions (6 FTE)
172	Revolving	(125,889)	(125,889)	Reduction in budgeted benefits for positions eliminated (6 FTE)
172	Revolving	(85,577)	(85,577)	Reduction in contractual services (disaster recovery)
172	Revolving	(71,447)	(71,447)	Reduction in contractual services (security)
172	Revolving		(416,5720)	Reduction in estimate for contractual services (App. Dev.)
	TOTAL	(565,802)	(1,131,603)	

D. Program 173 (Division of Communications)

Program	Fund	LB 1 Reduction FY 2010	LB 1 Reduction FY 2011	Actions to Reduce Budget
173	Cash	(115,307)	(229,771)	Revised estimate of Communications Expense
173	Revolving	(10,000)	(15,000)	Reduction in budgeted travel

Program	Fund	LB 1 Reduction FY 2010	LB 1 Reduction FY 2011	Actions to Reduce Budget
173	Revolving	(12,000)	(12,000)	Net savings – electronic access to billing detail (replace paper)
173	Revolving	(35,000)	(35,000)	Net savings – eliminate printing state phone directories (two-step process: people section this year and entire book next year)
173	Revolving	(50,220)	(97,250)	Network upgrade to WAN -- Ethernet savings to agencies
173	Revolving	(54,600)	(54,600)	Termination of Data Network maintenance contracts
173	Revolving		(109,194)	Renegotiated Internet Access Rate to lower costs
	TOTAL	(277,127)	(552,815)	

V. Fund Transfers Detail

Section 228 of LB 1 made the following transfer from the Communications Cash Fund to the General Fund:

Fund Name	FY2009-10	FY2010-11
Communications Cash Fund	\$115,307	\$229,771

The Office of the CIO uses the Communications Cash Fund to receipt payments from customers external to state government. This includes cities, counties, federal agencies that are direct customers, and other entities. Expenditures from the Communications Cash fund cover the costs of providing services to these entities, including the distance education network, video conferencing, Nebraska Law Enforcement Telecommunications System (NLETS) network, local phone service and long distance calls, and similar services. The transfer will be absorbed by reducing our reliance on the Communications Cash Fund for working capital to cover the interval between incurring costs in providing services and receiving payment from customers. No fees will be increased or added to offset this transfer to the General Fund.