

Chief Information Officer/Office for Technology
2008-2009 Spending Reduction Plan

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A. Overview of CIO/OFT Spending Reduction Plan

A.1 Overall Approach

Research has shown approximately 70% of sustained savings of an organization come from the deployment of information technology (IT) to drive down costs and increase productivity.

CIO/OFT is committed to achieving immediate and sustained cost savings by:

- **Continuing the agency's realignment initiative begun in 2007-08 to streamline operations** and create a high performance, customer-driven organization IT service delivery organization while achieving greater cost efficiencies;
- **Building strategic public/private alliances that enable the agency to deliver innovative solutions** to the address our societal challenges such as digital inclusion, IT workforce training and development, public safety, health and human service delivery and the development of a robust IT infrastructure to meet current and future government service needs with matched private funding;
- **Partnering with other State agencies, including DOB and OGS, to effectively deploy statewide enterprise IT procurement modernization efforts** to improve operational efficiencies, reduce cost and deliver high-quality IT services through procurement modernization efforts; and
- **Executing the agency's "Plan 2010 -- Strategic Roadmap" to focus on achieving greater economies of scale**, modernizing IT procurement practices through enterprise through increased use of aggregate contracts, modernizing obsolete IT systems and enhancing the state's IT governance structure and improve our overall competitive ranking.

A.2 Achievement of Savings on a Recurring Basis

CIO/OFT will achieve recurring savings by implementing the following *immediate* initiatives, which include:

- **Requesting a 15% reduction for IT contracts with all IT vendors spending at least \$.5 million with CIO/OFT to generate savings in the 08-09 fiscal years and maintain the reductions beyond the first year.** In addition to benefitting CIO/OFT directly, this effort will impact other customer agencies by reducing the rates agencies pay for such services as Data Center Operations, the Human Services Network, NYSeMail systems and Voice and Data Telecommunications. CIO/OFT is preparing to issue the letters to all vendors by June, 2008.
- **Issuing a statewide enterprise RFP for a centralized staff augmentation contract to reduce consulting rates for all eligible state agencies.** Such contracts have been successfully implemented in Pennsylvania, Maryland and Virginia. The contracts have resulted in significant cost reductions in these states while increasing minority and women-owned business participation. The planned contract will be executed by the third quarter of 2008 and agencies will begin to migrate to this contract as their existing contracts expire. With an estimated \$400 million in annual spending statewide on staff augmentation, we project at least \$30 million in full annual savings statewide as a result of this new contract. Currently, the large state agencies average approximately 23% of the IT workforce as staff augmentation workers. This area represents a significant opportunity to achieved sustained cost savings if the contract is properly executed.

- Implementing strict spending controls and deploying an agency-wide spend management program to understand costs and drive down total spending.**
 Nonpersonal service spending on supplies, materials and travel represent a small fraction of General Fund spending – contractual services, e.g. vendor contracts, represents, by far, the largest category of NPS spending. Nevertheless, strict spending controls and inventory controls are in place to ensure only mission critical spending occurs in these categories. CIO/OFT will achieve \$100,000 in recurring savings. Today, all travel must be approved by the Deputy CIO for Shared Services, and all out-of-state travel must be approved by the CIO and Director. CIO/OFT recently released a new Delegation of Authority to centralize the review process for all expenditures and hold deputies accountable for meeting financial targets within their units.
- Insourcing selected IT services, when prudent, to achieve cost savings and enhance IT service delivery.** While staff augmentation costs can be reduced by the enterprise staff augmentation contract described above, significant savings can be achieved by insourcing expensive contract employees into the State workforce. Besides the service enhancements and retention of highly sought-after IT skills, there are other benefits to be gained. Savings of at least 30% per employee can be achieved based on current contract rates in which the average external IT consultant rates is approximately \$186,000 annually. The full annual General Fund benefit of \$200,000 will be realized in 09-10. Also, insourcing savings can be achieved in the Internal Service Funds (ISF) to drive down customer agency service rates. CIO/OFT is seeking personnel target adjustments solely for this purpose and will report progress in our monthly performance dashboard reports.
- Deploying rate reductions for CIO/OFT services is a strategic goal for sustained cost reductions.** During the past 12 months, CIO/OFT implemented an initiative to drive down the rates for state agencies that could be realized starting in the 08-09 fiscal year and beyond. As a result of this focused actions taken to create value and drive down costs at the four data centers, the agency was able to achieve the following rate reductions for all key services as shown in the **Table 1** below.

Table 1	
CIO/OFT Data Center Service Rate Reductions	
Service Type	Percent Rate Reductions
Data Storage (Tier 1)	31%
Unisys A Mainframe	27%
z/Linux	26%
Robotic Tapes	24%
IBM Mainframe	22%
Open Systems Backup	15%
Print Operations	13%
Server Hosting	6%
Average of Selected Services	20.5%

Table 2 illustrates the impact of these reductions by achieving potential savings of \$12.5 million for the top 11 data center customer agencies, based on their actual utilization in 07-08. As shown in Table 2, the overall savings approaches 15%

(14.87%). **Note:** Agency savings and costs will vary depending upon actual 08-09 utilization. Human services network and telecommunications rates will remain flat, so customer agencies will not experience any unbudgeted increases.

Table 2				
Impact of 2008-2009 Data Center Rate Reduction on Top Agencies				
Agency	2007-2008 Actual Billing	2008-2009 Projected Billing	Potential Savings	Savings Percent
OTDA	\$29,872,836	\$27,438,268	\$2,434,568	8.15%
SED	\$2,927,854	\$2,237,187	\$690,667	23.59%
DCJS	\$5,413,347	\$4,626,742	\$786,605	14.53%
DTF	\$16,096,505	\$12,947,021	\$3,149,484	19.57%
DOL	\$8,406,905	\$7,243,116	\$1,163,789	13.84%
DMV	\$6,518,955	\$5,319,273	\$1,199,682	18.40%
OCFS	\$5,308,555	\$4,579,213	\$729,342	13.74%
HESC	\$5,147,768	\$4,033,135	\$1,114,633	21.65%
State Police	\$856,130	\$854,824	\$1,306	0.15%
DOCS	\$4,922,867	\$3,876,579	\$1,046,288	21.25%
OFT (General Fund)	\$2,365,564	\$2,160,647	\$204,917	8.66%
Total	\$87,837,286	\$75,316,005	\$12,521,281	14.87%

*Based on actual 2007-2008 usage

- **Allocating staff more efficiently and ensuring funding is appropriately applied to the funding source.** Only 21% (158 positions) of CIO/OFT's total staff of 749 are supported by the General Fund. These 158 positions include 20 new positions which are included in the 08-09 adopted budget. The additional positions were included to enable CIO/OFT to implement key strategic priorities to improve customer service, enhance statewide IT project management, oversight and planning, and modernize obsolete IT procurement processes to achieve sustained cost efficiencies. The specific initiatives include:
 - Establishing a centralized "one-stop" Customer Care Center which enables CIO/OFT to eliminate an expensive outsourced call center operated by Unisys under a contract which will expire on 12/08;
 - Building an Enterprise Program Management Office (EPMO) to enhance CIO/OFT's ability to ensure central accountability and project management oversight of major IT investments by State agencies resulting in higher project implementation success rates;
 - Developing and implementing the State's Enterprise IT Strategic Plan with stronger IT governance, including the implementation of uniform IT policies and technology standards to reduce the State's total cost of IT ownership; to enhance vendor performance accountability and to achieve greater value for IT investments.

- Establishing an Equal Opportunity and Diversity Development bureau within the Contracts and Procurement Office to implement and monitor compliance with our supplier diversity goals. The agency is focusing on increasing the number of MWBE firms and the total value of contracted goods and services.
- Conducting a comprehensive review of staffing levels across the agency. In February 2007, the agency began a comprehensive review of agency staffing levels on an “All Funds” basis. Each program manager was required to justify all filled positions as well as funded vacancies. This review resulted in a reallocation of funded vacancies to reflect agency priorities. Focusing on Personal Service savings is paramount to the successful implementation of the Staffing Plan. Savings of \$250,000 will be achieved in 08-09 by careful monitoring and management of fill levels across the agency on a centralized basis by the Deputy CIO for Shared Services. This is a departure from the past practice which was a decentralized, inefficient staffing model. The positions supported by the General Fund are necessary to support basic agency functions and to implement key initiatives related to the governance and oversight of major IT investments statewide, reflecting the core mission of the agency. CIO/OFT must be positioned with the resources to ensure the State extracts value from IT investments by all agencies.

A.3 Protecting Key Priorities

CIO/OFT has embarked on a strategic roadmap called “**Plan 2010 – Going from Good to Great (Plan)**”. The Plan outlines our goals, priorities and performance measures to be achieved through 2010. Our spending reduction plan, which is an integral component of the Plan, is designed to meet short-term cost reductions while protecting long-range priorities of IT enhancements and innovations to deliver sustained long-term cost-efficient reductions with better services. The following strategic initiatives outlined in the Plan must be preserved, and include:

- **Modernizing IT Procurement Modernization/Aggregation Practices:** Activities included in this initiative are numerous and examples are proven. A Project Manager has been assigned to implement a new automated Annual Technology Plan/Plan to Procure process which is required for all eligible agencies to submit annually to CIO/OFT. An RFP for an enterprise staff augmentation contract is being drafted and existing CIO/OFT staff is working with DOB and NYFMS staff to negotiate a Universal License Agreement with Oracle in conjunction with the centralized contract administered by OGS. Further consolidations of statewide IT procurements within CIO/OFT will require the transfer of adequate staffing and resources. CIO/OFT is prepared to improve this process and drive down costs.
- **Implementing Critical Infrastructure Improvements:** CIO/OFT will continue activities related to the construction of a new State Enterprise Technology Multiplex (Primary Data Center and Backup Sites) and the Statewide Wireless Network (SWN) for first responders across the state. In addition, the agency is working with OGS to explore low-cost options for interim space to accommodate the need for additional space while the new Enterprise Technology Multiplex is under construction. Finally, much-needed repairs and maintenance will be completed on existing facilities to ensure mission-critical operations continue to function optimally.
- **Deploying the Statewide Universal Broadband Access:** The Universal Broadband Council was established in 2007 and existing agency staff support five action teams

made up of public and private entities to implement the State's broadband strategy. The first \$5 million in Broadband Access grants was awarded to local communities, supported by a 07-08 Aid to Localities appropriation. A \$10 million Capital Projects appropriation is included in the 08-09 budget for a second round of broadband grants. The RFP for Round 2 will be issued and evaluated by existing staff resources. However, a grant administrator will be necessary to oversee the grant compliance effort. This is a new function in CIO/OFT and requires adequate resources to administer. In addition, the agency will assume the role of grant administrator and coordinator for the Public Safety Interoperability (PSIC) grant program from the Department of Homeland Security.

- **Modernizing Obsolete Mission-Critical Applications:** CIO/OFT has strengthened its governance role of obsolete systems under various stages of modernization. The agency will provide strategic oversight of statewide modernization efforts health and human services, unemployment insurance and other major system upgrades such as the statewide financial management and accounting systems. CIO/OFT continues to support NYFMS efforts and NYFMS/FOCAS integration efforts within existing staffing resources. The CIO and Deputy CIO for Shared Services are directly involved in this governance oversight effort. The Deputy CIO for IT Planning and Governance, along with Counsel and DOB, are negotiating a State enterprise contract with Oracle which is the first of several planned enterprise contracts to drive down costs. CIO/OFT will oversee all IV&V activities for State agency projects greater than \$10 million to enhance accountability of project results.
- **Implementing Executive Order 3 for Webcasting Services to Enhance Transparency:** To address this Executive Order, requiring all agencies to webcast open meetings, CIO/OFT will take on the marketing and community outreach role to implement this order within existing resources. An annual report on the use and cost of this capability is also produced and published by the agency.
- **Redesigning and Launching a New Statewide NY.gov Web Portal:** At the request of the Executive Chamber, CIO/OFT staff has drafted an RFP to redesign and re-launch the Governor's web portal with improved e-government service for citizens, businesses and visitors to New York State. Lower priority CIO/OFT projects have been deferred to accommodate the estimated \$600,000 cost. CIO/OFT is creating a web team to focus on this effort.
- **Increasing MWBE Supplier Diversity:** CIO/OFT has taken a lead role to improve the IT infrastructure for the Governor's Office of Minority and Women-Owned Business Enterprises. CIO/OFT Applications Development staff has developed online forms for the Governor's MWBE office to enable online application for certification. Web-based solutions are being explored to enable the MWBE Office, as well as CIO/OFT's Contracts and Procurement Office to track vendor compliance with MWBE supplier participation goals. To achieve this initiative, other CIO/OFT projects will be deferred to free up sufficient resources for this project.
- **Creating Innovative IT Workforce Development Programs:** CIO/OFT is partnering with the SUNY (Albany) College of Nanoscale Science, SUNY IT (Utica), the Department of Civil Service and GOER to ensure the \$15 million provided by the Legislature to the two SUNY schools (\$7.5 million each) for IT workforce development includes a component to train or retrain existing State IT staff in new technologies and programs modeled after the successful Public Management Intern (PMI) program to recruit, train and retain a talented IT management and high tech staff to meet the growing computing demands of the State. As the baby boomers come into retirement age, the IT workforce is in crisis and attracting

and retaining talented staff is a critical problem across all State agencies. Over one-third of the IT workforce is eligible to retire within the next six (6) years and one-third plan to retire.

B. Summary of General Fund Financial Impacts

Tables 3 and 4 below represent the impact of the general fund savings. As shown, the agency intends to achieve the \$800,000 savings representing a 3.35% reduction.

Table 3 General Fund – Savings Summary			
	Required Reduction	2008-2009 Savings	2009-2010 Savings
Local Assistance	\$0	\$0	\$0
Personal Service	N/A	\$250,000	\$0
Non-Personal Service	N/A	\$550,000	\$800,000
Total State Operations	\$800,000	\$800,000	\$800,000
Capital	\$0		
TOTAL	\$800,000	\$800,000	\$800,000

Table 4 General Fund – Year – To- Year Change, After Savings			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance	\$0	\$5,000,000	N/A
Personal Service	\$9,740,742	\$10,621,000	9.0%
Non-Personal Service	\$11,672,243	\$13,971,000	19.7%
Total State Operations	\$21,412,985	\$24,592,000	14.8%
Capital		\$7,000,000	N/A
TOTAL	\$21,412,985	\$31,592,000	47.5%

C. Identification of Proposed Immediate and Recurring General Fund Actions

Table 5 Proposed Immediate and Recurring General Fund Actions			
Cost Savings Will be Achieved By Taking the Following Actions To:	Amount		
	SFY 2008-09	SFY 2009-10	SFY 2010-11
Managing personal services attrition and fill levels;	\$250,000	-	-
Requesting a 15% rate reductions from IT vendors to achieve 08-09 and 09-10 fiscal years' savings;	\$150,000	\$300,000	\$300,000
Implementing insourcing to produce workforce stability and cost efficiencies;	\$100,000	\$200,000	\$200,000
Implementing Data Center rate reductions; and	\$200,000	\$200,000	\$200,000
Implementing strict spending controls for supplies, travel, contractual services and equipment.	\$100,000	\$100,000	\$100,000
Subtotal	\$800,000	\$800,000	\$800,000

D. Summary of Impact on Other Funds -- Statewide Wireless Network

Tables 6 and 7 represent the Other Funds – Savings summaries as requested.

Table 6 Other Funds – Savings Summary			
	Required Reduction	2008-2009 Savings	2009-2010 Savings
Local Assistance	\$0	\$0	\$0
Personal Service	N/A	\$0	\$0
Non-Personal Service	N/A	\$800,000	\$800,000
Total State Operations	\$800,000	\$800,000	\$800,000
Capital		\$0	
TOTAL	\$800,000	\$800,000	\$800,000

Table 7 Other Funds – Year-To-Year Change, After Savings			
	2007-08 Actual	Revised Projection	Percent Change
Local Assistance	\$0	\$0	\$0
Personal Service	\$2,483,992	\$2,740,746	10.3%
Non-Personal Service	\$10,456,160	\$12,859,000	23.0%
Total State Operations	\$12,940,153	\$15,599,746	20.55%
Capital		\$38,400,000	N/A
TOTAL	\$12,940,153	\$53,999,746	317.30%

E. Identification of Proposed Other Fund Actions

Table 8 Statewide Wireless Network (SWN)			
Savings will be achieved by taking the following actions:	Amount		
	SFY 2008-09	SFY 2009-10	SFY 2010-11
Reduction of engineering and financial consulting services	\$800,000	\$800,000	\$800,000
Subtotal	\$800,000	\$800,000	\$800,000

F. Plan to Manage the Workforce

F.1 Overall Approach

To achieve the agency’s strategic priorities outlined above, while achieving the required cost savings targets, CIO/OFT plans to fill the 158 General Fund positions authorized in the 2008-09 adopted budget. The agency’s current General Fund fill level is significantly below the approved level now. Future fills will be carefully scrutinized and managed to achieve current year General Fund savings. These savings will not recur, but the recurring value of other spending reduction initiatives, e.g., rate reduction and aggregate procurement initiatives, outlined in this plan will continue to grow to achieve greater 09-10 savings for CIO/OFT and its customer agencies.

CIO/OFT will provide monthly spend reduction reports detailing planned versus actual FTEs and cash disbursements. The reports will follow the format of **Chart G** below. A separate monthly report will be provided on insourcing of contractors, including the total number of contractors employed by CIO/OFT, the number insourced each month, the 08-09 and outyear savings, by fund, and the corresponding reduction in total contractors.

F.2 Plan for Refill of Vacant Positions

Table 9	
CIO/OFT Workforce Impact -- All Funds	
a. Initial Target:	749
b. Current Fills PP# 2	635.4
c. Recurring Impact of Proposed Actions (see sections C & E)	0
d. Recurring Impact of Vacancy-Refilling Plan (see section F.2)	0
e. Total FTEs March 31, 2009 (line b minus line c, plus/minus line d)	749
f. Change from Initial 2008-09 Target (line a minus line e)	0

H. Assumptions Underlying the Proposed Spending Reduction Plan

- **Attrition and Turnover:** A key component of the plan is to closely manage and monitor the workforce. CIO/OFT currently utilizes a “request to fill” process whereby the Deputy CIO for Shared Services centrally reviews the hiring process. Savings will be realized by managing the workforce up to projected target, inclusive of a projected turnover rate of 13.6% in the General Fund.
- **IT Vendor Contract Cost Reductions:** Vendors are being asked to reduce current contract rates by 15%. The savings estimates in this plan assume partial year savings in 08-09 and full year savings in 09-10. This conservative estimate takes into account time taken in 08-09 to renegotiate contracts and the assumption the actual average reductions are achieved. All agency vendors are being asked to make these reductions, including those funded through the Internal Service Funds. Savings in the ISFs will offset the rates paid by CIO/OFT customer agencies in 09-10.
- **Insourcing Critical IT Skills:** Only those contractors for whom savings of at least 30%, including fringe benefits and indirect costs, will be considered for insourcing. Also, only those consultants willing to transition to the State workforce will be included in this analysis. As with the vendor contract reductions, insourcing is proposed in the Internal Service Funds and the General Fund to generate savings for CIO/OFT and eligible customer agencies.
- **Statewide Wireless Network,** which is a Special Revenue item assumes: 1) acceptance of the Primary Buildout Region (PRB) by July 29, 2008; (2) CIO/OFT decides to go forward with Phase II – Statewide Build out by October 1, 2008; and (3) the order of build for the SWN regions remains unchanged. Finally, we are projecting System Operations Center (SOC) expenses in both years. The amount and timing of those expenses remains very much in question as it will involve interagency agreement on development of specific facilities

I. Management of Risks Inherent in the Plan

- **Personal Service.** Fill levels will be carefully monitored. Should attrition rates be lower than projected, the filling of vacancies will be paced accordingly.
- **High Priority Strategic Projects** such as the new NY.gov portal project and IT procurement modernization initiative will be assigned separate cost centers so costs incurred by any and all organizational units will be captured and closely monitored against planned cost estimates.

J. Additional Savings Opportunities for 2008-09

- **Centralized Staff Augmentation Contract.** CIO/OFT is drafting an RFP for a statewide vendor-managed staff augmentation contract. The contract itself is expected to be in place by the end of the 2008 calendar year so that agencies can transition to this new contract as their existing staff augmentation contracts expire. Those agencies that migrate to the new contract this fiscal year will begin to realize savings, with the full annual benefit accruing to those agencies in 2009-10. Once all

agencies have migrated to this contract, we project annual savings statewide of \$30 million.

K. Recommended Opportunities For Savings Across the State Enterprise

The greatest opportunity for future savings will come from statewide actions and structural changes to drive down IT costs across the enterprise. CIO/OFT suggest the following for consideration, which are:

- **Data Center/Server Consolidations and Deployment of Common Enterprise Application Expansion:** Further consolidation of the state's IT infrastructure and applications will generate significant economies of scale across the enterprise. We propose a study to inventory and analyze current IT assets and develop a business case for further cost efficiencies.
- **Increased Aggregate and Universal Contracts for IT hardware, software and Services:** Experience developing enterprise models for the statewide staff augmentation contract and contract negotiation experience with Oracle for centralized contracts and universal license agreements can reap additional savings for future IT procurements.
- **Server Virtualization:** CIO/OFT continues to encourage our customers to move to virtualized servers to realize the cost reductions associated with infrastructure consolidation. Deploying virtual servers results in a reduction of the number of servers which need to be purchased, increases the resource utilization of those servers and reduces the overall power requirements resulting in multiple areas for cost savings.
- **Statewide Spend Management Initiative:** Using the State's Central Accounting System, a comprehensive analysis of statewide spending for targeted categories should be conducted across the state to identify areas of greatest opportunity for significant savings. Other states implementing a spending program have documented savings of 30%-50% for selected categories. This approach also enables the State to gain a greater understanding of cost drivers and other factors to achieve sustained savings and operational efficiencies.
- **Statewide insourcing initiative to reduce consulting workforce:** CIO/OFT's spending reduction plan includes insourcing contractors to realize savings of at least 30% per contractor. This initiative could be expanded statewide to produce additional significant savings.
- **IT Governance and Structure.** CIO/OFT has engaged the Rockefeller Institute of Government to look at how to better govern IT resources across the state enterprise. This level of activity will bring clarity for stakeholders, identify opportunities for improvement and how best to manage future IT investments and assets. The results of this study will streamline the governance process and ensure a higher level of service responsiveness. A similar undertaking should be considered across state agencies with similar needs, i.e., a shared services model.