

Fiscal Note & Local Impact Statement

127th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 135** DATE: **May 10, 2007**
STATUS: **As Introduced** SPONSOR: **Rep. DeWine**
LOCAL IMPACT STATEMENT REQUIRED: **No ³/₄ No local cost**
CONTENTS: **Transfers Office of Information Technology to Office of Budget and Management**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
Department of Administrative Services and Office of Budget and Management – Transfer of GSF Fund 229, IT Governance			
Revenues	No apparent net effect	No apparent net effect	No apparent net effect
Expenditures	No apparent net effect	No apparent net effect	No apparent net effect
Department of Administrative Services – GSF Fund 112, Director's Office			
Revenues	- 0 -	Initial loss of \$1.9 million in internal divisional service charges	Ongoing loss in service charges
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2007 is July 1, 2006 – June 30, 2007.

- **Transfer costs.** According to the Office of Budget and Management (OBM), there is not expected to be a significant cost associated with the transfer of the Office of Information Technology (OIT) from the Department of Administrative Services (DAS). The funding source remains the same – charges assessed to state agencies for DAS's IT services – and would continue to be deposited in the same fund for the same purposes. OIT is not experiencing a physical move with the transfer; therefore the transfer should not result in significant expenditures. Any additional work required to complete personnel information transfers is expected to be absorbed into current workloads. Additionally, the transfer will perhaps result in less redundancy in state agency IT costs in future years.
- **Department of Administrative Services' internal service charges.** DAS reports approximately \$1.9 million in lost internal service charge revenue due to the transfer of OIT to OBM. DAS expects the new staff needed for new operation of mailing and printing services to aid in offsetting lost revenue.
- **IT Governance Fund.** The bill codifies the IT Governance Fund, in which OIT operating funds will be transferred from the DAS budget into OBM's budget to support the operation of OIT. DAS reports OIT's operating costs to be \$136.5 million per fiscal year.



Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.
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Detailed Fiscal Analysis

Office of Information Technology

The bill transfers the Office of Information Technology (OIT) from the Department of Administrative Services (DAS) to the Office of Budget and Management (OBM) on July 1, 2008, although the State Chief Information Officer is required to report to the Director of Budget and Management beginning July 1, 2007. The bill directs OBM to complete administrative reorganization, program transfers, consolidation of funds, creation of new funds, and cash balance transfers during the transitional year.

As a part of the transfer, the State Chief Information Officer will be appointed by the Director of Budget and Management, rather than the Governor. Purchasing authority will be split between DAS and OIT; DAS will have general purchasing authority over supplies and services and OIT will have general purchasing power for information technology services and supplies.

According to OBM, the intention is to keep OIT in its current location, thereby reducing the possibility of any significant moving expenses. DAS reports that approximately 310 personnel will be transferred from DAS to OBM by July 1, 2008, along with \$136.5 million, the cost of operating OIT. As these costs are associated with the direct operations of OIT, they can be cleanly removed from DAS's budget and inserted into OBM's operating budget. Of the six operating divisions in DAS, OIT represents two: (1) Investments and Governance and (2) Service Delivery.

DAS reports an expected loss of approximately \$1.9 million in service charges from OIT's two divisions. However, it should be noted that the consolidation of state mailing and printing services within the General Services Division (as proposed in Am. Sub. H.B. 119, the pending FY 2008-2009 budget bill) would create about 40 new positions, thereby offsetting a portion of the revenue loss. Additionally, four or five DAS employees will be transferred to OBM along with OIT.

Multi-Agency Radio Communications System

The bill codifies OIT's existing responsibility to maintain and promote the multi-agency radio communications system (MARCS). Additionally, the bill codifies the MARCS steering committee consisting of the designees of the State Chief Information Officer; the directors of Public Safety, Health, Natural Resources, Transportation, Rehabilitation and Corrections, and Youth Services; and one designee not from a state agency, appointed by the State Chief Information Officer.

Additional changes

Current law requires DAS to create a business reply form that private businesses use to provide required information to state agencies. The bill passes this function to OIT. The bill also requires OIT to maintain the Ohio Business Gateway, an on-line network system that allows private businesses to electronically file reports, such as business tax returns and wage reports.

The bill requires the State Chief Information Officer to submit a report annually that addresses the statewide superintendence of information technology. Additionally, the Officer is annually required to report to the finance committees of both houses the effectiveness of electronic procurement of information technology supplies and services during the previous fiscal year.

By amending uncodified sections of Am. Sub. H.B. 699 of the 126th General Assembly, the bill permits OIT to acquire the Ohio Administrative Knowledge System (OAKS), and gives OIT the authority and supervision over certain contracts relating to the Medicaid Administrative Study Council.

The bill creates the IT Governance Fund in permanent law to support the activities of OIT. The fund existed heretofore in uncodified law within DAS's budget.

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