



FY 2023-24 Service Funding: Service Change and/or Concept Paper Template

On 6/1/2022 the Rates & Services Board voted to approve this proposal as requested (fixed allocation based on current budgeted usage) effective FY23

Service Owner:	<u>Bill Smith</u>
Executive Staff Member:	Alex Pettit - OIT
Financial Analyst:	Tracy Nguyen - OIT
Title of Request:	<u>Mainframe Retirement Rate</u>
Type (New resources, Increase to existing resources, Service Change):	<u>Service Change</u>
Impacted service codes:	<u>2101</u>

Criteria/Goal Alignment:

OIT's Priorities are: 1) Deliver Service Excellence, 2) Advance Technology, and 3) Prioritize our People. These criteria align to the priorities for OIT and are critical to consider when proposing service changes.

- **Maintaining Current Operations:** Proposal covers unavoidable cost pool increases for existing Common Policy service(s).
- **Customer Satisfaction:** Proposal propels OIT to deliver service excellence to provide high quality services that engender trust and strong customer relationships.
- **Adherence to standards:** Proposal improves OIT's ability to meet all technology and service standards.
- **Transparency:** Proposal creates a more transparent model of OIT operating to enable increased ownership of business outcomes by agency customers.
- **Efficiency:** Proposal outlines more efficient and effective shared IT service, to reduce enterprise IT costs and/or enable economies of scale for agencies to shift spending to new and novel ways of serving customers online and anywhere.

In one paragraph, list which of the above criteria this proposal addresses and briefly describe how this proposal will measurably improve each of the criteria in your list.

The proposal below will allow for OIT to maintain current mainframe operations. Agencies are decreasing their usage in preparation for mainframe retirement. This decrease in usage is causing the current charge back model to under recover costs by hundreds of thousands of dollars.



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Evaluation Criteria for Service Change proposals:

For service change proposals, describe how this proposal improves or addresses the [rate criteria](#) established by the Rates and Services Board (Transparency, Competitive, Controllable, Understandable, Accurate, Metric Aligning with Cost)

This proposal will allow the rate for mainframe services to remain controllable. A mainframe environment for Colorado is no longer viable due to diminishing workload and skill sets that are increasingly difficult to find. Currently mainframe costs have been reduced to the point where they will remain flat until the service is retired. The flat cost combined with diminishing usage means that the mainframe service will continue to under recover each year until retirement. Making the mainframe service overhead across agencies will stabilize the recovery of costs until the mainframe can be safely retired.

Current Program

Briefly describe the current service/program, its responsibilities, and its customers. Describe how the service is being delivered in terms of workload, inputs and outputs, maturity level of the service, etc. Also, provide any historical background, such as when the program started, how it was enacted and applicable statute.

The State of Colorado has had mainframe environments dating back to before the formation of OIT. Once OIT was formed those mainframes were consolidated to the one platform that OIT manages today. The mainframe today is the single point of ingress for both SSA and IRS data for the State of Colorado and also hosts the state payroll application among other smaller, less critical applications. Currently Human Services, Judicial, Labor and Employment, Personnel and Administration, Regulatory Agencies, Revenue, Transportation and OIT all have workloads that utilize the mainframe. All current workload is handled on one shared logical partition to minimize costs for Colorado and the service is no longer accepting new workload and is slated for retirement as soon as applications are able to be moved or rewritten based on business needs.

Problem or Opportunity

Describe the problem or opportunity. Ideally, this narrative builds on the information provided in the “Current Program” section and provides a description of the following:

- Problem or opportunity that this request will address;
- Impact on service delivery, and the circumstances that created the problem or opportunity;
- Data to quantify the problem or opportunity, for example: % increase or decrease in demand, outputs, or customer satisfaction.



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Due to the mainframe being slated for retirement, it being a shared service utilizing one logical instance and there being multiple efforts in flight to move remaining applications off of the service, the rate setting process will not be able to appropriately set the rate to recover mainframe costs for the remainder of the service's life at OIT.

Consequences of Problem

Provide one paragraph on the implications if the problem is not fixed. This should also be quantified and build on the description in the previous sections. This should focus on the problem and its implications rather than the request for additional resources.

- This may include how the problem will lead to a degradation of service or prevent an expansion of service and/or if the problem jeopardizes OIT's goals for its customers.

The consequences to the rate being unable to accommodate unplanned or accelerated reductions in mainframe usage means that the service will under recover by hundreds of thousands of dollars each year until the service retires.

Proposed Solution

Provide at least one paragraph describing the proposed solution.

- Detailed description and defense of the solution. Include how the solution will affect service delivery, including workload, inputs and outputs.
- Anticipated Outcomes (operational details of the proposed solution, how it will be measured, along with a justification why the proposed solution represents the best possible alternative).
- Provide any customer/citizen/agency/legislative need or buy-in via stakeholder feedback (Customer User Group, Joint Technology Committee, Governor, etc.)

Possible additional issues to address include:

- What alternatives did you consider but ultimately decide not to recommend?
- Does the solution require legislation or a change in statute?

The proposed solution to the under recovery is to make the mainframe service an annual fixed cost allocation. This will set billing and cost recovery for the entire year in advance to ensure agencies have certainty when it comes to their billing and OIT has guaranteed revenue to support the system until final decommissioning. The impact section below outlines several options for implementing a fixed annual



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cost allocation, with the preferred option based on current department budget for FY23 and current usage (as set during the budget process) for FY24.

Estimated Cost Impact

FY23 Impact

This proposal recommends budget billing for the mainframe service in FY23. Departments with budgeted mainframe usage would be billed the budgeted amount to ensure agencies have certainty when it comes to their billing and OIT has guaranteed revenue to support the system during the final phases of decommissioning.

FY24 Impact

The tables below show the estimated cost impact under 3 different scenarios for FY24. Costs are estimates only, using FY23 cost pool data to approximate the impact for departments in order to aid decision making by the Rates and Services Board. Final cost allocations for FY24 will be established as part of the standard Common Policy budgeting process.

Option 1: Fixed, Annual Cost Allocation for the year, based on current usage

Department	Current usage	% of Total	Current Service Cost Estimate
Human Services	295,495.10	95.82%	\$3,255,362
Judicial	866.3	0.28%	\$9,544
Labor and Employment	358.4	0.12%	\$3,948
Natural Resources	0.5	0.00%	\$5
Personnel and Administration	198.1	0.06%	\$2,182
Regulatory Agencies	398.8	0.13%	\$4,393
Revenue	9,992.30	3.24%	\$110,081
Transportation	1,085.00	0.35%	\$11,953
	308,394.50	100.00%	\$3,397,469

Considerations for Option 1:

- Fixed budget/revenue to support the cost of the Mainframe. Fair allocation, only distributing costs to departments that are currently using service.



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- As departments move off the mainframe throughout the year, costs will only change on an annual basis as set during the budgeting process.

Option 2: Fixed allocation, per % of total IT Spend

Department	% of total IT spend, per FY23 6900 service utilization est. (annualized)	Est. Rate per % of total statewide IT spend, per month	Current Service Cost Estimate
Agriculture	6.6782	\$2,831.22	\$18,907.48
CBMS	242.6734	\$2,831.22	\$687,062.79
Corrections	103.9495	\$2,831.22	\$294,304.34
Education	4.2330	\$2,831.22	\$11,984.57
General Assembly	0.0000	\$2,831.22	\$0.00
Governor	15.0891	\$2,831.22	\$42,720.62
Health Care Policy and Finance	57.9412	\$2,831.22	\$164,044.53
Higher Education (Appropriated)	1.2851	\$2,831.22	\$3,638.41
Higher Education (Unappropriated)	0.9283	\$2,831.22	\$2,628.23
Human Services	248.1394	\$2,831.22	\$702,538.27
Judicial	24.4047	\$2,831.22	\$69,095.18
Labor and Employment	117.9964	\$2,831.22	\$334,074.26
Law	3.4482	\$2,831.22	\$9,762.63
Local Affairs	8.3691	\$2,831.22	\$23,694.80
Military and Veterans Affairs	1.3594	\$2,831.22	\$3,848.77
Natural Resources	58.0309	\$2,831.22	\$164,298.49
Personnel and Administration	22.4993	\$2,831.22	\$63,700.56
Public Health and Environment	44.6362	\$2,831.22	\$126,375.09
Public Safety	50.3716	\$2,831.22	\$142,613.29
Regulatory Agencies	17.0448	\$2,831.22	\$48,257.65
Revenue	79.6139	\$2,831.22	\$225,404.80
State	1.7746	\$2,831.22	\$5,024.29
Transportation	89.2655	\$2,831.22	\$252,730.64
Treasury	0.2684	\$2,831.22	\$759.90
Grand Total	1200.0000		\$3,397,469.57



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Considerations for Option 2:

- Fixed budget/revenue to support the cost of the Mainframe.
- All departments share in the cost burden regardless of usage.

Option 3: Fixed rate per Department FTE

Department	Appropriated Department FTE Count (Annualized)	Est. Rate per FTE	Current Service Cost Estimate
Agriculture	3,594.00	\$9.04	\$32,500.29
Corrections	77,557.20	\$9.04	\$701,344.42
Education	7,308.00	\$9.04	\$66,085.74
General Assembly	0.00	\$9.04	\$0.00
Governor	1,825.20	\$9.04	\$16,505.16
Health Care Policy and Finance	6,680.40	\$9.04	\$60,410.40
Higher Education (Appropriated)	1,446.00	\$9.04	\$13,076.08
Higher Education (Unappropriated)	0.00	\$9.04	\$0.00
Human Services	62,143.20	\$9.04	\$561,956.68
Judicial	59,349.60	\$9.04	\$536,694.34
Labor and Employment	15,488.40	\$9.04	\$140,060.53
Law	6,216.00	\$9.04	\$56,210.86
Local Affairs	2,392.80	\$9.04	\$21,637.93
Military and Veterans Affairs	570.00	\$9.04	\$5,154.47
Natural Resources	18,142.80	\$9.04	\$164,064.09
Personnel and Administration	4,905.60	\$9.04	\$44,361.00
Public Health and Environment	16,764.00	\$9.04	\$151,595.70
Public Safety	22,869.60	\$9.04	\$206,808.22
Regulatory Agencies	7,209.60	\$9.04	\$65,195.92
Revenue	19,111.20	\$9.04	\$172,821.26
State	1,764.00	\$9.04	\$15,951.73
Transportation	39,912.00	\$9.04	\$360,921.47
Treasury	454.80	\$9.04	\$4,112.73
Total	375,704.40		\$3,397,469.00



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Considerations for Option 3:

- Fixed budget/revenue to support the cost of the Mainframe.
- All departments share in the cost burden regardless of usage.

Please note, under all scenarios any variance between estimated costs and actual costs will be addressed through a rate true up during the next available budget cycle, consistent with all services billed real-time through Common Policy. Once fully decommissioned, any remaining variance between actual cost and revenue for the service will be factored into overall category fund balance calculations and future rate setting in accordance with federal (SWCAP) requirements.

Stakeholder Impact

Outline in simple non-technical language how this request will impact stakeholders. Include the following:

- Does the request impact other departments and what is that impact?
- What changes are anticipated when it comes to service delivery, service costs, or service demand?
- Does this change impact on other OIT services?
- If applicable, provide an analysis of the anticipated cost impact by service and by customer
- If applicable, provide a summary of the change management plan that will assist customers and internal stakeholders in planning for and managing the change brought on by this proposal.

The request would impact other agencies as they would have an increased overhead cost for mainframe services when they are not actively using the service. This will also stabilize mainframe costs for all agencies until the mainframe retires.

The total cost per agency would be worked out following this model: $\text{Total Mainframe costs} / \text{number of agencies} = \text{cost per agency per year}$.

Updated Utilization Reporting: If applicable, describe the impact to service reporting and provide sample detailed utilization reports that will be used for billing customers:

Usage reports can still be provided as needed but they will not be utilized for



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billing purposes given the mainframe will move to be treated as overhead.

Cost, FTE, Assumptions, and Calculations

Detail the annual cost of the solution with a brief context, including fund source and FTE change.

- Indicate if this request is for one-time or on-going funds and the change in cost for subsequent years, if applicable.
- Explain how/if costs will be allocated to agencies. Historically, most of OIT's approved decision items are paid for via agency allocations through Common Policy; however, some initiatives may be more appropriate to use General Fund.

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Describe the assumptions used to calculate this request (how did you determine that you need XX number of FTE or that the solution costs XX dollars). If needed, detailed calculations can be included as appendices or attachments (Excel or Google Sheets). If so, please refer to those attachments here.

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Other Information

Please include any materials you have that provide information that can support this proposal. This could be a vendor quote, marketing materials, sample utilization reporting by department, OIT or vendor presentations, reports, studies, news articles, or anything else that may help tell your story.