

Schedule 13
Funding Request for the 2014-15 Budget Cycle

Department: Health Care Policy and Financing
Request Title: Computer Replacement and Office Software
Priority Number: R-17

Dept. Approval by: Josh Block *[Signature]* 11/1/13
 Date
OSPB Approval by: *[Signature]* 10/29/13
 Date

- Decision Item FY 2014-15
- Base Reduction Item FY 2014-15
- Supplemental FY 2013-14
- Budget Amendment FY 2014-15

Line Item Information		FY 2013-14		FY 2014-15		FY 2015-16
		1	2	3	4	5
Fund		Appropriation FY 2013-14	Supplemental Request FY 2013-14	Base Request FY 2014-15	Funding Change Request FY 2014-15	Continuation Amount FY 2015-16
Total of All Line Items	Total	1,764,066	-	1,738,183	322,982	322,982
	FTE	-	-	-	-	-
	GF	733,525	-	789,074	161,491	161,491
	GFE	-	-	-	-	-
	CF	131,410	-	63,057	-	-
	RF	23,910	-	23,910	-	-
	FF	875,221	-	862,142	161,491	161,491
(1) Executive Director's Office; (A) General Administration, Operating Expenses	Total	1,764,066	-	1,738,183	322,982	322,982
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Letternote Text Revision Required? Yes: No: **If yes, describe the Letternote Text Revision:**

Cash or Federal Fund Name and COFRS Fund Number: FF: Title XIX

Reappropriated Funds Source, by Department and Line Item Name: N/A

Approval by OIT? Yes: No: **Not Required:**

Schedule 13s from Affected Departments: N/A

Other Information: N/A



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Department of Health Care Policy
and Financing

Priority: R-17
Computer Replacement and Office Software
FY 2014-15 Change Request

Cost and FTE

- The Department requests \$322,982 total funds, \$161,491 General Fund and \$161,491 federal funds; this is an 18.6% increase to the Department's appropriation for Operating Expenses.

Link to Operations

- In order to continue operating efficiently, the Department replaces outdated computer equipment and renews software licenses with Governor's Office of Information Technology (OIT) oversight.
- Replacing computers and updating software avoids unnecessary delays and downtime and reduces software and hardware compatibility issues with stakeholders, clients, and vendors.

Problem or Opportunity

- The Department has no dedicated funding for replacing computers or annual licensing of an office software suite like the Microsoft Enterprise Agreement (EA).
- When funding is appropriated for new staff, the Department receives a one-time appropriation for hardware and software; this does not allow for license renewals or hardware replacement.
- The Department aims to replace computers after five years, requiring approximately 90 computers replacements annually; the Department cannot consistently achieve this goal because there is no dedicated funding for this purpose.

Consequences of Problem

- Without dedicated funding for computer replacements, the Department risks having to use outdated computers, which cause inefficiencies due to hardware failure, slow speeds and downtime, decreasing vendor support, and risking incompatibility with new technology and external entities.
- Without dedicated funding for office software licensing, the Department cannot maintain and update office software to take advantage of new functionality that increase efficiencies, benefiting Medicaid client care and Department business function.
- Because the Department has no dedicated funding for this purpose, expenditure for computer replacements limit the Department's ability to use its operating funds for other priorities such as stakeholder outreach.

Proposed Solution

- The Department requests \$120,871 to ensure computers are consistently replaced every five years and thus avoid the inefficiencies introduced by outdated computers.
- The Department requests \$202,111, ongoing, to ensure adequate and consistent funding of the Department's EA – this allows for maintaining essential office software, updating to the latest version for new functionality, and working closely with OIT to ensure IT security.



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Department of Health Care Policy and Financing

FY 2014-15 Funding Request | November 1, 2013

John W. Hickenlooper
Governor

Susan E. Birch
Executive Director

Department Priority: R-17

Request Detail: Computer Replacement and Office Software

Summary of Incremental Funding Change for FY 2014-15	Total Funds	General Fund
Computer Replacement and Office Software	\$322,982	\$161,491

Problem or Opportunity:

The Department currently lacks dedicated funding for repairing and replacing computer and network hardware and renewing software licenses. As a result, the Department's hardware and software environment is inadequately maintained, exposing the Department to the inefficiencies caused by aged hardware and outdated software

The Department maintains computers for all staff and other hardware necessary for a functional computing and networking environment such as monitors, printers, internet protocol (IP) phones, routers, switches, and power supplies. These resources are integral in daily business functions, and the Department aims to regularly repair or replace aged or damaged hardware to avoid the wide-spread inefficiencies of aged hardware such as crashes, downtime, lost data, unpredictable behavior, and compatibility issues.

The Department has licenses for Microsoft Office for all staff as a general-purpose office software suite and additional licenses for specialized software such as Microsoft Office Project and statistical analysis software such as SAS. Microsoft Office is central to daily operational functions such as preparing documents and presentations and analyzing data. Specialized software is utilized by staff for essential Department operations, such as advanced project management capabilities and statistical analysis. The Governor's Office of Information Technology (OIT) oversees all purchases of hardware and software and all these purchases are made according to pricing agreements between OIT and its vendors.

When the Department receives appropriations to hire additional staff, it receives one-time funding for the necessary initial hardware and software purchases for the staff, but does not receive dedicated, ongoing funding for the repair and replacement of the hardware or renewal of the software licenses. The Department has set aside existing operating funds to repair and replace hardware and renew software licenses; however, with other priorities for the Department's operating budget, the Department has been unable to set aside enough existing operating funds to consistently achieve this goal.

This lack of ongoing funding has resulted in the Department waiting to replace hardware and software until absolutely necessary. This means waiting until hardware is broken or aged past its expected lifetime to

repair or replace it, resulting in unplanned downtime while new hardware is installed or extended periods of time with substandard hardware. This also means using outdated software, such as outdated releases of Microsoft Office software, resulting in network instability and security problems due to decreasing vendor support of older products, and lost opportunities for efficiencies afforded by new software functionality. The Department's lack of dedicated funding for hardware and software replacement has also resulted in one-time requests such as the Department's FY 2012-13 S-7 "Server Upgrade and SharePoint Assessment," in order to supplement the operating funds when necessary.

Proposed Solution:

The Department requests an increase of \$322,982 total funds (an 18.6% increase over the Department's FY 2014-15 Operating Expenses base request), ongoing, to replace Department computers on a five-year schedule and to maintain updated licensing for Microsoft Office for all staff. This solution relieves the strain on the operating budget described above and will allow the Department to consistently keep all the hardware and software resources fully functional and current. Keeping hardware functional and current avoids inefficient use of staff time due to the delays and workarounds inherent with aged hardware. Keeping software licenses current avoids compatibility issues between outdated and current versions of the software and increases functionality in updated versions of the software. The Department would continue to use its existing operating budget for other needed hardware replacements and software licenses that are not common to all Department staff.

If this request is not approved, the Department will continue to function within a substandard hardware and software environment, exposing the Department to the inefficiencies caused by aged hardware and outdated software. This strain will worsen beginning this fiscal year due to additional need including nine new FTE added to the Department by FY 2013-14 R-6 "Additional FTE to Restore Functionality," 34 new FTE added by HB 13-1314, which transfers the Division for Developmental Disabilities from the Department of Human Services to the Department, 19 new FTE added by SB 13-200, and a computer lab recently created to help fulfill county training functions under HB 12-1339. Since computers and the Microsoft Office software licenses are integral resources to the Department's daily operations and service delivery, it remains a high priority and would compete with other priorities in the operating budget, such as stakeholder outreach, or require continued one-time requests to supplement the operating budget.

Anticipated Outcomes:

If funding is approved, the Department would be able to implement a five-year replacement policy; this would allow the Department to replace its oldest computers annually, so that every computer is replaced when it becomes five years old. Further, the Department would be able to keep its Microsoft Office software licenses current for all staff each fiscal year. For both computers and Microsoft Office software, the Department expects to utilize OIT oversight and pricing agreements.

The success of this approach can be measured by decreases in requests made by the Department to OIT for hardware issues, increased efficiencies at the end-user level through utilization of updated software, and decreases in one-time budget requests to supplement operating funds for hardware and software purposes.

Assumptions and Calculations:

Table 1 in the attached appendix gives an overview of the funding requested. The Department assumes the Centers for Medicare and Medicaid Services (CMS) will provide a 50% federal financial participation (FFP) rate for costs.

Tables 2 and 3 in the attached appendix provide detailed calculations of the estimated cost of the Department's computer replacement plan. The Department assumes one computer is needed per staff member and assumes the total number of staff equals all current permanent and temporary staff (based on the August 2013 payroll) plus permanent staff to be added to the Department this fiscal year. The Department also assumes that computers are needed in the Department's computer labs for testing and training, and are needed for an on-hand inventory to accommodate events such as a sudden computer break or short-term increase in temporary staffing. The Department assumes that computers will be replaced on a staggered five-year basis and that replacement computers would be laptops, per current Department policy, with a price based on the average cost of current OIT-approved laptops.

Table 4 in the attached appendix provides detailed calculations of the estimated cost for software licensing. To calculate the funding request for Microsoft Office software, the Department assumes one license will be needed for each computer. The Department assumes that the Microsoft Office 365 product will be used, with a price based on current OIT pricing agreements. In addition to the per user licensing costs, there are multiple other components to the Microsoft Office 365 solution, including annual Bridge Access licensing costs for network functionality, and annual Exchange Management and SharePoint development costs for ongoing maintenance and development.

R-17 Computer Replacement and Office Software
Appendix A: Calculations and Assumptions

Table 1 - Total Request for FY 2014-15 and Ongoing					
Item	Total Funds	General Fund	Federal Funds	FFP	Explanation
Annual computer replacement cost	\$120,871	\$60,435	\$60,436	50%	From Table 2, Row C
Annual Microsoft Office cost	\$202,111	\$101,056	\$101,055	50%	From Table 4, Row F
Total Request	\$322,982	\$161,491	\$161,491	50%	

R-17 Computer Replacement and Office Software
Appendix A: Calculations and Assumptions

Table 2 - Annual Computer Replacement Cost			
Row	Item	Amount	Explanation
A	Average cost of laptop	\$1,162.22	Per current OIT pricing agreements
B	Number of computers to replace annually	104	From Table 3, Row J
C	Annual computer replacement cost	\$120,871	Row A * Row B

R-17 Computer Replacement and Office Software
Appendix A: Calculations and Assumptions

Table 3 - Department Computer Need		
Row	Item	Number of Computers Needed
	Staff computers	
A	Current permanent staff	353
B	Approved additional permanent staff ¹	67
C	Current temporary staff	38
D	Subtotal: Staff computers	458
	Computer labs and other computers	
E	Department human resources testing & training computer lab	12
F	HB 12-1339 county training computer lab	30
G	On-hand inventory computers	20
H	Subtotal: Computer labs and other computers	62
I	Total number of Department computers (Row D + Row H)	520
J	Number of computers to replace annually on 5-year replacement schedule (Row I / 5)	104

¹ Includes positions to be filled per FY 2012-13 R-5 "Medicaid Fee-for-Service Payment Reform," HB 12-1281, FY 2013-14 R-6 "Additional FTE to Restore Functionality," FY 2013-14 R-11 "HB 12-1281 Departmental Differences Reconciliation," Denver Health nursing state plan amendment, SB 13-167, SB 13-200, SB 13-242, and HB 13-1314 as well to be removed per SB 13-267

R-17 Computer Replacement and Office Software
Appendix A: Calculations and Assumptions

Table 4 - Annual Microsoft Office Software Cost			
Row	Item	Amount	Explanation
	Per-user licensing costs		
A	Annual cost per Microsoft Office 365 license	\$240	Per OIT pricing agreements
B	Annual cost per Bridge Access license	\$14.06	Per OIT pricing agreements
C	Total number of licenses needed	520	From Table 3, Row I (One license per computer needed)
D	Total annual licensing cost	\$132,111	(Row A + Row B) * Row C
E	Annual Exchange management and SharePoint development cost	\$70,000	Per OIT pricing agreements; single annual cost for the Department
F	Total annual Microsoft Office software cost	\$202,111	Row D + Row E