2009 NASCIO Recognition Award Application

Enterprise IT Management Initiatives

West Virginia Office of Technology
West Virginia IT Consolidation Program

West Virginia Office of Technology
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B. Executive Summary

When Governor Joe Manchin assumed office in January of 2005, one of his primary goals as the new Governor of West Virginia was to eliminate duplications, streamline business processes and reduce administrative operating costs. Technology was specifically an area of concern. In the previous four years prior to the Manchin administration, technology related costs within the Executive Branch had grown by approximately 6% each year. During that same period, technology staffing levels grew by approximately 4% each year. Governor Manchin saw this growth trend as alarming and unsustainable. In May of 2005, Governor Manchin requested the new state CTO conduct an analysis of the existing technology environment within the Executive Branch and present back to the Governor and to his cabinet recommendations to control costs, improve the delivery of technology to the agencies and standardize electronic communications across the Executive Branch.

The Executive Branch technology study was completed and presented to the Governor and his cabinet in November of 2005. It was noted in the study that technology was highly distributed within the Executive Branch and that every department maintained their own technology staff, set their own technology standards and negotiated and maintained their own technology related contracts. The study clearly showed:

- duplicative technology functions were being performed within each department
- the state was not leveraging their buying power to negotiate the best deals on technology contracts
- lack of standards were causing data sharing issues from one department to the other
- in many cases hardware within agencies was grossly underutilized

It was clear from the study that these issues were significantly driving up technology related costs within the Executive Branch.

Based on the information gathered, the CTO recommended the state undergo a mass consolidation project that would centralize technology staff positions across the Executive Branch into a newly formed Office of Technology. It was also recommended that the new organization be solely responsible for setting technology standards, managing technology related contracts, consolidating and centralizing underutilized hardware assets, setting and enforcing technology security standards and provide project management services for Executive Branch departments. The Governor agreed to endorse these recommendations, but he did not want to impose the change via Executive Order or through Legislation. He encouraged the CTO to work directly with the cabinet secretaries and promote consolidation based on the direct value to that organization.

C. Description

Prior to the Manchin administration, Information Technology (IT) related costs and staffing levels where growing at a pace that could not be sustained. Additionally, departments within the Executive Branch were experiencing significant issues exchanging information due to the lack of IT standards. Also, IT assets, (hardware, software and services) were not being properly managed. The state was not leveraging their buying power to receive the best deals from our vendors and many IT hardware assets deployed where grossly underutilized.

To resolve the issue, West Virginia initiated a project to consolidate IT related resources (people, hardware, software and services) into a newly formed organization, the Office of Technology. Although this consolidation was not mandated through Executive Order or Legislation, the Governor and the Chief of Staff strongly supported the approach so most cabinet secretaries reluctantly cooperated.

The first two agencies consolidated into the new organizational structure (DHHR and DOT) where completed in February of 2007. Since that time all other Executive Branch classified civil service agencies have been consolidated except for the Department of Revenue. The Department of Revenue initially decided not to enter into an agreement with the Office of Technology, but due to the level of success we've experience over the past two years they have now decided to consolidate in the fall of 2009. Except for Revenue, all other Executive Branch civil service agencies have been consolidated. Military Affairs and Public Safety (MAPS) was the last department to consolidate and they were completed in November of 2008.

West Virginia state law prohibits the involuntary transfer of classified exempt personnel, so classified exempt organizations have been excluded from consolidation.

D. Significance

The results of our IT consolidation efforts have been significant. IT related costs have plummeted, staffing levels have declined and overall customer satisfaction has reached levels beyond our initial imagination. As you can see from the chart below, overall cost savings have been significant. All IT related expenses are recorded in our finance system under five different categories. As you can see, in 2006, our IT costs were in excess of $51 million. With our first consolidations occurring in 2007, we saw some immediate but insignificant reductions in IT related expense. As consolidation efforts continued, the IT related costs continued to decline. For fiscal year 2009, when we annualize the expenses to date, we expect our 2009 annual spend to be approximately

42.5 million dollars. This represents an annual saving of $8.5 million dollars or a reduction in IT related annual expense of approximately 11% since 2006. With only 60% of all IT contracts consolidated and renegotiated and approximately 30% of hardware consolidation and centralization compete; we expect to see our costs to continue to decline over the next two fiscal years.

Consolidation - Dollars

*2009 annualized - $42,557,021.56

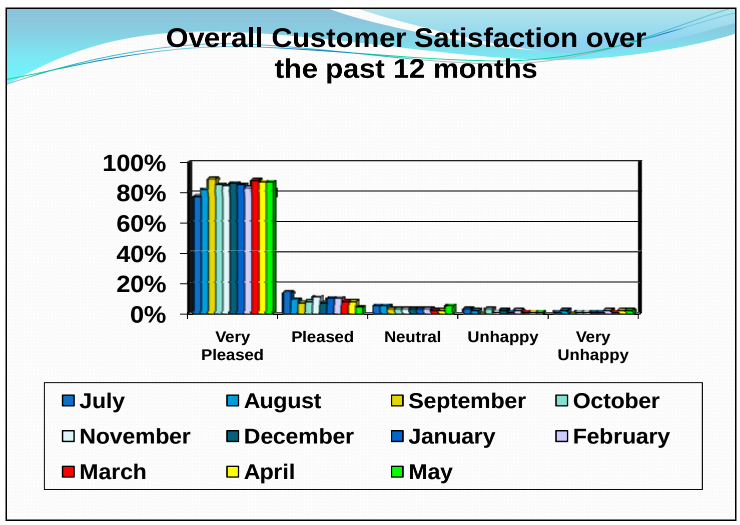
	2006	2007	2008	2009
COMPUTER EQUIPMENT	$5,022,420.82	$4,912,046.65	$4,459,375.67	$2,105,432.81
COMPUTER SERVICES	$5,523,691.55	$7,770,873.96	$9,966,406.19	$6,620,104.81
COMPUTER SOFTWARE	$6,351,707.46	$7,071,439.00	$3,579,217.99	$1,830,669.14
COMPUTER SUPPLIES/EQUIP	$9,856,876.97	$13,301,721.52	$14,865,182.56	$7,206,238.45
TELECOMM	$24,274,911.15	$16,217,191.77	$13,535,979.65	$7,961,118.89
Grand Total	**$51,029,607.95**	**$49,273,272.90**	**$46,406,162.06**	**$25,723,564.10**

As we have consolidated and eliminated duplicate tasks previously performed by various employees across many agencies, we have seen a fairly significant reduction in staffing levels through normal attrition. As you can see from the chart below those agencies that are exempt from consolidation have increased their headcount from 36 to 38 employees since 2006. This represents a 5% increase in staffing levels. The agency electing not to consolidate has seen an increase in staffing levels from 75 in 2006 to 89 today which represents an overall increase in staffing levels of 20%. For those agencies consolidated, we have seen IT staffing levels decline from 551 to 469 which represents a decrease in staffing levels of 15.06%. When taking benefits into consideration, this decrease in staffing level equates to an additional $6.2 million in costs savings each years. All of these reductions have been achieved through normal attrition without any forced staff reduction. We expect staffing levels to continue to decline over the next 12 months and level off to approximately 450 employees by the end of 2009.

Consolidation - People

	2006	2007	2008	2009
Exempt	36	43	36	38
Non-Consolidated	75	85	89	89
Consolidated	551	489	468	469
Grand Total	**662**	**617**	**593**	**596**

Regardless of reductions in IT related costs and staffing levels, if customer satisfaction levels cannot be maintained, consolidation efforts will fail. The chart below depicts customer satisfaction levels achieved over the past 12 months. A customer satisfaction survey is sent out for 40% of all the trouble tickets completed each day, for 50% of the service request completed each day and for 100% of all major projects completed. In our service level agreements with our customers, we have committed that we will maintain an overall customer satisfaction level of 80% being either pleased or extremely pleased with the level of service provided.   Over the past 12 months, this number consistently exceeds 92%.



E. Benefit of the Project

As documented above, the costs benefits of this project have been significant. When we combine IT hardware, software and services with savings associated with IT staffing, West Virginia has achieved annual savings of approximately $14.7 million each year. As standardized and centralization continue we expect to see these numbers continue to grow.

Additionally, consolidation has allowed agencies to concentrate on their core competencies, leaving IT related issues to the Office of Technology. It is very important to note, departments have relinquished their IT responsibilities to the central organization without any detriment to IT service and in most cases our customers readily agree that service levels have improved since consolidation.

Consolidation has also allowed the Executive Branch to standardize many of the business applications and productivity tools used at the state. When a person moves from one company in the private sector to another, they fully expect to experience significant change. Prior to our consolidation and standardization efforts, moving from one department in the Executive Branch to another was as dramatic as moving from one organization in the private sector to another. Additionally, standardization efforts have significantly reduced compatibility issues traditionally experienced when moving electronic information from one department to another.

All of our original service level agreements with our customers covered a one year term. Please remember, consolidation in West Virginia is not mandated through Legislation or Executive Order. As we approached our first full year of consolidation and approached our customers to renew our agreement, 100% of all service level agreements were renewed without question. We consider this to be our most significant indicator of overall success.