



State of North Carolina Office of Information Technology Services

Pat McCrory
Governor

July 31, 2013

Chris Estes
State Chief Information Officer

Members of Joint Legislative Commission on Governmental Operations
Chairs of the Joint Legislative Oversight Committee on Information Technology
Members of the House Appropriations Subcommittee on Information Technology
Fiscal Research Division

Dear Members of the General Assembly and Staff:

This letter serves as the interim report by the State Chief Information Officer regarding the establishment of consistent, fully transparent and understandable rates for services provided by the Office of Information Technology Services (ITS).

To better serve our customers and to comply with Sect. 7.2(c) of Session Law 2013-360, ITS is implementing a new budget and billing system. BRITE (Budget and Reporting IT Expenditures) will provide agencies easier access to more comprehensive consumption and billing data. The system will also give ITS a more robust, automated budgeting tool that tracks expenditures and receipts against the planned budget.

Phase I of the implementation, which includes all services except telecommunications, is scheduled to be deployed in August and will run parallel with our current billing system for several months as we train our customers on the use of the new system. Phase II, the telecommunications services, should be implemented by the end of the fiscal year.

As part of the BRITE contract, ITS data and rates will be benchmarked with industry standards for six primary services: Mainframe Hosting, Distributed Hosting, Desktop Support, Service Desk, Application Development, and Application Support. We will use the results to compare our rates with the industry and to identify areas where greater analysis is needed as we begin preparing our budget for FY 14-15.

Because of the breadth of ITS services, we will focus initially on a subset of primary, high-value services for the October rates submission, and address other services over the next 18 months. By tackling a key subset of rates, we can refine our methodology and apply it to other rates as we learn more.

The subset of rates will be the initial focus of an independent, third-party analysis of our rate development methodology, especially as it relates to overhead and other allocated costs. We plan to issue a Request for Proposals for that work in August and utilize the results as we prepare those rates for submission in October. Phase II, planned for the December timeframe, will further refine and test the revised rate development methodology in time for any budget adjustments that may need to occur.

The final deliverable for the initiative will be a thoroughly documented and vetted methodology for budgeting the cost of services and the development of the rate structure. The vendor will also provide recommendations on how enterprise services and future service offerings should be defined and supported.

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The State CIO is working closely with the Office of State Budget and Management through all phases of this effort and will be happy to provide additional information regarding the progress of this initiative as it continues. Thank you for your support of information technology in state government. We look forward to working with you as we seek ways to provide more effective and efficient services to the citizens of North Carolina.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris Estes".

Chris Estes
State Chief Information Officer