Tennessee's IT Budget Transformation

The State of Tennessee
Department of Finance and Administration
Division of Strategic Technology Solutions

NASCIO Award Category: Enterprise IT Management Initiatives
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TN Department of **Finance & Administration** | Strategic Technology Solutions

Executive Summary

Coordinating IT Spend within an organization the size of state government is critical. IT budgets within Tennessee State Government were handled at the agency level entirely and then submitted for an Enterprise Standards review with STS. The non-enterprise approach to IT budgeting led to agencies coming in over budget or under budget, but rarely on budget. We needed a way to partner with agencies to implement and leverage a robust, enterprise-wide budgeting process.

A team was created and tasked with developing a process that was multi-layered, transparent, and whose cornerstone was partnership. The team consisted of staff from the Department of Finance and Administration: Strategic Technology Solutions, Office of Business and Finance, Division of Accounts, Billing Services, Budget Office; and, most importantly, the state agencies that the Department of Finance and Administration supports.

As a result of the team's efforts, we now have agency resource plans (a collaboration between STS and each agency) , the IT Billing Information Center (allows transparency into billing and services), purchased/implemented the Apptio system, and have implemented Technology Business Management best practices to further support our budget and fiscal philosophy.

Idea

The State of Tennessee, Division of STS engages in a multi-phased approach for developing the state's IT budget, and subsequently, to manage IT service delivery that supports our statewide business programs. The goal is to encourage collaborative planning, coordination, and strategy to meet customer needs and to ensure that IT services and costs are business-driven, effective, transparent, well understood, and efficient.

Explain the business problem the project is solving

While the State of Tennessee has historically engaged in a robust IT planning process, the connection between the planning process and budgeting and governance in terms of IT portfolio management has waned over the years. An aggressive and focused discipline of business-focused IT has emerged, and the state has refocused its processes and commitment to enterprise-level IT planning and budgeting.
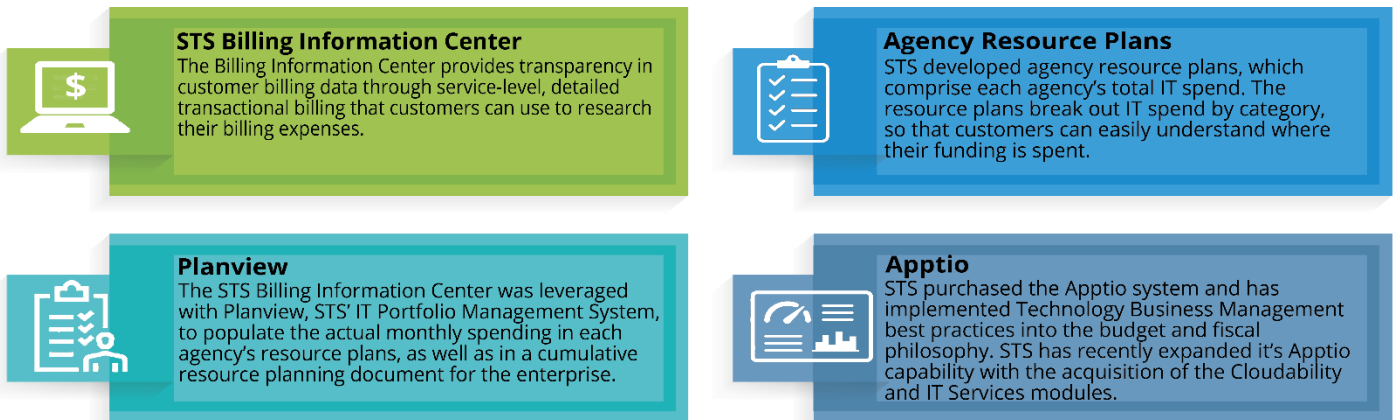
The catalyst of this project came to fruition after several agencies either overspent or significantly underspent their IT budgets. In general, the project was initiated based on the basic premise that IT budgeting should be strategic, business-driven, enterprise-focused, and ultimately result from communication and coordination between Strategic Technology Solutions (STS, the state's enterprise IT organization) and its many agency partners.

The outcome is the culmination of a two-year collaborative effort between multiple divisions within the Department of Finance and Administration: Strategic Technology Solutions, Office of Business and Finance, Division of Accounts, Billing Services, Budget Office and, most importantly, the state agencies that STS supports.
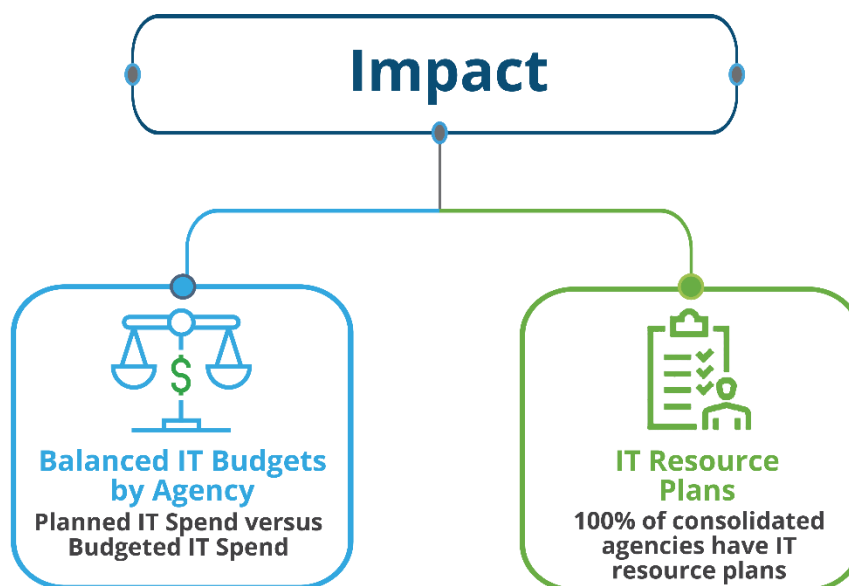
Implementation

STS' total budget for FY 2020-21 is $299,031,600 which includes STS enterprise IT operations, the state's enterprise resource planning system and support, and the staff who support almost 25 agency business customers.

As an internal service fund, STS receives very few state appropriations (only $1,836,800 in FY 21 for Tennessee's IT Training Academy). The overwhelming majority of STS funding comes from billing agency customers for their usage of IT services. As such, it is critical that IT spend is strategic and planned, billing for IT services is accurate, and all STS customers are satisfied with the value delivered for the requisite IT costs.

STS Billing Information Center
The Billing Information Center provides transparency in customer billing data through service-level, detailed transactional billing that customers can use to research their billing expenses.

Agency Resource Plans
STS developed agency resource plans, which comprise each agency's total IT spend. The resource plans break out IT spend by category, so that customers can easily understand where their funding is spent.

Planview
The STS Billing Information Center was leveraged with Planview, STS' IT Portfolio Management System, to populate the actual monthly spending in each agency's resource plans, as well as in a cumulative resource planning document for the enterprise.

Apptio
STS purchased the Apptio system and has implemented Technology Business Management best practices into the budget and fiscal philosophy. STS has recently expanded it's Apptio capability with the acquisition of the Cloudability and IT Services modules.
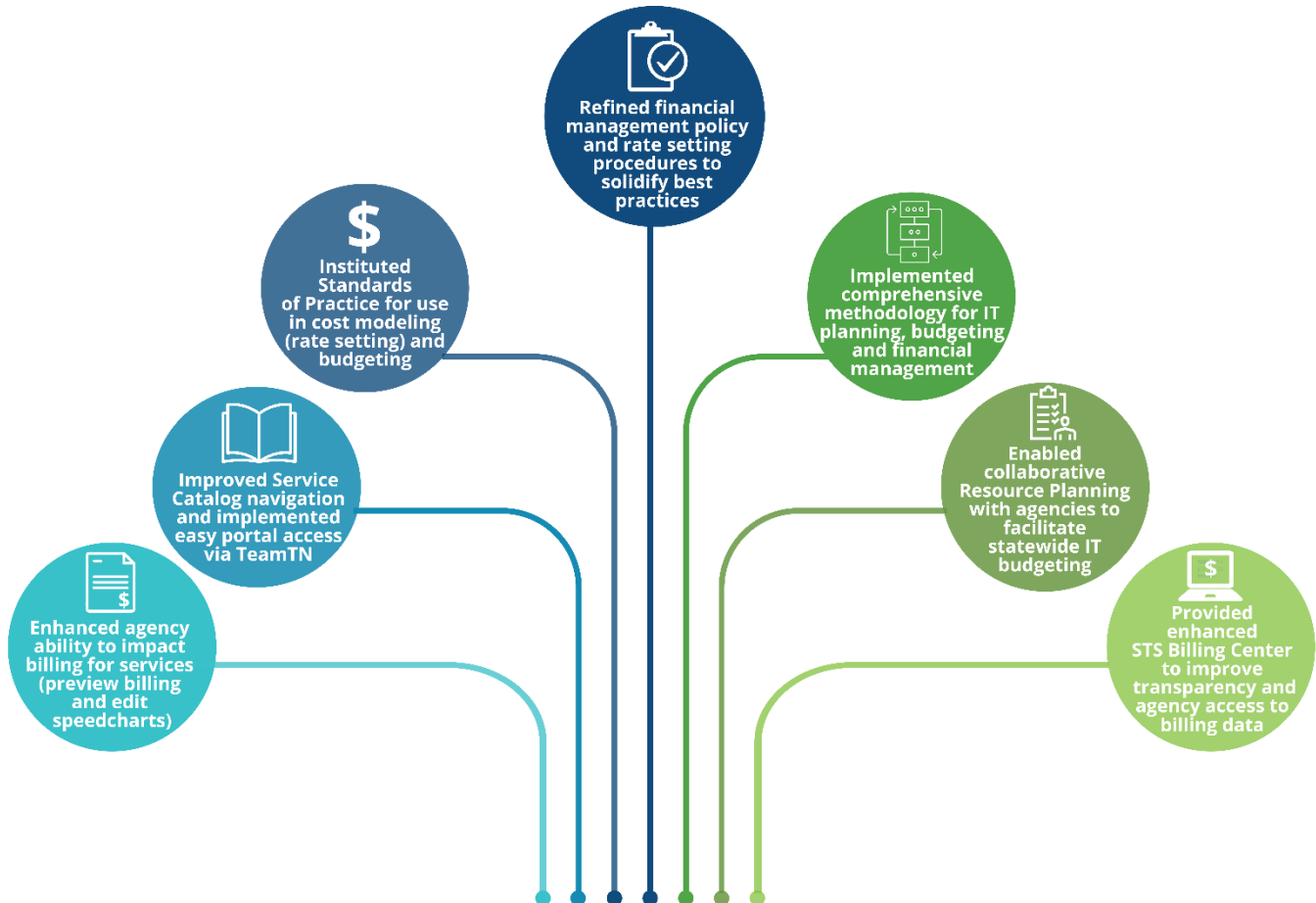
Impact

Tennessee's IT budget development process connects agency-level strategic planning with IT spend planning for business-driven IT solutions. The measurable impacts are balanced budgets and expenditures for STS and the agencies that comprise state government.

Impact

Balanced IT Budgets by Agency
Planned IT Spend versus Budgeted IT Spend

IT Resource Plans
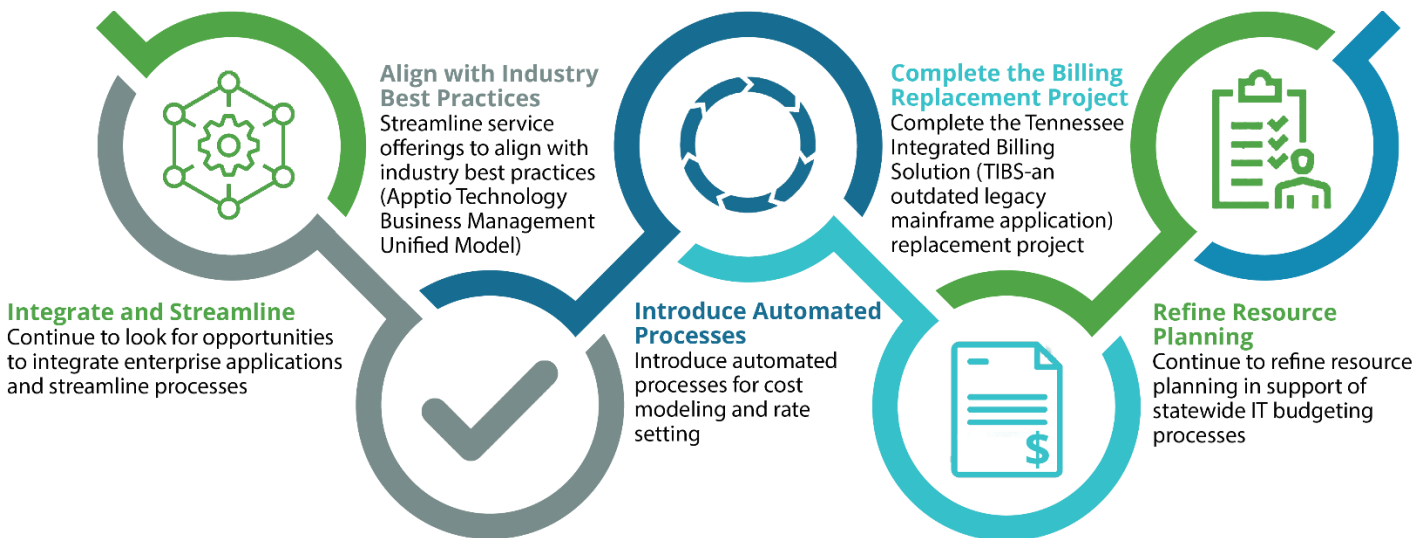100% of consolidated agencies have IT resource plans

According to Deputy Commissioner Andy Kidd, Tennessee Department of Intellectual and Developmental Disabilities, "The IT Planning and IT budget development processes are much more efficient and are helping my department ensure that our business objectives and IT needs are aligned. I appreciate the thought that the STS team put into this effort to ensure the needs of their customers is met and that strategy is front and center throughout the process so that my team can meet the needs of *our* customers – this is a great partnership."

Specific examples of improvements achieved during the project are:

Is the initiative part of a larger project?

The initiative is part of a larger process improvement effort as STS continues to refine budget and fiscal practices. This initiative also supports Governor Lee's priority for more effective and efficient government. The following items are on the roadmap:

Integrate and Streamline
Continue to look for opportunities to integrate enterprise applications and streamline processes

Align with Industry Best Practices
Streamline service offerings to align with industry best practices (Apptio Technology Business Management Unified Model)

Introduce Automated Processes
Introduce automated processes for cost modeling and rate setting

Complete the Billing Replacement Project
Complete the Tennessee Integrated Billing Solution (TIBS-an outdated legacy mainframe application) replacement project

Refine Resource Planning
Continue to refine resource planning in support of statewide IT budgeting processes

Who is involved?
Strategic Technology Solutions (STS), Tennessee's enterprise IT organization, coordinates the IT planning processes with customer agencies.
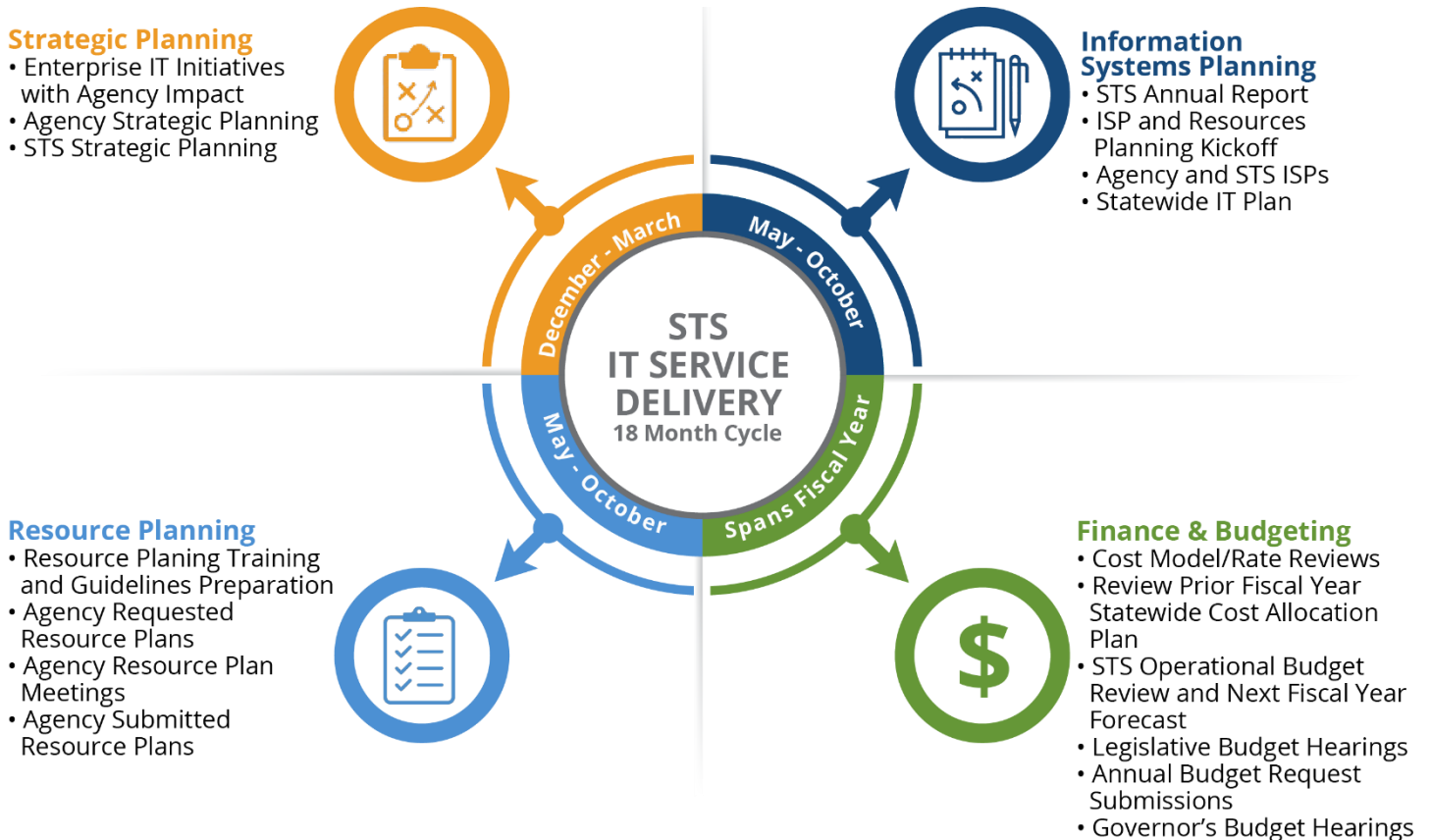
Business representation from agencies that are served by the enterprise IT organization are grouped into five domains, based on similar business functions. Each of the five domains holds Business Domain Management Advisory Committees (MACs) where agency representatives meet with STS leadership and staff to provide executive oversight for strategic IT in areas regarding shared vision, strategies, innovation, IT planning, and allocation of IT resources within the business domain.

Within each of the agencies, business representatives and STS staff conduct Agency Management Advisory Committee (MAC) meetings, which are key to IT planning because they ensure that IT is centered around agency business priorities. Agency MACs are comprised of departmental business and IT leadership. They initiate IT planning, IT projects, priorities, and provide ongoing project management and oversight.

The Solution Review Board (SRB) is the governing board within STS that provides a review process for the state's proposed IT initiatives. The board reviews agency project requests and Information Systems Plans. STS leadership representing all areas of the organization make up the SRB, and the Enterprise IT Planning and Governance division within STS serves as staff to the SRB.

What is the process?

Tennessee's IT budget development process begins with strategic planning efforts within the agencies and STS. Strategic planning efforts result in the development of Information Systems Plans (ISPs), which are three-year plans that are developed annually by all state agencies. STS IT Planning Consultants assist agencies in the development of their ISPs. STS Projects are initiated within agencies at the agency MAC, are prioritized by department leadership, and included in an agency's Information Systems Plan that is submitted to the Solution Review Board for approval. The Business Domain MAC is not technically part of the approval process but is involved in project discussion and is more informational throughout the process.

Strategic Planning
- Enterprise IT Initiatives with Agency Impact
- Agency Strategic Planning
- STS Strategic Planning

December - March

Information Systems Planning
- STS Annual Report
- ISP and Resources Planning Kickoff
- Agency and STS ISPs
- Statewide IT Plan

May - October

STS IT SERVICE DELIVERY
18 Month Cycle

May - October

Spans Fiscal Year

Resource Planning
- Resource Planing Training and Guidelines Preparation
- Agency Requested Resource Plans
- Agency Resource Plan Meetings
- Agency Submitted Resource Plans

Finance & Budgeting
- Cost Model/Rate Reviews
- Review Prior Fiscal Year Statewide Cost Allocation Plan
- STS Operational Budget Review and Next Fiscal Year Forecast
- Legislative Budget Hearings
- Annual Budget Request Submissions
- Governor's Budget Hearings

Data from agency Information Systems Plans is used to develop agency Resource Plans, which serve as agreements between agencies and STS concerning IT spend. The plans outline IT spend in the following categories: labor cost (manpower), agency equipment and software purchases, data services, enterprise business application software, hardware and infrastructure, IT Academy training, mainframe, network services, telecommunications, web services portal, workstation support, and ERP transaction billing.

Expenditure data for each category is presented for the prior fiscal year, spend-to-date for the current fiscal year, and projected cost for the next two fiscal years. The projected costs form the basis of the budget request for each agency. Agency resource plan data is then compiled and assessed to form the impact of agency plans on the enterprise and STS' budget is developed.

Once the budget has passed, STS plans spend for the year. STS has recently implemented a tool to monitor actual spend against planned spend to ensure that program areas due not exceed funding levels.

Why does it work or not work well?
The process is working well, and STS continues to enhance and streamline workflows, improve the accuracy of the data, and automate reconciliations. Coordination, planning, and communication are key to a successful budget development process. The culmination of agency spend into Resource Plans has helped STS work directly with customers to ensure the alignment of IT spend and effort with the agency's strategic initiatives.

How mature is the process/strategy?
Tennessee's IT planning process is fairly mature, but STS continually assesses the process in an effort to refine and streamline our efforts. Agencies have created Information Systems Plans for many years that are based on their business strategy. This is only the second year that the resource planning initiative with agencies has been in place, but the tool has already proved invaluable in improving transparency, communications and collaboration on IT spend

This initiative is a seamless, end-to-end process where all the parts are tied together.