Overview
It is critical to set the context for the Information Services (IS) response to the questions for the March 15, 2010 request from the Strategic Alignment and Budget Reductions Committee. This overview provides a global view of current Information Technology (IT) discussions that may dramatically change the scope and nature of Information Services functions. As you know, the Division of Information Services is one component of the University’s full Information Technology umbrella. An IT Consolidation Team, chaired by the Provost, has been looking at the full IT umbrella for a period of months, resulting in some cost-cutting measures, and also in a new IT governance structure. This new governance structure will, no doubt, impact IS at all levels.

Strategic realignment for IS cannot be realistically proposed separately from the IT strategic alignment conversation which includes all technology services and functions on campus. For instance, if the new governance structure decides that it is best for the University to move to a more centralized IT service model, then IS could be redesigned or realigned to take on a greater role in the provisioning of IT across campus. However, if the plan were to further decentralize IT, then the role and structure of IS would look much different.

In addition, IS has reduced our E&G budget by up to 40% over the past decade and has subsequently eliminated and combined functions on several occasions. Essentially, we have been in a constant state of “strategic alignment” for a decade, primarily driven by constant budget reductions. As a result, IS is currently aligned along distinct core IT functions such as administrative computing, network services, media services, instructional technology, desktop support, web services, and technology support.

The challenge that IS has in responding to this request for proposals is that we must plug into the broader IT conversations the Provost has initiated. In addition, if we focus internally – on IS, and not on IT across the University - further internal realignment cannot create any additional efficiencies or cost savings. As of the end of the year, IS is down to only four directors providing core services. Our current focus is on trying to maintain mission critical core services in light of the need to further reduce our budget due to ongoing Banner hardware debt service and covering recurring reductions from the past two years. In other words, following a decade of constant budget reductions, any further reductions will adversely impact core services and may result in serious risk for the University.

Please see attached for the Report to the Strategic Alignment/Budget Reduction Review Committee.

[1] Provide the overall plan for your unit in terms of strategic realignment and budget reductions

[a] Org Chart – see attached

As noted in the overview, the strategic realignment goes beyond the consideration of budgets and budget reductions. As the new IT governance structure becomes activated and recommendations are made to the Provost, the scope, function and design of IS may dramatically change. IS would like to play a major part in strategic alignment conversations for IT at the University, and we plan to be actively involved.

[Example: If the University sees operational value, strategic benefit, and budget savings by having all student computing facilities centralized under IS’s current Student Computing Facility unit, the size and organizational structure of the IS SCF unit would be greatly changed.]

[2] Provide a summary of how this plan aligns with administrative system guidelines

[a] Span of Control

[b] 6:1 Reporting Ratio

As previously mentioned, we have downsized our full-time staff for several years and successfully worked through several reorganizations. In the near term, IS will reduce the number of Directors by one with a year-end retirement of our Administrative Services Director and will not fill this position but will rely on our Business Center being mature enough at that point to meet our needs. [We have recommended to the Provost that our former director continue to manage the TRF process while on a 1039 appointment and that TRF funds are...
used to cover the cost of this appointment]. As for other actions that may be required to come into line with the Administrative System Guidelines, IS will be a step behind because we must wait to see how the University will move forward with the new IT governance structure and related actions.

[3] For places of disconnect, provide a clear rationale for this disconnect and how you plan to move toward alignment

With the unknowns noted above disconnect is likely but not easy to predict. To help us mitigate potential disconnects we will need staff or consultants to support strategic planning, change management and process.

[4] What are the budgetary implications of your plan?

[a] What are the savings associated with the realignment?

[b] What are the costs associated with the realignment?

The current goal regarding costs and savings is focused on reducing IS’s budget to balance next year and into the next biennium. We are down to core functions and to balance in the next biennium, we will need to cut core services such as systems development, data warehouse, web, security and network. We know that our recommendations will not be acceptable to our customers and asking them at this point will only cause unrest amongst our customers and staff. Also, it is possible that some of these serious issues will be mitigated if funding for IS and or IT at the University is shifted along with the new governance structure.

When we previously looked at possible consolidation of campus-wide redundant functions, we estimated at least a 10% savings based on our past consolidation with OUS IT. Savings from better campus-wide alignment could be significant, but not immediate as there are transitional costs. As an example, if IT were to move to a more centralized service model, there would be a year or two to shift functions from the local colleges or departments, to the centralized service model. Again, IS cannot engage in these conversations until the new governance structure is launched.

[5] Describe your process of consulting with stakeholders [inside and outside the university as appropriate] as the plan was developed.

IS is in an unusual position where we are moving into a new more collaborative planning model for campus-wide IT at the same time that we are designing plans to curtail or eliminate what have been considered University core services. The campus-wide reviews just completed have had heavy stakeholder interest and participation. It will be very important that the IT governance structure move forward quickly, and that the CIO leads the development of a strategic plan that can guide future decisions. The roll out of the new IT governance structure will include communication with all stakeholders, as will the creation of a new IT strategic plan.

Final Note: The Division of Information Services wishes to follow the guidelines and actions recommended by the Advisory Council on Budgets and Strategic Priorities, approved by the President, and implemented by the Strategic Alignment and Budget Reductions Committee. However, the roll out of the new IT governance structure will directly impact all of our plans and actions. This will make it difficult to provide detailed responses to the Strategic Alignment and Budget Reductions Committee by their deadline(s), but we will do our best to do so. Questions or requests for additional detail are welcome.
Report to the Strategic Alignment/Budget Reduction Review Committee

March 15, 2010

Overview:

The current fiscal year in Information Services has been centered on change. Of all points of change, the two most noted are the administrative support unit that commenced the transition to the UABC [Business Center #2], and the extensive study of the methodologies for providing Information Technology on the OSU campus.

Every operating unit within IS was impacted or is being impacted by one or more of the change points noted. It is very likely that the current IS budget and fiscal structure will be impacted as a result of the extensive and expansive reviews of Information Technology on campus, and the best method to effectively serve all elements of the campus.

Information Services consists of Education and General Fund Operations, Designated Operations, Auxiliary Enterprises, and multiple Service Centers. As a result, budgeting and management is complex. The Fifth Site Operation, where IS provides IT support for the Chancellor’s Office and the four regional universities, adds the potential for difficulty in reviewing the total IS budget.

As you can see below, the current financial plan shows a draw of over $683K from reserves or carryover, to balance the budget in FY10. The goal is to continue to work on budget planning and to reduce the actual carryover use by an additional $100,000 by the end of the fiscal year.

In looking ahead to FY11, there will not be sufficient funds remaining in the reserve fund [carryover] to maintain the same level of service. We have a debt service obligation for the Banner System Upgrade that in essence encumbers about $400K in the reserve fund. If we did not have this debt service, we still would have to reduce some operations to be able to operate. Projected E & G funds plus the balance of the reserves will leave us substantially short of maintaining the FY10 level of service. Without the debt service obligation, we would still be short, but at a significantly lower perspective.

Moving forward one more year, when we faced the budget planning for FY12, we will be in a major budget-cutting mode, unless there is change in the funding model. The carryover funding will be gone, and we will be working strictly within annual General Fund allocations.

Budget Reductions Perspective – FY10

Here is a short view of the construction of the FY10 budget, and some of the elements that created the fiscal picture of Information Services for the current fiscal year. This will help in providing the various components that are a part of the draw of $683,124 in funds from the carryover/reserve fund.

$115,724 - FY09 – November 2008; Reduction in Base Budget [Recurring] [A]

$133,240 - FY09 – March 2009; Reduction in Base Budget [Recurring] [B]

$156,500 - FY09 – March 2009; Reduction in Fund Balance [Non-Recurring] [C]

$248,964 - FY10 – Reduction in Recurring Budget [Sum of A + B from above]

$343,488 – FY09 – IS Reserve Funds/Carryover Used to Balance FY09 Operating Budget

$ 90,672 – FY10 – Additional IS Reserve Funds Needed to Balance FY10 Operating Budget

$683,124 – FY10 – Total Shortfall, Funding From IS Reserves/Carryover [Total of all Bold/Red above] [See Notes Below]

FY10 Budget: Information Services - Footnotes / Comments / Observations

[1] Unit budgets in Information Services adjusted expenditure plans from prior years based on detailed evaluation of tasks and functions that are provided to the university, and projects were prioritized. The end result is that some units increased expenditures over FY09, while others did not.

[2] Special allocations for Drupal in Central Web Services and Nolij in Enterprise Computing inflated expenses in these two areas as we compared expense planning to FY09.
Strategies Employed to Manage Budget Reductions:

- Open faculty, staff, and management positions have been left vacant. Filling of vacant positions have been selective, and based on urgency and the meeting of critical university needs.
- Services and Supplies budgets were closely reviewed and analyzed, and expenses were reduced to an "essential purchase only" methodology.
- Large projects, such as Building Rewiring, were reviewed and prioritized; cancelled/deferred as needed. Certificate of Participation bond authorization was cancelled, as debt service funding was very questionable.
- Equipment Replacement Schedules were reviewed, and where possible, replacement cycles extended one to two years.
- Development Projects in Central Web Services were reviewed, and prioritized; lower priority projects delayed or cancelled.

Planning for Further Biennial Budget Reductions:

- Additional personnel reductions
- Continued review of IS services to determine service value to the OSU campus. Review may result in termination of services, or realignment of services in a consolidated format, to note two possibilities.
- In FY11, the ATLAS Service Center will be terminated as the IS Contractual arrangement with OUS will cease. This will release a fund balance of almost $80K in the service center to move to IS operations.
- In reviewing the Target Reductions in Information Technology, it is possible that additional campus savings will occur as a result of realignment of IT services and possible centralization of IT services.
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