STATE OF MINNESOTA

Department of Transportation

O F F I C E   M E M O R A N D U M

TO       :  UAC Members                                    August 10, 1984

FROM     :  Judith A. Pinke                                612/296-3005
            Chair, UAC

SUBJECT  :  Special Project Funding

Attached is the final report of the Special Project Funding Task
Force.

Thanks again to the task force for their fine work.  It's nice to
know we have such a good group to work together to get things done.

SPECIAL PROJECT FUNDING

FOR

INFORMATION SYSTEMS

IN

STATE GOVERNMENT

Minnesota Department of Administration
User Advisory Council
on Information Management

August, 1984

## EXECUTIVE SUMMARY

The following report summarizes the recommendations of a task force of the Department of Administration User Advisory Council (UAC) on Information Management regarding the establishment of a special project fund for information systems. The Council recommends that such a fund be established in the amount of $500,000 per year to finance cooperative innovative projects benefiting more than one agency.

The Council feels that the establishment of a special project fund, which is a common practice in many private and public sector organizations, will stimulate cooperative efforts among state agencies to better utilize information technology to improve the services to our citizens by developing more efficient and effective government processes, reducing duplicative efforts and developing information systems that support policy and decisionmaking. The fund is necessary since,

- it has proven to be difficult to fund innovative efforts through the lengthy biennial budget process due to the rapidly changing technology.

- there are no mechanisms in place and few incentives for agencies to work cooperatively.

- there is no direct focus on cooperative innovative projects.

The fund should be administered by the Commissioners of Administration and Finance with the advice of a five member committee consisting of two UAC members, one Systems Advisory Council (SAC) member, on User Council on Office Systems (UCOS) member and one State Information System Advisory Council (SISAC) member. The fund would be administered to ensure that the projects approved would result in significant improvement in the cooperative use of information and/or information technology. All projects would be subject to strict evaluation criteria and accountability for project success would be maintained.

## INTRODUCTION

In January of 1984, the Governor convened a Blue Ribbon Committee on Information Policies in state government. This prestigious group is charged with developing recommendations to the Governor on the policies which Minnesota state government should follow in the coming years to ensure that its information system resources are managed effectively and efficiently. As part of its fact finding, the committee asked the top administrator of each of the major state agencies to identify policies which should be implemented in order to improve the management of information systems in state government. Not surprisingly a large number of administrators cited the lack of focus on research and development as a major hindrance to the effective management and use of information systems.

Due to the importance of the research and development issue the User Advisory Council (UAC) on Information Management which is broadly representative of all state agencies is providing this report summarizing its recommendations and conclusions on this issue. This report addresses the need for special project funding to promote research and development, the types of projects envisioned, the administration of the fund, and the various financing issues.

# SPECIAL PROJECT FUNDING ISSUES

The issues regarding special project funding are grouped into four general areas which answer the following questions:

1. Why is there a need for special project funding?

2. If a fund were established what kind of projects would be funded?

3. How would the special project fund be administered?

4. How much money should such a fund contain and from what funding source(s)?

Each of these questions is addressed in the following sections.

## 1. Need for Special Project Funding

The state would benefit greatly if there were separate funds set aside for use on special information management and technology project that have an impact on more than one department or agency. The major emphasis for such funds should be on projects that address key interests of the Governor and the Legislature such as developing more efficient and effective government processes, providing better services to the citizens of the state, reducing duplicative efforts both across and within agencies and developing information systems which support policy and decision making especially those requiring data from more than one agency. The funds should be used for clearly defined projects, and there should be specific evaluation processes to ensure accountability. In general, the funded projects will be cross agency efforts designed to yield major state benefits. They will be innovative applications that would be difficult to fund using traditional approaches since several agency budget requests would have to be involved. Typically, they should center around data that could be shared across agencies through the development of combined data bases or technology which could be used by several agencies. The type of special project funding being sought is widely used in the private sector, and it has been implemented in a number of states.

There are several reasons why special funding is appropriate for innovative information management and technology projects. One of the major reasons is that it has proven to be very difficult to fund these types of efforts through the biennial budget process due to the conflicts between fast changing technology issues and the long range timing of the budget cycle. With the availability of special funding, the state could address them in an effective and timely manner as significant opportunities arise.

Another major reason that this type of process is needed is that there is currently no mechanism and there are few incentives for agencies to work cooperatively. However, there are potentially great benefits to the state if such a mechanism could be initiated. The regular budgetary process encourages each commissioner to carefully guard his/her agency's budget. It is extremely difficult for a group of agencies to contribute a little from each of their

3

budgets for a joint effort since amounts budgeted are needed for agency operations and projects directly supporting activities in the agency budget request.

With a special project fund, each project would have statewide visibility and there would be more accountability to the Legislature for the funds. In addition, innovation and productivity would be encouraged, and data and technology would be stressed as important state resources.

## 2. Types of Projects

In general the types of projects considered for special funding should be applicable to statewide problems/opportunities or be of interest to multiple state agencies. The projects should also result in the development of new capabilities or enhancement of existing capabilities that make data available to all interested users rather than just the source agency. In addition, the projects should emphasize unique or innovative applications to the maximum extent possible. The projects will by their nature entail some risk of failure, but this is the nature of innovation. Special consideration should be given to projects that have the potential to promote cooperation among participating agencies in one or more of the following areas:

### A. Improved Methods of Information Management

The projects envisioned in this area would eliminate the costly inefficiencies and redundancies in data bases maintained by different agencies. Some examples might be the development and adoption of standard data collection and coding procedures, the reduction of redundant data collection and storage activities and the development of data analysis and presentation techniques that have general use among several agencies.

### B. Development of Interagency Decision Support Systems

Currently it is difficult if not impossible to collect information for policy decisions when the data comes from more than one agency. Projects in this area might include cooperative efforts by several agencies to provide information from their data bases to support a specific set of key policy decisions in areas such as natural resources, economic development, health, transportation, etc. An example of a successful project in this area is the Land Management Information Center which was initiated with special project funding in the late 1960s.

### C. Innovative Technology Applications

Many opportunities exist for cooperative projects in such areas as interagency office automation, telecommunication, data base management, microcomputer use, etc. Projects in this area are especially important now due to the rapid pace at which the state is distributing its data processing resources to the state agencies.

4

D. Building a Foundation for Information Management

In order for the state to take advantage of information systems and technology to serve its citizens, it must focus on the management foundations of information technology. Specifically, sound information management is built on good planning, training, and human resource management. Projects which enhance the state's capabilities in these areas will be critical in the future.

## 3. Fund Administration

The key to successful administration of the fund is to keep the mechanics simple while ensuring that projects chosen for funding serve the state and its citizens. There should be clear criteria for choosing projects, and an equally clear method for evaluating the results of the projects. The proposed method for fund administration should include the following components:

- Review and approval process for funding requests

- Criteria for evaluating funding requests

- Monitoring and evaluation of approved projects

It is recommended that proposals for special project funding be submitted to the Commissioner of Administration. These requests would be reviewed by a five member advisory group. The group, which will be composed of two UAC members, a Systems Advisory Council (SAC) member, a User Council on Office Systems (UCOS) member, and a State Information Systems Advisory Council (SISAC) member, would make recommendations to the Commissioners of Administration and Finance, who will approve or disapprove funding requests. This method for approving funding uses the existing approval method established by Minnesota Statutes for the review and approval of computer activity.

General criteria for evaluating proposals:

- Does the proposal relate to key priorities of the Governor and the Legislature?

- Does the proposal emphasize data and information as a major state resource?

- Does the proposal incorporate cooperative, interagency efforts?

- Is the proposal innovative and experimental so that the State can discover which new approaches have promise and which should be discarded?

- Is the proposal broad in scope so that the results will contribute to building the big picture or laying the foundation for future work?

5

Specific criteria for evaluating proposals:

- What is the impact of the project on state government in terms of effectiveness, efficiency, and cost/benefit?

- How will the results of the project be used and what is the timeframe for their use by the participating departments?

- Is the top management of each participating agency committed to the project?

- Will the proposed project have a reasonable chance of succeeding?

- Are the human resources required available and competent?

- Matching funds or in-kind services are optional but will be encouraged in selection for funding since this demonstrates serious commitment by the department or departments submitting the proposals.

- If a specific project will substantially and directly benefit a non-general fund activity, appropriate in-kind or cash match from the benefiting activity will be encouraged.

In addition a work plan must be submitted that describes the following:

- The objectives of the project and the methods that will be used to determine whether the objectives are achieved.

- The steps that will be taken to complete the project including a schedule and a description of the products produced. Definite beginning and ending dates for the project must be provided. Open ended projects will not be funded.

- The total human and financial resources required to complete the project.

- Interagency agreements or memoranda of understanding that describe the roles and responsibilities of each participating agency for those proposals involving several agencies.

Monitoring and evaluation of approved projects:

- Status reports will be submitted to the Commissioners of Finance and Administration and the advisory group every three months.

- A final project report will be submitted to the Commissioners of Administration and Finance that explains how the project met or failed to meet its objectives in order for the state to learn from both the successes and failures.

6

- A history of projects, both proposed and funded, will be kept so the
  Legislature, the Governor, and the executive branch can learn from the
  experience about directions that are useful or fruitless.

## 4. Financial Issues

The UAC recommends a special project fund of $500,000 per year be appropriated
from the general fund. This amount is necessary to demonstrate the benefit of
a special project funding process and is a reasonable amount to spend on
innovation and cooperation in state government information management. It
should be pointed out that $500,000 represents only seven hundredths of one
percent of the $700 million total general fund expenditures in F.Y. 83 after
deducting grants and subsidies, debt service and capital outlays.

In addition to the $500,000 per year general fund request, by encouraging cash
and in-kind match from benefiting agencies and other funds, the special
project fund would in effect be augmented by funds from multiple sources. The
special project funding would be used only to fund qualifying projects which
could not be funded from the normal appropriations provided to agencies. This
could include "stand alone" projects or additions to other systems which are
financed through the normal appropriation process.

The source of special project funding is recommended to be the general fund as
opposed to the ISB Computer Services Fund for two reasons:

- Including special project funding in the Computer Services Fund would
  unfairly increase ISB rates for all users, although all users would
  probably not directly benefit from the projects.

- Projects funded may not involve the use of ISB computer services since
  less than 50% of total state data processing expenses are paid to ISB.

It should be pointed out that ISB does include in its rates funds for research
and development. The projects are different from the ones described in this
report in that they are only for improving the efficiency and effectiveness of
ISB operations.

7

## CONCLUSIONS AND RECOMMENDATIONS

In summary the UAC recommends that a general fund appropriation of $500,000 per year be provided to finance special projects in state information systems. The major focus of the fund should be on projects which address the major policy focus of the Governor and the Legislature. Projects funded should be innovative in nature and should have multi agency benefit.

The UAC feels that the fund is needed in order to provide funding for and encourage innovative and cooperative information systems projects which are not otherwise funded. The fund if approved would be administered in a manner which guarantees the approval of projects which have a high probability of success and of benefiting a number of state agencies.