Toward a New IT Planning and Funding Model
The current process for planning and funding IT strategic investments has involved periodic (every 4 years) aggregations of strategic projects and requests for one-time and operational funding. These cyclical requests have been evaluated and funded (or not) from whatever resources are then available to the Chancellor. This approach has created a number of problems, including:

- Chancellorial funding resources are not always available to a consistent degree. In times when there is a paucity of funding, considerably more time and discussion seem to go into the prioritization process than in times when funding is more readily available. The timing of needs may not align with funding availability in that a period of high need can align with a period of lack of funding availability and vice versa.

- Restricting funding options to limited Chancellorial resources tends to drive projects seeking funding toward independent investment and away from a concerted strategic IT plan with institutional investment in IT.

- Considering IT proposals every 4 years within these limited resources tends to set up an environment of competition that detracts from considering each proposal on its own merits and creates a "zero sum game" mindset, where some projects are approved and at least some of the projects must be rejected, whether they all have merit or not.

- Temporary funding has been more readily available than permanent funding. Hence, even when one-time development costs can be covered, sufficient permanent funding may not be available to address ongoing operational costs and depreciation.

- There is very little ability to anticipate and plan for the substantial costs of longer term investments in the replacement of major systems. This increases the risks to the campus of potential system failure.

- It has been difficult to align these periodic collections of IT investments with the campus’ overall strategic goals.
Definitions

**Institutional IT Services** include IT Infrastructure, common benefit applications and commodity services:

- **IT Infrastructure** includes networks, communications, security and middleware layers.

- **Common Benefit** includes all applications or services that are shared by a large segment of the campus community and provide benefit to the institution as a whole. These include campus-wide applications such as Payroll, Student Systems, CCLE, etc.

- **Commodity Services** are those for which there is very little need to differentiate functionality across broad segments of the campus community. Email and data center services, among others, fall into the category of commodity services.

**Principles for a new IT Planning and Funding Model**

1. Planning for information technology at the institutional level must be integrated into the campus strategic planning process on an ongoing basis. Alignment with a campus-wide three-year IT strategic plan should be a prerequisite for approval of funding for campus IT projects.

2. The cost structure for the provisioning and support of institutional IT services, whether provided centrally or locally, should be incorporated into the institution’s IT funding strategy.

3. Assessment of expected benefits and statements of desired outcomes for technology investments should be part of the institutional planning process.

4. The planning process should include an exercise in setting priorities for funding and such prioritization should be driven by an evaluation of the alignment to the institution’s strategies, regulatory needs, and other perceived benefits.

5. Long-term financial planning for information technology investment for institutional IT services (to fund enhancements, replacements, and new investments) must be incorporated into the institution’s overall planning and budgeting processes.

6. Information technology funding needs should address initial capital investments, implementation support, operational funding and depreciation.
7. A contingency or reserve fund should be accumulated to provide for unanticipated institutional IT expenses that arise and were not funded as part of the strategic planning and budgeting process.

8. Replacement cycles should be established for each of the different components of the technology infrastructure (i.e., hardware, software, implementation costs for lifecycle replacement, etc.) and funding to incorporate the cost of replacement should be incorporated into IT budgets.

9. Cost-shifting and reallocation of resources should be considered to ensure that funding remains available for high priority projects.

10. The beneficiaries of institutional IT services should pay their fair share of the costs of those systems.

11. Some activities and investments are in the best interests of the institution and must be supported by all units irrespective of level of use or perceived benefit.

12. Costing practices and related allocation parameters should be easily understood, and all necessary data should be available on a timely basis and easily accessible for use in the strategic planning and budgeting process.

13. Cost allocation methodologies should, whenever possible, create desirable incentives and avoid undesirable incentives.

14. Key commodity services should be viewed from an institutional perspective in terms of provisioning and service delivery in that all institutional constituents should receive a similar level of service based on a determination of the baseline level of service needed for the campus to meet its responsibilities and established refresh models.

15. The campus should collaborate from an institutional perspective regarding the purchase of infrastructure hardware and software whenever feasible, enabling cost efficient purchasing practices and support for ongoing maintenance. The budget process for these purchases and ongoing support should be coordinated across all organizational units based on an established institutional funding model.

16. An ongoing review of duplicative efforts and alternative provisioning models for broadly prevalent technologies and services should be evaluated by established IT oversight committees and reported on annually.

17. Benchmarks and comparisons to other UCs, institutions, and private sector organizations should be incorporated into the annual review process.
Methodology

Build a full cost model for each institutional IT service. Include annual operational costs and amortize replacement cost over the predicted useful lifetime to produce an annualized total cost of ownership.

Establish a reserve fund and accumulate funding based on annual total cost of ownership for all institutional IT services. Include the costs of everything already in place as well as everything that can be anticipated over a 10 year period. Include a 15% margin for the unexpected.

Construct a governance model to administer the institutional portfolio and the reserve fund. Establish an annual process by which systems are evaluated for their alignment with strategic goals and new systems can be added and old systems can be retired. Approval decisions should be made in a timely manner within the budget cycle in which a proposal is submitted.

Potential Funding Options to Explore

- Existing central IT funding (AIS, CTS/TIF)
- Off the top funding (e.g. Chancellorial, STIP differential, etc.)
- Student Fee
- Allocation model (eg. TIF)
- External financing
- Change Contract and Grant Overhead Distribution

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