



## COMMONWEALTH of VIRGINIA

*Joint Legislative Audit and Review Commission  
Suite 1100, General Assembly Building, Capitol Square  
Richmond, Virginia 23219*

*Philip A. Leone  
Director*

*(804) 786-1258*

June 4, 2004

### MEMORANDUM

TO: Philip A. Leone  
FROM: Glen S. Tittermary  
SUBJECT: Approval of VITA Interim Rate Requests

A handwritten signature in black ink that reads "Glen S. Tittermary".

On April 9, 2004, the Virginia Information Technologies Agency (VITA) submitted for the Commission's review and approval a request to implement an alternative charge-back method for the new services provided pursuant to the consolidation of information technology (IT) functions in VITA. The new charges would replace the entire rate structure approved by the Commission at its December 2003 meeting. A second part of VITA's request seeks Commission approval of a general methodology for periodic implementation of shared-resource rates to gradually replace the direct-bill approach, with interim approval by JLARC staff pending a meeting of the Commission. These rate requests have been submitted by VITA in response to concerns raised by the Commission, JLARC staff, and customer agencies regarding the financial impact of the December rates. Revisions to the VITA request were submitted in writing on April 23, 2004, and again on April 29, 2004. Both the original request and the revisions are attached for your reference.

### Background

In December 2003, the Commission approved VITA's request to implement rates for various new services it would provide to State agencies as it implemented the consolidation of IT functions over the next 18 months. Those rates were based on services and costs of a fully-implemented VITA, and anticipated higher levels of service for many agencies. In response to the

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VITA request, JLARC staff reviewed the rates and recommended approval so as not to impede the VITA implementation process. However, staff raised serious concerns about the rates as proposed by VITA and recommended that the Commission impose several conditions on their approval. One of the staff's primary concerns was the inability of many agencies to pay for the costs of the higher levels of service implicit in the new rates. Several members of the Commission also noted their concerns that the rates were too high and that agency budgets might be unable to absorb the increased costs. The Commission approved the rates with five conditions, including the requirement that the rates be revised by October of 2004.

As agencies began to assess the cost of services based on the new rates, many raised concerns about their ability to pay for anticipated VITA charges. In response, the Chief Information Officer (CIO), who had recently been hired by the Information Technology Investment Board, suspended implementation of the approved rates pending his review of their impact on customer agencies. On March 17, 2004, the CIO notified JLARC staff that he would not implement the new rates and that an alternate method for recovery of VITA costs would be submitted for Commission approval. VITA then began to develop an alternative to the December rates that would maintain the current level of services and spending for IT. An alternative method for recovering costs was approved by the IT Investment Board on April 7, 2004.

### VITA's Proposed Direct Bill Plus Methodology

The rates approved in December were based on a traditional approach in which direct and indirect costs are recovered by applying a per-unit rate to each unit of a service used by the customer agency. The rates were calculated by dividing the projected VITA costs for each service (including allocated VITA overhead) by the expected number of service units to be delivered. This approach allocates the costs of a shared resource to user agencies based on their relative use of that resource. In the December rates, the costs were projected for VITA services as if those services were fully implemented, including somewhat higher levels of service to implement statewide standards.

The CIO is now proceeding with a phased approach that recognizes that full implementation will take 18 months or more. During the first

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phase, which the CIO calls integration, the focus is on reorganizing IT functions, moving staff and assets to VITA, and minimal implementation of statewide standards. The purpose of this first phase is to put in place the staff and assets necessary for full implementation with no significant change in the nature or level of services provided to customer agencies. In this phase, staff and assets moved from an agency continue to be used only for that agency, and are not shared resources.

The second phase, which the CIO calls transformation, will involve the consolidation of facilities, realignment and relocation of staff, and full implementation of the cost-saving initiatives anticipated by the VITA legislation. It is during this phase that the staff and IT assets moved from agencies will become shared resources.

VITA is proposing that it recover costs during the integration phase by billing agencies for direct costs incurred on their behalf, plus an administrative fee to cover minimal overhead associated with transition activities. VITA would provide only those services the agencies are currently providing themselves, with minimal changes to implement any statewide IT standards. The purpose of this approach is to continue the services now provided in-house by the agencies, while transitioning staff and assets to VITA with little or no disruption for customers. Since the direct billings for transferred staff and other costs would be equal to the costs agencies already had in-house, the only financial impact on customer agencies is the VITA administrative fee. An example illustrates how this approach would be implemented:

A small agency transfers one employee to VITA, along with responsibility for an equipment maintenance contract and an annual software license fee. In FY 2004, the agency expended \$47,000 for the employee's salary and fringe benefits, \$5,000 for the maintenance contract, and \$2,000 for the license fee, for total expenditures of \$54,000. After the transfer to VITA, the employee continues to support only the systems for the agency from which he transferred. Therefore, VITA bills the agency for the \$54,000 in direct costs it now incurs on behalf of the agency. To cover the costs of billing, procurement, audit, human resources management, and other administrative costs, VITA also bills the agency for an administrative fee as a percentage of the direct charges.

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Based on discussions with customer agencies, VITA expects direct costs to total \$121.9 million annually. These are amounts the agencies have confirmed with VITA that they would have spent on IT had the staff and assets not been transferred to VITA.

VITA has incurred direct costs on behalf of the small agencies since January 2004, when IT services for the small agencies were assumed by VITA as required by law. VITA plans only to recover the direct costs incurred for small agencies, and not apply the administrative fee to those billings. The affected agencies have already been notified by VITA to reserve sufficient funds to reimburse it for its costs.

### JLARC Staff Analysis of the Administrative Fee

As proposed by VITA, an administrative fee would be charged as a percentage of direct service charges to recover the costs of procurement, billing, audit, human resource management, and other administrative functions. Since the direct charges are expected to be what the agencies would have spent on IT anyway, the actual impact on agencies is from this administrative fee. Therefore, the JLARC staff analysis focused on the appropriateness of the various administrative costs which VITA claims are necessary to implement the integration phase. Over the course of the past three weeks, the staffing and costs associated with the administrative fee have been revised several times, and VITA has submitted supplemental requests as a result.

Attachment A shows a listing of the administrative costs for implementation of the IT consolidation as originally submitted by VITA. The table shows the full-time equivalent staffing VITA expects to assign to each administrative function and the staffing and other costs related to each function. This original submission, in which VITA estimated its administrative costs would total about \$7.6 million, was the basis for the JLARC review. In VITA's original request, the administrative fee was set at 7.1 percent of direct billings.

JLARC staff reviewed each of the cost items with VITA staff, examined the requirements for the proposed staffing, reviewed selected items with staff of the Auditor of Public Accounts (APA), and examined various VITA financial statements and projections. Concurrent with the JLARC review, VITA

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continued to work with agencies to address concerns about the data provided for the December rate calculations, and to refine agency estimates of expected information technology expenditures for the next year. In addition, a separate review of employee classifications and estimated salaries was completed by the Department of Human Resources Management (DHRM) at VITA's request. The DHRM review resulted in revisions to the rate request by VITA that have been incorporated in the JLARC analysis.

The revisions by VITA and the suggestions from JLARC, APA, and DHRM resulted in a substantial reduction in the total costs for administration. Among the changes were: a reduction in the number of audit staff, reductions in estimated average salary costs, reduction of the costs per employee for training and other office expenses, an increase in fringe benefit costs to better reflect the actual average costs for existing VITA employees, and a reallocation of some costs to existing services. In addition, the base amount for direct billings used to calculate the percentage of the administrative fee was revised to reflect the most recent information available from VITA's customer agencies.

Attachment B shows the revised staffing and costs submitted by VITA. Total administrative costs have been reduced to \$6.7 million, a reduction of about \$873,000 annually (11.5 percent). Based on this revised estimate of costs and a direct billing base of \$121.9 million, the revised administrative fee is 5.52 percent.

### Impact on Customer Agencies

The impact of the proposed methodology on VITA's customer agencies was examined in several ways. First, in terms of the services provided by VITA, the new methodology assumes a continuation of the existing level of services, and delays implementation of many statewide standards. VITA has committed to its customers that it will proceed with integration with the least possible disruption of services. The transfer of staff from agencies to VITA should be transparent to the agencies with regard to the services those employees provide.

Second, in terms of the costs compared to the existing situation, the net impact will be the cost of the administrative fee. The direct billings

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should be equivalent to the costs that agencies would have incurred in providing the services in-house. Attachment C shows the estimated direct billings and administrative fees for each agency. The net impact on agencies from the administrative fee could be as much as \$6.7 million in additional costs annually. The Virginia Department of Transportation could pay the largest administrative fee, at about \$1.8 million. The departments of Health, Social Services, and Taxation could also pay sizable administrative fees. The CIO has expressed his intent to minimize this impact, however, by offsetting the costs of the fee with savings from integration activities. The goal of the CIO is to fully offset the administrative fee so that there will be no net increase in costs for customer agencies.

Finally, the net impact of the proposed methodology in comparison to the rates approved in December 2003 was assessed to determine how agencies benefit from the new approach. In a direct comparison of estimated billings based on data as of December 2003, the new billing approach reduces the costs of services by about \$27 million annually (Attachment D). As noted earlier, however, because of concerns about the December data, VITA has continued to work with customer agencies to refine the estimates of the direct costs of services to be billed under the new approach. With this revised data on agency information technology spending, the new rate methodology appears to result in a reduction of about \$13 million annually because agencies are now reporting that they expect to spend more than was reported in December. In comparing current estimates of costs to those from December 2003, it is important to note that the current estimates represent a change in the scope of services provided by VITA in addition to the change in the billing methodology. Therefore, the comparison in Attachment D also shows the combined impact of the change in billing as well as the changes in the scope and level of services.

***Staff Recommendation.*** Based on the analysis outlined above, I recommend that the Commission approve the use of the direct bill approach for services provided by VITA resulting from the integration of IT functions in State agencies, with an administrative fee of 5.52 percent of direct billings. I recommend that the effective date of the new charge methodology be July 1, 2004.

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VITA's Transition from Direct Bill to Shared Resource Service Rates

VITA has also proposed that traditional shared-resource rates gradually replace the direct bill approach as the shared service rates can be determined and applied. In its request, VITA seeks Commission approval of its methodology for development of new rates. The rate methodology proposed by VITA has three major steps, which are described below.

First, VITA is proposing a revised process to require the development of a business case for any new service. A Business Case Requirements Policy and a Business Case Content Procedure were implemented on March 12, 2004. The proposed rate methodology would require that any new service and the associated internal service fund rate be initiated by preparation of the business case document. This document must outline what the service is, how it will be provided, direct costs for the service, benefits and costs of alternatives to the service, and potential cost recovery alternatives.

The second step involves the identification of all costs associated with the service including the shared and indirect costs for the agency. The proposed methodology for identification of shared and indirect costs is consistent with the process used for many years by internal service fund agencies, with one important exception. The identification and allocation of these costs to various services is governed by the Cost Allocation Plan, which is approved by JLARC and the U.S. Department of Health and Human Services. Federal approval is required for federal reimbursement of VITA charges to many State agencies. The current Plan expires on June 30, 2004, and the VITA methodology does not explicitly provide for the prior approval of a new plan. In discussions with JLARC staff however, VITA staff have indicated that a new Cost Allocation Plan is being prepared for approval by the Commission and appropriate federal authorities. The rate methodology proposed by VITA does not directly reference the Cost Allocation Plan, so the Commission's approval of VITA's request should be clear that compliance with an appropriate Cost Allocation Plan is required.

***Staff Recommendation.*** The shared resource service rate methodology proposed by VITA is consistent with prior practice. Therefore, I recommend that the Commission approve the shared resource rate methodology with the requirement that the allocation of shared and indirect costs be governed by an appropriate cost alloca-

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**tion plan. The effective date of the approved methodology should be July 1, 2004.**

Modified Approval Process for Shared Resource Service Rates

Since the process for the identification of service costs and the calculation of rates is already well established and remains largely unchanged in the VITA request, VITA is actually asking for a change in the *approval* process of the rates it calculates. Specifically, VITA would like to be able to begin charging new rates without prior approval from the Commission. It believes that new services could be implemented at an accelerated pace over the next 18 months, and that Commission approval might delay services it is providing to customers and subsequent recovery of costs. To ensure Commission oversight of the rates, VITA has requested that JLARC staff be given authority to approve rates on an interim basis pending formal presentation of the rates to the Commission. JLARC staff would also be able to audit the rates on a post-implementation basis and bring modifications to the Commission whenever it does not concur with VITA's calculations.

While VITA's concern about delays due to the approval process are understandable, with proper planning, there should be few occasions for which VITA would have to wait more than one month for approval. Prior approval ensures that internal service fund agencies, such as VITA, carefully evaluate the costs associated with new services and protects customer agencies from numerous sudden rate changes. In addition, the Commission has typically provided for retroactive implementation of rates to ensure that internal service fund costs are fully recovered. A short delay in approval of the rates does not prohibit VITA from beginning to provide a service to customers as needed. Therefore, it is not clear that this change in policy is essential.

This part of VITA's request requires a change in the Commission's role with regard to its prior approval of rates and a delegation of authority to staff, so I have no recommendation on this item.

**Attachment A**  
**Virginia Information Technologies Agency**  
**Summary of Estimated Integration Costs and MEL**  
**Original Submission (4/09/04)**

<u>Directorate</u>	<u>Activity</u>	<u>MEL</u>	<u>Costs</u>
Audit	Audit Staff	3	\$353,300
Financial Management	Strategic Planning/Performance Metrics	1	\$96,500
Financial Management	Finance and Accounting	1	\$47,700
Financial Management	Budget, Planning and Analysis	4	\$353,520
Financial Management	General Accounting & Billing	12	\$856,940
Human Services	Human Resources	6	\$636,552
Security	Security	2	\$200,110
Supply Chain Mngt	Sourcing and Procurement	5	\$447,345
Supply Chain Mngt	Purchasing Systems and Operations	4	\$357,876
Supply Chain Mngt	Contract Management	2	\$178,938
Supply Chain Mngt	Contract Quality & Development and SWAM	3	\$268,407
Supply Chain Mngt	Contract Management System		\$200,000
Customer Support	VDOT large agency support		\$536,000
Customer Support	Enterprise Service Directors	7	\$819,000
Business Services	Asset Inventory/Tagging & Contract Abspn Spt	2	\$563,678
Strategic Management	PPEA Initiatives	2	\$912,448
Computer Services	Facilities		\$671,072
Computer Services	Workstations		\$15,000
Financial Management	Central Payroll Costs		\$90,000
		54	<u><u>\$7,604,386</u></u>

Estimated Revenues: \$107,740,846

Admin Fee:	7.1%
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**Attachment B**  
**VIRGINIA INFORMATION TECHNOLOGIES AGENCY**  
**SUMMARY OF ESTIMATED INTEGRATION COSTS AND MEL**  
**TWELVE MONTH ESTIMATE\***  
**Final Revisions (4/29/04)**

<u>Directorate</u>	<u>Activity</u>	<u>FTE</u>	<u>Personnel Costs</u>	<u>Other Costs</u>	<u>Total</u>
Audit	Audit Staff	2	\$151,341	\$0	\$151,341
Financial Management	Strategic Planning/Perf Metrics/FSS III	1	\$89,891	\$0	\$89,891
Financial Management	Finance and Accounting	1	\$40,766	\$0	\$40,766
Financial Management	Budget, Planning and Analysis	4	\$346,636	\$0	\$346,636
Financial Management	General Accounting & Billing	13	\$579,077	\$0	\$579,077
Human Resources Mgmt Services	Human Resources Management Services	6	\$329,916	\$0	\$329,916
Security	Security	2	\$184,953	\$0	\$184,953
Supply Chain Mngt	Sourcing and Procurement	5	\$462,383	\$0	\$462,383
Supply Chain Mngt	Purchasing Systems and Operations	4	\$227,701	\$0	\$227,701
Supply Chain Mngt	Contract Management	2	\$147,463	\$0	\$147,463
Supply Chain Mngt	Contract Quality/Devlpmt and SWAM	3	\$211,498	\$0	\$211,498
Supply Chain Mngt	Contract Management System		\$0	\$200,000	\$200,000
Customer Support	Integration Support**	5	\$410,672	\$536,000	\$946,672
Customer Support	Enterprise Service Directors (90%)	7	\$761,781	\$0	\$761,781
Business Services	Asset Inven/Tagging & Contr Abspn Spt	2	\$206,930	\$336,400	\$543,330
Strategic Management	PPEA Initiatives (Other shown is 75%)	2	\$206,930	\$525,000	\$731,930
Facilities	Facilities		\$0	\$686,072	\$686,072
Financial Management	Central Payroll Costs		\$0	\$90,000	\$90,000
		59	\$4,357,939	\$2,373,472	\$6,731,411

\* Assumes a full twelve months for each item.

\*\* The FTE estimate includes five VITA customer support personnel. It does not include the estimated seven FTE's of support provided by VDOT. The cost estimate under personnel is for the five VITA staff and the cost estimate under "other" is the estimate of the charges levied by VDOT for its support.

Estimated Revenues: \$121,856,618    Admin Fee: 5.52%

## Attachment C

### Estimated Annual Direct Bill and Administrative Fee Amounts by Agency

<u>Agency</u>	<u>Estimated Direct Bill Amount</u>	<u>Estimated Administrative Fee (5.52%)</u>	<u>Estimated Total Billing Amount</u>
ACCOUNTS, DEPT OF	804,509	\$44,409	\$848,918
ACCOUNTANCY, BOARD OF	\$9,168	\$506	\$9,674
ADMINISTRATION, SECRETARY OF – ALL	\$34,156	\$1,885	\$36,041
AGING, DEPT FOR THE	\$40,076	\$2,212	\$42,288
AGRICULTURE & CONSUMER SVCS, DEPT OF	\$858,000	\$47,362	\$905,362
ALCOHOLIC BEVERAGE CONTROL, DEPT OF	\$4,092,138	\$225,886	\$4,318,024
ARTS, VA COMMISSION FOR THE	\$3,431	\$189	\$3,620
AVIATION, DEPT OF	\$1,350	\$75	\$1,425
BUSINESS ASSISTANCE, DEPT OF	\$15,800	\$872	\$16,672
CHARITABLE GAMING COMMISSION	\$20,677	\$1,141	\$21,818
CHESAPEAKE BAY LOCAL ASSISTANCE	\$22,525	\$1,243	\$23,768
CHIPPOKES PLANTATION FARM FOUNDATION	\$3,128	\$173	\$3,301
COMM ATTORNEYS' SERVICES COUNCIL	\$1,819	\$100	\$1,919
COMMERCE & TRADE, SECRETARY OF	\$16,915	\$934	\$17,849
COMMONWEALTH, SECRETARY OF THE	\$50,270	\$2,775	\$53,045
COMPENSATION BOARD	\$4,700	\$259	\$4,959
COMPETITION COUNCIL	\$6,289	\$347	\$6,636
COMPREHENSIVE SERVICES FOR AT-RISK YOUTH	\$ -	\$ -	\$ -
CONSERVATION & RECREATION, DEPT OF	\$456,501	\$25,199	\$481,700
CORRECTIONAL EDUCATION, DEPT OF	\$1,100,209	\$60,732	\$1,160,941
CORRECTIONS, DEPT OF / CENTRAL ACTIVITIES	\$5,182,626	\$286,081	\$5,468,707
CRIMINAL JUSTICE SERVICES, DEPT OF	\$170,941	\$9,436	\$180,377
DEAF & HARD OF HEARING, DEPT FOR THE	\$13,297	\$734	\$14,031
EDUCATION, DEPT OF	\$1,514,830	\$83,619	\$1,598,449
EDUCATION, SECRETARY OF	\$12,677	\$700	\$13,377
ELECTIONS, STATE BOARD OF	\$367,220	\$20,271	\$387,491
EMERGENCY MANAGEMENT, DEPT OF	\$657,070	\$36,270	\$693,340
EMPLOYEE RELATIONS COUNSELORS, DEPT OF	\$1,014	\$56	\$1,070
EMPLOYMENT COMMISSION, VA	\$4,576,261	\$252,610	\$4,828,871
ENVIRONMENTAL QUALITY, DEPT OF	\$3,213,133	\$177,365	\$3,390,498
FINANCE, SECRETARY OF	\$11,849	\$654	\$12,503
FIRE PROGRAMS, DEPT OF	\$15,244	\$841	\$16,085
FORESTRY, DEPT OF	\$423,999	\$23,405	\$447,404
FRONTIER CULTURE MUSEUM	\$44,223	\$2,441	\$46,664
GAME & INLAND FISHERIES, DEPT OF	\$642,533	\$35,468	\$678,001
GENERAL SERVICES, DEPT OF	\$1,136,464	\$62,733	\$1,199,197
GOVERNOR'S OFFICE	\$258,767	\$14,284	\$273,051
GUNSTON HALL	\$6,577	\$363	\$6,940
HEALTH & HUMAN RESOURCES, SECRETARY OF	\$18,107	\$1,000	\$19,107
HEALTH PROFESSIONS, DEPT OF	\$518,917	\$28,644	\$547,561
HEALTH, DEPT OF	\$16,985,927	\$937,623	\$17,923,550
HIGHER EDUCATION, STATE COUNCIL OF	\$165,430	\$9,132	\$174,562
HISTORIC RESOURCES, DEPT OF	\$90,390	\$4,990	\$95,380
HOUSING & COMMUNITY DEVELOPMENT, DEPT OF	\$258,395	\$14,263	\$272,658
HUMAN RESOURCE MGT, DEPT OF	\$427,591	\$23,603	\$451,194
HUMAN RIGHTS COUNCIL	\$26,836	\$1,481	\$28,317
INNOVATIVE TECHNOLOGY AUTHORITY	\$450,800	\$24,884	\$475,684
JAMESTOWN-YORKTOWN FOUNDATION	\$179,873	\$9,929	\$189,802
JUVENILE JUSTICE, DEPT OF	\$1,212,950	\$66,955	\$1,279,905

LABOR & INDUSTRY, DEPT OF	\$112,809	\$6,227	\$119,036
LIBRARY OF VIRGINIA	\$772,359	\$42,634	\$814,993
MARINE RESOURCES COMMISSION	\$65,000	\$3,588	\$68,588
MEDICAL ASSISTANCE SERVICES, DEPT OF	\$1,102,696	\$60,869	\$1,163,565
MENTAL HEALTH/RETARDATION & SAS	\$7,061,737	\$389,808	\$7,451,545
MILITARY AFFAIRS, DEPT OF	\$7,500	\$414	\$7,914
MINES, MINERALS, AND ENERGY, DEPT OF	\$259,629	\$14,332	\$273,961
MINORITY BUSINESS ENTERPRISE, DEPT OF	\$25,206	\$1,391	\$26,597
MOTOR VEHICLE DEALER BOARD	\$1,925	\$106	\$2,031
MOTOR VEHICLES, DEPT OF	\$6,124,464	\$338,070	\$6,462,534
MUSEUM OF FINE ARTS, VA	\$206,269	\$11,386	\$217,655
MUSEUM OF NATURAL HISTORY	\$5,500	\$304	\$5,804
NATURAL RESOURCES, SECRETARY OF	\$10,248	\$566	\$10,814
PEOPLE WITH DISABILITIES, VA BOARD	\$11,106	\$613	\$11,719
PLANNING & BUDGET, DEPT OF	\$113,186	\$6,248	\$119,434
PORT AUTHORITY, VA	\$147,911	\$8,165	\$156,076
PROFESSIONAL & OCCUPATIONAL REG, DEPT OF	\$574,752	\$31,726	\$606,478
PROTECTION & ADVOCACY, VA OFC FOR	\$ -	\$ -	\$ -
PUBLIC SAFETY, SECRETARY OF	\$20,255	\$1,118	\$21,373
RACING COMMISSION, VIRGINIA	\$15,000	\$828	\$15,828
RAIL & PUBLIC TRANSPORTATION, DEPT OF	\$116,181	\$6,413	\$122,594
REHABILITATIVE SERVICES, DEPT OF	2,219,193	\$122,499	\$2,341,692
SCIENCE MUSEUM OF VA	\$146,896	\$8,109	\$155,005
SOCIAL SERVICES, DEPT OF	\$8,980,060	\$495,699	\$9,475,759
STATE POLICE, DEPT OF	\$3,028,900	\$167,195	\$3,196,095
TAXATION, DEPT OF	\$10,136,022	\$559,508	\$10,695,530
TECHNOLOGY, SECRETARY OF	\$5,487	\$303	\$5,790
TOBACCO IMDEMNIFICATION & C.R. CO	\$10,500	\$580	\$11,080
TOBACCO SETTLEMENT FOUNDATION	\$1,950	\$108	\$2,058
TRANSPORTATION, SECRETARY OF	\$11,485	\$634	\$12,119
TRANSPORTATION, VA DEPT OF/CENTRAL OFFICE	\$32,961,913	\$1,819,498	\$34,781,411
TREASURY, DEPT OF	\$187,049	\$10,325	\$197,374
VA ECONOMIC DEVELOPMENT PARTNERSHIP	\$ -	\$ -	\$ -
VA RESOURCES AUTHORITY	\$ -	\$ -	\$ -
VA SCHOOL FOR DEAF/BLIND-HAMPTON	\$95,277	\$5,259	\$100,536
VA SCHOOL FOR DEAF/BLIND-STAUNTON	\$100,000	\$5,520	\$105,520
VA TOURISM AUTHORITY	\$ -	\$ -	\$ -
VA WAR MEMORIAL, BRD OF TRUSTEES	\$ -	\$ -	\$ -
VETERAN SERVICES, DEPT OF	\$220,004	\$12,144	\$232,148
VISUALLY HANDICAPPED, DEPT FOR THE	\$872,548	\$48,165	\$920,713
<b>Total</b>	<b>\$121,856,618</b>	<b>\$6,726,485</b>	<b>\$128,583,104</b>

**Attachment D**

**Change in Estimated Billings Between December Approved Rates and Direct Bill Plus Administrative Fee**

<u>Agency</u>	<u>Charges from Rates Approved in December 2003</u>	<u>Charges from Direct Bill w/ December Data</u>	<u>Reduction in Costs Applying New Rates to December Data</u>	<u>Charges from Direct Bill w/ Revised Data</u>	<u>Reduction in Costs Applying New Rates to Revised Data</u>
ACCOUNTANCY, BOARD OF	\$11,988	\$5,632	(\$6,356)	\$9,674	(\$2,313)
ACCOUNTS, DEPT OF	\$932,242	\$1,324,527	\$392,285	\$848,918	(\$83,324)
ADMINISTRATION, SECRETARY OF - ALL	\$9,442	\$36,287	\$26,845	\$36,041	\$26,599
AGING, DEPT FOR THE	\$73,379	\$42,577	(\$30,802)	\$42,288	(\$31,091)
AGRICULTURE & CONSUMER SVCS, DEPT OF	\$1,379,016	\$1,150,827	(\$228,189)	\$905,362	(\$473,654)
ALCOHOLIC BEVERAGE CONTROL, DEPT OF	\$4,802,461	\$4,347,487	(\$454,973)	\$4,318,024	(\$484,437)
ARTS, VA COMMISSION FOR THE	\$22,100	\$3,645	(\$18,455)	\$3,620	(\$18,480)
AVIATION, DEPT OF	\$93,024	\$119,285	\$26,261	\$1,425	(\$91,600)
BUSINESS ASSISTANCE, DEPT OF	\$119,357	\$26,939	(\$92,417)	\$16,672	(\$102,685)
CHARITABLE GAMING COMMISSION	\$74,048	\$21,967	(\$52,081)	\$21,818	(\$52,229)
CHESAPEAKE BAY LOCAL ASSISTANCE	\$38,555	\$33,968	(\$4,586)	\$23,768	(\$14,786)
CHIPPOKES PLANTATION FARM FOUNDATION	\$1,136	\$ -	\$ -	\$3,301	\$2,164
COMM ATTORNEYS' SERVICES COUNCIL	\$4,546	\$ -	\$ -	\$1,919	(\$2,626)
COMMERCE & TRADE, SECRETARY OF	\$12,852	\$17,970	\$5,119	\$17,849	\$4,997
COMMONWEALTH, SECRETARY OF THE	\$55,646	\$53,407	(\$2,239)	\$53,045	(\$2,601)
COMPENSATION BOARD	\$70,182	\$24,420	(\$45,762)	\$4,959	(\$65,223)
COMPETITION COUNCIL	\$6,994	\$6,681	(\$313)	\$6,636	(\$358)
COMPREHENSIVE SERVICES FOR AT-RISK YOUTH	\$ -	\$ -	\$ -	\$ -	\$ -
CONSERVATION & RECREATION, DEPT OF	\$1,272,219	\$483,770	(\$788,449)	\$481,700	(\$790,519)
CORRECTIONAL EDUCATION, DEPT OF	\$3,867,510	\$926,097	(\$2,941,413)	1,160,941	(\$2,706,570)
CORRECTIONS, DEPT OF / CENTRAL ACTIVITIES	\$13,398,470	\$6,737,912	(\$6,660,558)	\$5,468,707	(\$7,929,763)
CRIMINAL JUSTICE SERVICES, DEPT OF	\$1,072,267	\$618,281	(\$453,986)	\$180,377	(\$891,890)
DEAF & HARD OF HEARING, DEPT FOR THE	\$37,243	\$2,274	(\$34,969)	\$14,031	(\$23,212)
EDUCATION, DEPT OF	\$2,061,126	\$1,500,689	(\$560,438)	\$1,598,449	(\$462,678)
EDUCATION, SECRETARY OF	\$11,891	\$13,468	\$1,577	\$13,377	\$1,486
ELECTIONS, STATE BOARD OF	\$192,269	\$390,135	\$197,866	\$387,491	\$195,222
EMERGENCY MANAGEMENT, DEPT OF	\$382,359	\$96,198	(\$286,161)	\$693,340	\$310,981
EMPLOYEE RELATIONS COUNSELORS, DEPT OF	\$26,174	\$12,521	(\$13,653)	\$1,070	(\$25,104)
EMPLOYMENT COMMISSION, VA	\$3,195,951	\$3,047,000	(\$148,951)	\$4,828,871	\$1,632,919
ENVIRONMENTAL QUALITY, DEPT OF	\$2,952,499	\$2,825,176	(\$127,324)	\$3,390,498	\$437,999
FINANCE, SECRETARY OF	\$9,442	\$12,588	\$3,146	\$12,503	\$3,061
FIRE PROGRAMS, DEPT OF	\$59,716	\$16,195	(\$43,521)	\$16,085	(\$43,631)
FORESTRY, DEPT OF	\$990,076	\$450,457	(\$539,620)	\$447,404	(\$542,673)
FRONTIER CULTURE MUSEUM	\$71,795	\$7,441	(\$64,354)	\$46,664	(\$25,131)

<u>Agency</u>	<u>Charges from Rates Approved in December 2003</u>	<u>Charges from Direct Bill w/ December Data</u>	<u>Reduction in Costs Applying New Rates to December Data</u>	<u>Charges from Direct Bill w/ Revised Data</u>	<u>Reduction in Costs Applying New Rates to Revised Data</u>
GAME & INLAND FISHERIES, DEPT OF	\$1,022,481	\$682,627	(\$339,854)	\$678,001	(\$344,481)
GENERAL SERVICES, DEPT OF	\$2,136,899	\$1,611,121	(\$525,778)	\$1,199,197	(\$937,702)
GOVERNOR'S OFFICE	\$263,235	\$274,914	\$11,680	\$273,051	\$9,816
GUNSTON HALL	\$18,404	\$6,987	(\$11,417)	\$6,940	(\$11,464)
HEALTH & HUMAN RESOURCES, SECRETARY OF	\$15,300	\$19,237	\$3,937	\$19,107	\$3,807
HEALTH PROFESSIONS, DEPT OF	\$613,323	\$357,221	(\$256,101)	\$547,561	(\$65,761)
HEALTH, DEPT OF	\$13,242,662	\$11,638,142	(\$1,604,520)	\$17,923,550	\$4,680,888
HIGHER EDUCATION, STATE COUNCIL OF	\$86,960	\$175,753	\$88,792	\$174,562	\$87,601
HISTORIC RESOURCES, DEPT OF	\$258,098	\$96,030	(\$162,067)	\$95,380	(\$162,718)
HOUSING & COMMUNITY DEVELOPMENT, DEPT OF	\$482,644	\$212,296	(\$270,348)	\$272,658	(\$209,985)
HUMAN RESOURCE MGT, DEPT OF	\$546,963	\$454,273	(\$92,691)	\$451,194	(\$95,769)
HUMAN RIGHTS COUNCIL	\$5,682	\$28,511	\$22,829	\$28,317	\$22,635
INNOVATIVE TECHNOLOGY AUTHORITY	\$390,200	\$188,954	(\$201,246)	\$475,684	\$85,484
JAMESTOWN-YORKTOWN FOUNDATION	\$292,744	\$198,617	(\$94,128)	\$189,802	(\$102,942)
JUVENILE JUSTICE, DEPT OF	\$2,837,822	\$2,320,054	(\$517,768)	\$1,279,905	(\$1,557,918)
LABOR & INDUSTRY, DEPT OF	\$515,724	\$184,631	(\$331,093)	\$119,036	(\$396,688)
LIBRARY OF VIRGINIA	\$700,096	\$434,524	(\$265,573)	\$814,993	\$114,897
MARINE RESOURCES COMMISSION	\$311,664	\$130,815	(\$180,849)	\$68,588	(\$243,076)
MEDICAL ASSISTANCE SERVICES, DEPT OF	\$1,182,182	\$822,251	(\$359,931)	1,163,564.82	(\$18,617)
MENTAL HEALTH/RETARDATION AND SAS	\$7,477,290	\$5,953,656	(\$1,523,635)	\$7,451,545	(\$25,746)
MILITARY AFFAIRS, DEPT OF	\$31,482	\$16,658	(\$14,823)	\$7,914	(\$23,568)
MINES, MINERALS, AND ENERGY, DEPT OF	\$1,444,455	\$590,641	(\$853,814)	\$273,961	(\$1,170,495)
MINORITY BUSINESS ENTERPRISE, DEPT OF	\$40,079	\$26,779	(\$13,300)	\$26,597	(\$13,482)
MOTOR VEHICLE DEALER BOARD	\$51,619	\$36,619	(\$15,000)	\$2,031	(\$49,587)
MOTOR VEHICLES, DEPT OF	\$6,081,725	\$6,506,631	\$424,906	\$6,462,534	\$380,810
MUSEUM OF FINE ARTS, VA	\$515,504	\$396,265	(\$119,240)	\$217,655	(\$297,849)
MUSEUM OF NATURAL HISTORY	\$68,831	\$15,931	(\$52,900)	\$5,804	(\$63,027)
NATURAL RESOURCES, SECRETARY OF	\$9,442	\$10,887	\$1,445	\$10,814	\$1,371
PEOPLE WITH DISABILITIES, VA BOARD	\$18,885	\$ -	\$ -	\$11,719	(\$7,166)
PLANNING & BUDGET, DEPT OF	\$246,516	\$118,956	(\$127,560)	\$119,434	(\$127,082)
PORT AUTHORITY, VA	\$397,239	\$157,141	(\$240,098)	\$156,076	(\$241,163)
PROFESSIONAL & OCCUPATIONAL REG, DEPT OF	\$970,924	\$701,144	(\$269,781)	\$606,478	(\$364,446)
PROTECTION & ADVOCACY, VA OFC FOR	\$43,276	\$ -	\$ -	\$ -	\$ -
PUBLIC SAFETY, SECRETARY OF	\$16,436	\$21,519	\$5,083	\$21,373	\$4,937
RACING COMMISSION, VIRGINIA	\$88,215	\$52,432	(\$35,784)	\$15,828	(\$72,387)
RAIL & PUBLIC TRANSPORTATION, DEPT OF	\$171,816	\$123,431	(\$48,386)	\$122,594	(\$49,222)

<u>Agency</u>	<u>Charges from Rates Approved in December 2003</u>	<u>Charges from Direct Bill w/ December Data</u>	<u>Reduction in Costs Applying New Rates to December Data</u>	<u>Charges from Direct Bill w/ Revised Data</u>	<u>Reduction in Costs Applying New Rates to Revised Data</u>
REHABILITATIVE SERVICES, DEPT OF	\$3,506,104	\$2,587,330	(\$918,774)	2,341,692	(\$1,164,412)
SCIENCE MUSEUM OF VA	\$298,273	\$156,062	(\$142,211)	\$155,005	(\$143,268)
SOCIAL SERVICES, DEPT OF	\$18,702,236	\$10,026,854	(\$8,675,382)	\$9,475,759	(\$9,226,476)
STATE POLICE, DEPT OF	\$3,288,981	\$2,444,257	(\$844,724)	\$3,196,095	(\$92,886)
TAXATION, DEPT OF	\$9,633,285	\$10,768,510	\$1,135,224	\$10,695,530	\$1,062,245
TECHNOLOGY, SECRETARY OF	\$13,027	\$5,829	(\$7,198)	\$5,790	(\$7,237)
TOBACCO IMDEMNIFICATION & C.R. CO	\$ -	\$ -	\$ -	\$11,080	\$ -
TOBACCO SETTLEMENT FOUNDATION	\$ -	\$2,072	\$ -	\$2,058	\$ -
TRANSPORTATION, SECRETARY OF	\$9,442	\$12,202	\$2,759	\$12,119	\$2,677
TRANSPORTATION, VA DEPT OF/CENTRAL OFFICE	\$24,969,887	\$29,041,607	\$4,071,720	\$34,781,411	\$9,811,523
TREASURY, DEPT OF	\$270,479	\$179,415	(\$91,064)	\$197,374	(\$73,105)
VA ECONOMIC DEVELOPMENT PARTNERSHIP	\$434,396	\$ -	\$ -	\$ -	\$ -
VA RESOURCES AUTHORITY	\$ -	\$ -	\$ -	\$ -	\$ -
VA SCHOOL FOR DEAF/BLIND-HAMPTON	\$15,507	\$101,222	\$85,715	\$100,536	\$85,029
VA SCHOOL FOR DEAF/BLIND-STAUNTON	\$427,361	\$112,408	(\$314,952)	\$105,520	(\$321,841)
VA TOURISM AUTHORITY	\$120,126	\$ -	\$ -	\$ -	\$ -
VA WAR MEMORIAL, BRD OF TRUSTEES	\$ -	\$ -	\$ -	\$ -	\$ -
VETERAN SERVICES, DEPT OF	\$85,581	\$ -	\$ -	\$232,148	\$146,567
VISUALLY HANDICAPPED, DEPT FOR THE	\$556,914	\$104,640	(\$452,274)	\$920,713	\$363,799
	<b>\$142,236,395</b>	<b>\$114,463,877</b>	<b>(\$27,066,644)</b>	<b>128,583,104</b>	<b>(\$13,068,629)</b>

**Explanation of Blank Entries:**

Agencies with blanks in the December rates column (Column 1) reported no data in a survey of agencies on IT spending and assets completed by VITA, and there was no means for determining the number of employees to estimate the number of desktops and / or laptops they used. The exception is Comprehensive Services for Youth-at Risk which is covered as part of DSS.

Agencies with numbers in the December rates column (Column 1) followed by blanks in the direct bill w/ December data column (Column 2) also reported no data on the VITA IT spending and assets survey. The statewide personnel system (PMIS) was used to identify the number of employees in the agencies to estimate the number of desktops for December rates calculations (Column 1) but the same counts were not used to estimate the direct bill amount because raw numbers gave no indication of spending patterns which was otherwise determined from survey data.