

# State of Washington Total Cost of IT Ownership Assessment

## **Background:**

The state of Washington spends nearly \$1 billion annually on information technology staff, infrastructure, applications, maintenance and operations — spread across dozens of agencies and institutions. Last year, in an effort to better align and modernize Washington's IT investments, the Legislature and Governor Gregoire created the new state Office of the Chief Information Officer (OCIO).

Earlier this year, the OCIO unveiled a long-range technology strategy and action plan for the state. One of the top priorities identified in the plan: "Improving accountability and insight into technology investments." The OCIO brings a big-picture view of agency investment and strategies, assuring policy leaders that those investments and strategies fit an enterprise view of IT. At the same time, the state began working with Gartner Consulting to develop the state's first-ever "total cost of IT ownership (TCO) assessment" for the state. Gartner is a trusted IT research and advisory company that works with thousands of businesses and governments worldwide and is considered the gold standard for TCO analysis and methodology.

## **About the TCO assessment:**

Total cost of ownership is an apples-to-apples comparison of a snapshot of expenditure information among peer organizations.

Developing a statewide IT cost assessment was a major undertaking that required an enormous amount of input and effort from agencies. After working with the state for eight months to gather all of the necessary data, Gartner began analyzing the total cost of IT ownership — including infrastructure, application development and support — for 39 state agencies. Gartner's assessment compares the agencies' total cost of ownership, cost structure and productivity levels. It also contrasts the total for all of the reporting agencies to "peer" organizations — including government and private sector — of similar size and technical characteristics. Finally, Gartner identified areas of risk and opportunities for the state to improve.

## **What did Gartner find?**

- Within the 39 agencies examined by Gartner, the state's total IT spend in fiscal year 2011 was \$596 million — about \$12 million, or 2 percent, more than the peer organizations.
- Compared to so-called "25<sup>th</sup> percentile" peers — enterprises with the most efficient IT systems based on Gartner's research and cost database — Washington spent about \$146 million, or 32 percent, more.

- Gartner found that Washington's IT staffing levels are 14 percent greater than what peer organizations — and 47 percent greater than what peers in the 25<sup>th</sup> percentile — would require for the same workload. However, Gartner expressed concern that some agencies may be too thinly staffed for the technologies they run and workloads they support.
- While the state's overall IT costs are in line with peer averages, there are some significant variations among agencies in terms of IT infrastructure spending and staffing levels.
- Agencies who are closer to the 25<sup>th</sup> percentile should be leading and transferring their know-how in ways that moves the enterprise from simply average, to better than average. That's consistent with the OCIO educational mission and activities.
- We should make IT financial management a priority to capture savings and redirect expenditure in IT to high value undertakings.

### **What's next?**

The Total Cost of IT Ownership Assessment is just the first step. As Gartner notes, the state should not attempt to draw any broad or immediate conclusions with the raw data provided in this assessment. Instead, Gartner suggests using the assessment as a framework to explore opportunities for improvement within the agencies and statewide.

The assessment provides valuable data that will enable the OCIO and IT and fiscal staff in the agencies to identify these areas for improvement and share existing best practices across state government.

Using the assessment as a baseline, the OCIO's next aim is to build tools to monitor IT investments on an ongoing basis to ensure that we are always improving and able to keep up with rapid advances in technology.