

U.S. General Services Administration • Office of Citizen Services and Communications

# NEWSLETTER

*Innovative Funding • Issue 15 • October 2004*

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## Government Agencies: Meeting the Challenge Using Innovative Funding Strategies

*M.J. Jameson, Associate Administrator, GSA Office of Citizen Services and Communications*

It is a major challenge for any large organization – including governments – to acquire the necessary resources to fulfill their missions and meet the growing needs of customers. For government entities, funding projects that are not earmarked for appropriated funds are a special challenge. Accordingly, many governments have

found new ways to meet their financial needs by using various innovative funding strategies. It is those strategies that will be discussed in this newsletter and they range in scope from the innovation fund and Invest to Save Budget, to fee for service. These strategies are being employed by agencies on the local, state, federal, and international levels.

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The **INNOVATION FUND MODEL** creates a source of seed funds for new projects; usually pilot projects and can be established through a fee against other expenditures of funds such as a percentage of telephone charges. Funds distributed under the innovation fund model can be provided as a loan or as a grant to the requestor. The structure of this fund often calls for the development of a business case, which creates opportunities for a return on investment.

The **INVEST TO SAVE BUDGET (ISB)** which has been employed successfully in the United Kingdom, encourages partnerships throughout the public sector. The ISB approach promotes funding for projects that call for a partnership among two or more public bodies and tests innovative methods of service delivery, often at the pilot stage. A goal of the ISB strategy is to improve the quality and cost effectiveness of public service.

The **FEDERAL ASSET SALES (FAS) INITIATIVE** calls for an innovative pricing strategy for selling surplus personal and real estate property. This strategy does not require appropriated funds or any upfront investment from the government. FAS teams design an end-to-end, vendor-owned and -operated commercially available capability that leverages existing marketplaces and provides services to facilitate the sale of federal assets.

The **TEXASONLINE MODEL** is designed to generate revenue by placing applications and services online. Agencies and local governments participating in TexasOnline not only build a revenue stream but also receive a host of added benefits. These benefits include telecommunications services, access to call center operations, strong Web site security, 24/7 availability, a common payment system, translation services and outreach and marketing services.

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**U.S. General Services Administration  
Office of Citizen Services  
and Communications  
Office of Intergovernmental Solutions**

**Co-editors**

John Clark, James Mackison,  
Lisa Nelson, Bernita Tart

**Comments and Suggestions**

Your comments and suggestions are always welcome. Let us know if you find the information useful and what articles you like. Send mail to: [lisa.nelson@gsa.gov](mailto:lisa.nelson@gsa.gov)



**1-800-FED-INFO**

# Federal News

**EARTH 911** is an environmental clearinghouse serving both governments and communities. Information provided includes everything from what to do with solid waste to beach reports to educational activities for the environmentally conscious. With donations from companies and grants from governments, a staff of about 30 has created a one-stop shop for people who want to get information and live in more environmentally responsible ways.

The province of Ontario has created a number of cost-effective funding solutions by consolidating the IT functions of nearly 30 ministries into seven key **IT CLUSTERS**. In doing so, Ontario has created an environment encouraging innovation and greater efficiency. Under each cluster's umbrella, a number of like ministries move toward common IT goals that build on shared and unique information and knowledge management requirements and are enabled by an enterprise-wide, infrastructure platform.

**SvalSat** is a satellite facility operated by the Norwegian Space Centre (NSC) through an intergovernmental agreement between the United States and the Kingdom of Norway. SvalSat acts as a receiving point for polar-orbiting satellites to download data for critical NASA and NOAA weather and earth science programs. Data downloaded from the satellites can be transmitted to the U.S. through undersea trans-Atlantic cables, a system developed by NSC and US agencies. Hannon Armstrong provided funding for the project which was engineered by Tyco Telecommunications. In exchange for providing the up-front capital for the project, the financial services firm will receive annual service payments from each of the U.S. agencies for the next five years. After that time, the agencies will have essentially free use of the service until 2030.

The **SHARE-IN-SAVINGS** concept links payment to performance, whereby payment to a contractor is made from future savings (or revenue) achieved by improving the efficiency and/or effectiveness of government processes. Since payment is only received based on achieved benefit, the risk to government is minimized. The United States General Services Administration, Office of Governmentwide Policy, has established a Share-in-Savings program to conduct additional research, develop tools, and promote the concept governmentwide.

**MICHIGAN WI-FI (MI WI-FI)** is a collaborative project among the Michigan Department of Information Technology, Department of Natural Resources, Michigan Department of Transportation, Travel Michigan, SBC (FreedomLink) and Intel. This public-private partnership is working to provide wireless Internet access to business travelers, truckers, boaters, campers and tourists in Michigan. The Michigan Wireless Funding model is a hybrid approach that consists of state assets, state –in-kind services, grants and one time

donated equipment, services and user fees. The state as well as the private sector provides marketing and promotion.

The **SOLUTION ARCHITECTURE INTEGRATION LAB (SAIL)** is a private/public partnership formed to improve the efficiency and effectiveness of the IT Capital Planning and Architecture process by providing a collaborative IT research and validation “lab”. SAIL was formed to reduce the time, costs and risk associated with researching, modeling and validating reusable IT solution frameworks. SAIL members provide the necessary infrastructure and share lessons learned, vetting methods, solution templates, and a knowledge repository. SAIL provides government and industry a set of reusable IT solution blueprints that detail critical attributes required for decision making; services functions, interoperability requirements, security metrics, return on investment, business fits and infrastructure requirements.

The Florida State Technology Office, through its **ENTERPRISE PROCUREMENT** program, provides enterprise-purchasing opportunities to state agencies and eligible cities and counties. Using this economies of scale approach resulted in significant cost savings across state and local agencies. For example, during the 2003-2004 fiscal year, the Florida State Technology Office conducted enterprise procurement for personal computers (PC) and realized savings of \$350 per PC. Agencies purchased a total of 5,300 PCs, resulting in total savings of \$1.8 million.

Government officials must frequently evaluate their existing business lines and reallocate resources as necessary. Over time, governments add new business lines but often fail to take the time to review their existing work and determine if it still has value. For example, to fully realize the capabilities of GSA's USA Services Initiative it became necessary to reallocate staff and funds, develop a clear course of action and reshape the leadership team. Even with adequate funding, it was critical to obtain buy-in from other agencies to ensure long-term success. To accomplish this, senior GSA officials met personally with the senior executives of all cabinet-level agencies. This has resulted in increased collaboration and 22 working agreements.

In summary, it is essential for managers to take a broad approach to funding IT and other projects. Governments should explore the innovative funding strategies discussed in this newsletter in the hope that they may benefit from the innovative approach taken by various government entities across the country. Finding alternative sources of funding may be the determining factor in implementing a valuable initiative that will allow government to do what it should be doing – serving the people in the most efficient and effective manner possible.

## Agile Funding

By Michelle Hefner

Electronic Government and Technology Office, Office of Governmentwide Policy  
U.S. General Services Administration

### Introduction

In the U.S. Government, funding for new projects has always been a challenge – it is even more so now with tight budgets. At a time when Federal agencies are being held to higher accountability for performance and results, the complexity of meeting evolving needs and obtaining new funding in the year when it is needed can seem overwhelming. Added to this challenge is the need for more cross-agency coordination on projects driven by the need for integration, economies of scale, and the ability to be more agile in a rapidly changing environment. Agility implies a need to have a more creative way to fund solutions than the traditional two-year appropriated budget cycle. Various innovative funding strategies can be employed, such as the use of working capital funds, fee for service, share-in-savings, public-private partnerships, and innovation funds. This article focuses on the use of innovation funds.

### The Innovation Fund

Similar to venture capital frameworks, the innovation fund model creates a source of seed funds for new projects, usually pilot projects. The fund can be created either through a direct appropriation or through a fee against other expenditures of funds such as percentage of telephone charges. Funds distributed can be provided as a loan or as a grant to the requestor. As a caveat, using this model can be politically sensitive. While there are criteria for selection for projects, there usually is not the same Congressional oversight provided for

selection of initiatives. For example, in FY 1995 the U.S. Information Technology (IT) Innovation Fund was created as a guaranteed source for seed money to start innovative initiatives. Money for the fund came from a one percent surcharge on the Federal Technology Service (FTS) 2000 long distance telecommunication service to agencies. Funds were loaned or granted based on proposals and competition. Selection of projects and oversight of funds was achieved through a joint committee representing the Interagency Management Council and the Government Information Technology Services (GITS) Board. There was always controversy about the fee charged to agencies on their telecommunications expenses. The add-on fee also raised the price of telecommunications at a time where the FTS had to maintain a competitive position on the now non-mandatory telecommunications program. The innovation fund was ended.

Directly appropriated funding from Congress for an innovation fund became the next source of funds. The E-Gov Fund was created for new initiatives that are cross-agency in nature. This fund has had its ups and down. Authorized for \$345 million over six years, the fund has only had \$3-5 million appropriated each year since its inception in FY02. The E-Gov fund has provided seed funding to some of E-Gov initiatives including Gov Benefits, FirstGov, Business Compliance One Stop, E-authentication, and On-Line Rulemaking. Since the level of new funding needed was not forthcoming,

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a new approach was sought.

The U.S. General Services Administration's Federal Supply Service collects 0.75% as administrative overhead on all goods sold. Most of that is used for personnel and management costs. But, since the supply fund produces a revenue surplus that otherwise would be returned to the Treasury each year, it was viewed as a possible source of funds. Using the surplus funds requires Congressional approval. Therefore, GSA requested approval for the E-Gov Fund to tap surplus revenues from the GSA's Federal Supply Fund for as much as \$40 million to fund projects in FY2005.

Some Federal agencies also have funding available for pilot projects that have the potential for demonstrating positive return on investments. For example, the Department of Navy (DON) eBusiness Operations Office provides seed money for projects that use technology innovation to improve business processes across the entire department. Successful eBusiness pilot proposals are of limited scope, cost, and duration in order to rapidly develop working prototype solutions. Proposals are expected to address improving current DON business processes and provide a positive return on investment (ROI). In order to meet the criteria for selection, projects should address a business problem, not duplicate another

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initiative underway in Navy and be performed within specific schedule and cost parameters. A key to the success of this effort is the formal process established to select and control pilot projects. Decisions whether to fully implement the project are based on the results of the pilot. The Department of Navy eBusiness Office has an office dedicated to reviewing potential pilot projects and providing seed money. They have a rigorous review process, including established criteria, scripted interviews, senior level review and approval, and a follow-up process to evaluate results. This is critical to the viability of using innovation funds as means to apply creative ideas to legacy or emerging issues.

## Advantages

The advantage of innovation funding is that it provides an opportunity to test the waters with a proof of concept. It also allows time to develop a business case for the project and have more realistic return on investment and analysis of alternatives data. If implemented properly, the innovation fund can be self-funded, thus institutionalizing the program and providing benefits over many years. The innovation fund also provides an avenue to channel creative approaches to addressing emerging issues. It can provide the agile funding needed in a development cycle that does not necessarily mimic the budget cycle.

## Challenges

One of the benefits of innovation funding is that it can be self-funding. This is also one of the challenges. Unless there is a formal, enforceable agreement in place that provides for repayment of future savings to the innovation fund, the replenishment of funds will most likely not happen. Additionally, many of the benefits achieved

through the use of innovation funds avoid future costs rather than realize real savings. Given this, there needs to be a steady source of seed money available each year to provide to promising projects.

Sustained and consistent funding has always been the challenge to developing a proof of concept and then institutionalizing the program. Once a program is shown to have value, requesting new funds, particularly in times of tight funding, is not likely to provide sustained funding. Often funding projects requires existing processes to be reengineered or abandoned, which can be met with resistance in projects that have been ongoing for many years. Of course, much of this looks to squeeze savings from existing appropriated funds. The problem is that it takes investment upfront to realize savings down the road – a long-range view not always readily accommodated in a budget-cutting political environment.

## Summary

The use of an innovation fund is a valuable tool that can help agencies generate new ideas and approaches to addressing new or existing challenges. For this funding option to be viable, it has to be well managed, with a vigorous process in place to select projects and oversee their implementation. Senior management level support and strong management of the process will determine how successful an innovation fund will be. Innovation funding provides an opportunity for agencies to be agile and responsive in a fast moving environment.

*Ms. Heffner can be reached via e-mail at [michele.heffner@gsa.gov](mailto:michele.heffner@gsa.gov) or via phone at (202) 501-0954.*



## An Innovative Funding Model for Selling Government Surplus Property

By Mitra Nejad

Federal Asset Sales Initiative, Public Buildings Service, GSA

One of the early priorities of the Bush Administration was to generate a quantum leap in the Federal Government's ability to provide services to citizens using modern technology. The Federal Asset Sales (FAS) Initiative, one of the initial 24 e-Government Initiatives borne from the Quicksilver e-Government Task Force, developed an innovative pricing strategy for selling surplus personal and real estate property that does not require appropriated funds or any upfront investment from the Government.

The Federal Government sells billions of dollars of surplus personal property and real estate to the public each year. Currently, each agency uses disparate methods to sell their assets, including various Federal web sites to list their asset sale information online. This decentralized environment is confusing to both citizens and businesses that want to acquire surplus Government assets. Further, the process often does not maximize sales proceeds since it does not always use efficient marketplaces that increase competition among buyers.

The FAS Team crafted an end-to-end vendor-owned, vendor-operated commercially available capability that leverages existing marketplaces and provides services to facilitate the sale of Federal assets. This innovative approach will utilize a "Service Aggregator" whose tasks will include providing strategic sales advice and sales-related services. The Service Aggregator will also tailor the offering to generate the maximum return on assets for the Government.

The FAS solution will enable the Government to achieve the following five high-level program objectives:

- **Objective 1.** Make it easier for citizens, businesses, and Government agencies to locate and acquire Government personal property assets: The FAS solution will allow citizens and businesses to simply and easily find assets for sale.
- **Objective 2.** Increase net proceeds from asset sales: The FAS solution will leverage efficient marketplaces, provide a wide range of strategic, pre- and post-sale value added services, and determine the most effective on-line or off-line sales channel to maximize the net proceeds from sales of Government goods.
- **Objective 3.** Decrease agencies' expenses related to asset sales: The FAS solution will leverage economies of scale to obtain a simpler, more cost effective approach for agencies to sell their assets.
- **Objective 4.** Accelerate asset disposal cycle time: The FAS solution will allow agencies to sell assets quickly without compromising pricing performance.
- **Objective 5.** Improve and streamline Government sales processes: The FAS solution will allow agencies to increase efficiency and sales turnaround times.

To meet these objectives, the FAS Team created an innovative pricing structure that will enable the Government to receive services from

the most qualified vendor and to procure a solution that maximizes value for both the Government and the citizens. The innovative structure comprised of two pricing models: the "Incentive Aligned" model and the "Fee-for-Service" model. These two models promote a thorough aligned partnership between the chosen Service Aggregator and the Government, while providing flexibility for the Federal agencies to choose and pick from an available array of services through a pre-negotiated menu. The pricing structure ensures that the Service Aggregator and the Government share in any risks associated with the sale of Government assets and that both parties have complementary enticement to maximize net sales proceeds.

### Incentive Aligned Model

Under the Incentive Aligned Model, the Government will receive the amount of the sale proceeds from asset sales ("gross proceeds") less the amount of approved costs of managing, marketing and selling the property ("direct costs"). Under this approach, the Service Aggregator each month receives payment of a fee equal to the percentage of the net proceeds (gross proceeds minus direct costs) for the preceding month for all sales transactions completed. This model aligns financial incentives since the Service Aggregator can only increase its compensation by maximizing the net proceeds and increasing the corresponding payments to the Government.

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The Fee under the Incentive Aligned Model (generated by multiplying the pricing percentage by the difference between gross proceeds and direct costs) will provide compensation to the Service Aggregator to cover its costs relating to administration and oversight, and marketing activities conducted to secure the participation of federal agencies. The above costs are separate and distinct from Deal Specific Costs, which are included in direct costs (i.e., fully reimbursable to the Service Aggregator), so long as they can be reasonably attributed to a specific agency relationship. The Fee covers overhead, profit and the Service Aggregator's costs of administration and management, and marketing its services to agencies.

## Fee-for-Service Model

Under the Fee-for-Service Model, the Service Aggregator is reimbursed through a fee paid as a percentage of gross proceeds for marketplace services, payment collection, and other required pre- and post- value added services. Under this model, the Service Aggregator is offering to agencies a "menu" of separately price services from which the agency may choose. For example an agency may select only marketplace services, while another agency may

choose both value added services and payment collection.

In closing, the FAS solution represents an incredible opportunity for the Federal Government to generate additional revenue, while saving millions of dollars by reducing agencies' asset sales expenses, accelerating their asset disposal cycle times, and improving and streamlining their sales processes. Under this innovative pricing structure, which required no down payment for start-up costs, the Service Aggregator will be reimbursed over time through the sale of surplus Government assets. This pricing structure entices both the Government and the Service Aggregator to maximize net sales proceeds, and at the same time distributes the risks inherited with the sale of Government assets to both parties. Taking advantage of such an opportunity will generate great revenue for the Government, but also make it easier for citizens and businesses to find and buy assets for sale. Now, that's a win-win for the Government, citizens, and businesses!

*Ms. Nejad can be reached via email at [mitra.nejad@gsa.gov](mailto:mitra.nejad@gsa.gov) or via phone at: (703) 872-8607.*



## Implementing Share-in-Savings As a Performance Based Contracting Tool

By Kenneth J. Buck

Share in Savings Program Office, United States General Services Administration  
(published in Spring 2004 issue of Procurement Lawyer Journal)

The passage of the E-Government Act of 2002 (Public Law 107-347) sent a strong message to federal agencies and industry that performance based concepts in procurement and program management should be the rule rather than the exception. A key provision in Sections 210 and 317 of the Act, entitled Share-in-Savings (SiS) Contracting, expanded the authority established in the Clinger Cohen Act of 1996 and addressed many presumed legal impediments.

Under the concept of SiS, agencies may launch or expand information technology (IT) programs with little or no upfront funding, while linking payment to performance. Payment to a contractor is made from future savings (or revenue) achieved by improving the efficiency and/or effectiveness of government processes. Since payment is only received based on achieved benefit, the risk to government is minimized. By amending Title III of the Federal Property Act, as codified in 41 USC 266a (b) (3), Congress clarified that an agency can enter into a contract without funds "made specifically available for the full costs of cancellation or termination of the contract." As such, any lingering doubts about violation of the Anti Deficiency Act were satisfactorily addressed.

In partnership with the Council for Excellence in Government, GSA's Share-in-Savings Program Office held a widely attended Summit on January 22, 2004. Congressman Tom

Davis (R-VA), an outspoken proponent of the SiS concept, served as the keynote speaker. In response to his challenge, several agencies including EPA, Navy, DHS, Transportation and the Interior Departments have launched initiatives ranging from telecom recovery audits to large-scale systems consolidations. In addition, GSA's Program Office has overseen the promulgation of FAR policy, the posting of e-tools to help with business case development and proposal evaluation, the development of a two-day training course, and the establishment of Blanket Purchase Agreements as a means to pre-qualify industry partners that have experience with implementing programs under the SiS concept. Progress in each of these key areas can be found at:  
<http://www.gsa.gov/shareinsavings>

The SiS concept is not new to government. It has been applied for decades to energy savings performance contracts and through value engineering provisions. However, those applications are somewhat less complex than in the information technology environment since the baseline costs are generally more clearly identified and progress somewhat easier to measure. In energy savings contracts, there are often meters, which offer objective and credible baselines against which to measure accrued savings or revenue. In the value engineering arena, the contracts are already established which allows for a more credible parametric baseline analysis

based on historical data.

The application of SiS to IT related programs, while widespread at the state and local levels, has been limited at the federal sector. One of the chief reasons is the federal government's inability to deploy reliable cost accounting systems, which makes it difficult to formulate credible cost baselines. According to a recent GAO report (January 2003), as well as interviews conducted with members of the International Technology Association of America (ITAA), there are additional reasons for the slow adoption of performance based type concepts such as SiS. These include: lack of senior leadership at OMB and within agencies to engage in a concept that can create "off budget" funding sources, little understanding of the nuances of incentive/performance based contracting by government acquisition officials, and the resistance on the part of agencies to allow industry access to key documents and information.

Many government procurement officials were found to be reticent to engage prospective contractors as equal partners, choosing instead to follow a traditional "arms length" strategy. This mode of behavior has proven to serve as a disincentive to potential contractors to invest in programs where there is insufficient data to inform a valid return on investment calculation. In addition, it has bred an environment of mistrust, the antithesis of the type of

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relationship that is needed to successfully implement SiS contracting.

Until recently, the only application of the SiS concept for a major system was accomplished by the Department of Education. In this now famous case study, Education consolidated several legacy systems under their Student Financial Aid program. The success of this program validates the findings of GAO and ITAA that in order to successfully apply the SiS concept, agencies need to have engaged and enlightened senior leadership, a willingness to share detailed program information with the contractor, and a culture that accepts the contractor(s) as an equal partner with a voice in making difficult program related decisions.

At Education, the contractor agreed to finance the development and implementation of a new and complex system through replacement and consolidation of antiquated legacy systems. In return, the contractor was given a seat at the Steering Committee table, which traditionally is comprised only of senior

government executives that oversee the management of a program. As a member of the Steering Committee, the contractor was given access to government baseline data and budget information that traditionally is not shared with industry.

The end result was that the contractor recovered its costs through the savings realized by more efficient processes, plus a profit commensurate with the high risk. This concept proved to be a natural incentive for the contractor to manage its costs and produce a quality solution in the shortest possible time. In essence, this particular situation has proven to support the premise that SiS is a prime example of performance based contracting.

Because of recent changes in leadership at OMB in the procurement and E-Gov areas, limits in funding by Congress to key programs, and the creation of supporting e-tools and policy by GSA, the concept of SiS is gaining more support and interest. OMB has taken an active role in the promotion of the concept through the development of a proposed FAR Rule

for SiS Contracting. Further, GSA's Office of Governmentwide Policy has established a Share-in-Savings (SiS) Program to conduct additional research, develop tools, and promote the concept governmentwide.

In addition to more supportive leadership, OMB's insistence on performance based budgeting through the A-11 process has resulted in more rigorous management and reporting of program costs by agencies. An unforeseen byproduct of this process, which has been in effect since FY 2000, is that historical data is now available to help establish credible baseline data. Having a credible baseline against which to measure results is a key factor in attracting investment dollars from industry.

ITAA is a leading trade association representing the broad spectrum of the world-leading U.S. IT industry.

*Mr. Buck can be reached via email at [kenneth.buck@gsa.gov](mailto:kenneth.buck@gsa.gov).*





# State and Local News

## Enterprise Procurement

By Simone Marsteller  
State Chief Information Officer  
Florida State Technology Office

Until recently, the State of Florida employed a decentralized process for purchasing information technology (IT) products and services and each agency was responsible for its own technology procurement. As a result of this practice, the state was not fully leveraging its buying power on hardware and software purchases.

Through enterprise procurement, the Florida State Technology Office (STO) represents the State of Florida as a single customer in the purchase of IT products and services to obtain the lowest cost and the highest quality.

The STO provides enterprise purchasing opportunities to state agencies and eligible cities and counties, resulting in significant cost savings across state and local agencies.

For each enterprise purchasing opportunity, the STO:

- Works with agencies to identify standard configurations for selected technology;
- Develops ongoing communications regarding procurement model to continuously improve the process;
- Identifies the preferred frequency of enterprise purchasing of IT hardware; and
- Leverages the buying power of the State of Florida to effectively reduce the cost of products and services, while also reducing the order cycle time.

The success of the STO's enterprise purchasing opportunities is determined by the impact on the overall long term goals of each agency, earning the active support of each state, local and eligible municipality, and combining people, power and technology.

During the 2003-2004 fiscal year, the STO conducted an enterprise procurement for personal computers (PC). Through this enterprise approach, the State realized a savings of \$350 per PC. Agencies purchased a total of 5,300 PCs, resulting in a total savings to the State of Florida of \$1.8 million.

The STO continues to develop cost savings initiatives through new technologies, the negotiation of contracts, and enterprise purchases. In addition to the enterprise PC purchase, the STO also established an Enterprise Licensing Agreement with Microsoft that saved the state \$4.2 million in software licensing costs.

In addition, the STO constantly strives to provide the most value to its customers. Thus, the STO is currently working with state agency and local government chief information officers to identify the following:

- How often it should process Enterprise Request for Quotes;
- Whether its current needs analysis spreadsheet includes sufficient criteria to accurately identify each agency's information technology needs;

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- Whether the STO provided satisfactory customer service on previous Enterprise Request for Quotes;
- Whether when ordering, the agency experienced any problems with the vendor's website; and
- How the STO can streamline the aggregate purchasing process to better serve its customers.

The STO was created by Governor Jeb Bush and the Florida Legislature in 2000. Its mission is to collaborate with state and local governments to optimize existing services and enable new services, new growth, and new successes for the citizens and businesses of Florida.

*For additional information on the STO and enterprise procurement, contact Simone Marsteller, State CIO, Florida, at [simone.marsteller@myflorida.com](mailto:simone.marsteller@myflorida.com) or visit <http://sto.MyFlorida.com>.*

# State and Local News

## Funding Texas Online

*By Vidhya Sriram  
Policy Analyst,  
Department of Information Resources,  
TexasOnline Division,  
State of Texas*

In 1999, the state legislature mandated the creation of an e-government portal for the State of Texas. As a result, TexasOnline was created and in four short years has grown to become one of the emerging leaders in e-government in the country. What makes the progress of TexasOnline so outstanding is the fact that no General Revenue funds were used. Budget-tight states around the country have used a variety of methods to fund their state portals, including using tax dollars and selling public data. TexasOnline is built on a self-supporting model. Our private partner is investing in the portal infrastructure costs, estimated at \$26 million, and is recovering these costs through a combination of user fees, subscription fees, and premium service fees. The state receives 10% of the gross revenue generated by applications. After the initial costs are recovered, the state's share will jump to an additional 50% of net revenues.

Among the funding options that were chosen were the use of user fees – fees charged to the user on an individual transaction basis, subscription fees – fees charged to an entire population of users regardless of whether they use the online service, and hosting and service fees – annual fees charged for application development, hosting, or ongoing maintenance and support. Funding online applications using fees enables governments to implement online initiatives without a significant impact to internal budgets.

In assessing the need to create an online application for a government entity, TexasOnline works with these entities to develop a business case for each individual application. Once the business case is developed, TexasOnline helps the government entity determine an appropriate funding mechanism for that government entity by anticipating the potential revenues that can be generated from the online channel.

The benefits to government entities using the TexasOnline model are numerous. The applications on TexasOnline have been provided without the use of tax dollars. Government entities are able to provide online services on TexasOnline at little or no cost. Government entities that do not have IT staff capable of building and maintaining online applications can use the skilled TexasOnline staff. Government entities now have the ability to implement online initiatives with the security and high quality of

service that they would not otherwise be able to afford. In addition to being able to provide online services, agencies and local governments participating on TexasOnline are provided a host of added benefits such as telecommunications services, access to call center operations, strong web site security, 24x7 availability, a common payment system, translation services and outreach and marketing services. Prior to the creation of an e-government portal in Texas, most government entities in the state were unable to provide online applications nor the security and level of service that they can now provide through TexasOnline.

The TexasOnline funding model is designed to generate revenue for the state, and allows TexasOnline to be self-supporting while providing additional resources for developing more services online. TexasOnline's mission is to provide low cost solutions for government entities wanting to place services and applications online. The self-supporting model employed by TexasOnline to fund online initiatives has enabled government entities in the State of Texas to place applications and services online when no other funding mechanism was available. What has resulted from this unique funding approach is a state portal that is one of the emerging leaders in the arena of e-government.

Texas is unique. There is no state income tax so; citizens are often charged a fee for government services. Therefore, although citizens are charged a fee for many of the services on TexasOnline, citizen responses to TexasOnline are overwhelmingly positive. Surveys conducted on customer satisfaction indicate that over 98% of respondents are satisfied with the level of service they found on TexasOnline. Indeed this high level of satisfaction with TexasOnline's services has remained consistent as is further evidenced by the 96% of respondents who stated that they would recommend the services on TexasOnline to others. Government entities are also satisfied with being able to provide online services on TexasOnline. Surveys of agency and local government satisfaction with TexasOnline find that as a result of placing services online, government entities reported increased efficiency in a number of areas including; faster processing of transactions, improved turnaround time, improved accuracy of information delivered to the government entity, and streamlining of operations. As a result of these positive outcomes, almost 80% of all government entities currently using TexasOnline are considering expanding the types of services they provide online. These results are a true testament to the value that TexasOnline brings to the State of Texas.

*For more information, contact Vidhya Sriram, Policy Analyst  
Department of Information Resources, TexasOnline Division at  
vidhya.sriram@dir.state.tx.us.*

# State and Local News

## New Trends and Approaches for State IT Funding

By Mary Gay Whitmer,  
Issues Coordinator – Digital Government,  
National Association of State Chief Information Officers

The National Association of State Chief Information Officers (NASCIO) recognizes the need for innovative funding approaches to fund IT projects and systems that provide citizens with better, quicker, and more efficient services. To inform its members about new funding techniques, in November 2003 NASCIO published *Innovative Funding for Innovative State IT: New Trends and Approaches for State IT Funding*. The publication includes the results of a survey conducted by NASCIO's Corporate Leadership Council (CLC) that asked states what types of innovative funding models they use for technology projects. Based upon the survey, one or more states are using the following innovative funding models:

- Bonds
- Public-Private Partnerships
- Performance-Based Contracting
- Sharing Services
- Investment Funds
- Leasing & Financing
- Certificates of Participation
- Purchasing & Procurement Strategies
- Outsourcing & Managed Services
- Benefits Funding
- Budgeting & Appropriation Strategies.

Among the survey respondents, the most popular innovative funding

models were Budgeting & Appropriation Strategies, Purchasing & Procurement Strategies, Outsourcing & Managed Services, and Leasing & Financing.

In addition to identifying trends in states' use of innovative IT funding models, NASCIO's publication also describes each funding model and provides nine illustrative case studies for each model's implementation.

### Trends in Innovative Funding Models:

Based upon the survey, one overarching trend became apparent: **Successful innovative funding models enable states to deliver savings, improve services to citizens, and, in some cases, generate new revenue streams.** Other trends NASCIO identified include:

- **The use of innovative funding models has grown out of a need to fund large, multi-year, multi-agency state IT projects.** Based upon the nine case studies contained in its publication, NASCIO discovered that the implementation of innovative funding models has grown out of states' need to pursue large IT projects that could not otherwise be adequately funded through state general fund appropriations. For example, Tennessee identified a need for short-term funding for IT projects that would serve as the infrastructure for providing services to citizens. To address that need, the state

created an investment fund from which short-term loans could be made to state agencies to finance large IT projects.

- **Tight budgetary times drive innovative funding solutions:** During times when budgetary resources are limited, states look to fund technology through less traditional methods. NASCIO's innovative funding publication details how Massachusetts used funding through a bond issuance during the recession of the early 1990's in order to move technology forward even during difficult economic times.
- **States are increasingly turning to innovative funding models as an alternative to financing projects through state general funds:** By focusing on alternative funding methods, state CIOs are seeking to take IT projects out of the highly competitive quest for state general fund appropriations, while ensuring the vitality of multi-year IT projects and, in some cases, creating new revenue streams. Arizona's new tax system used the benefits that accrued from the system's implementation to fund the project, which actually created a new revenue stream for the state.
- **Many state innovative funding models involve inter-agency collaboration as a means of addressing state budgetary challenges:** In the face of the many state budgetary crises of the past several years, agencies are pursuing inter-agency collaboration as never before. Minnesota's use of the sharing services model exemplifies this trend. The state is using that model to bring agencies together in order to determine how they can share their best practices and collaborate on consolidating and integrating state IT

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# State and Local News

infrastructure, business processes and applications development.

- **Business cases are increasingly used to ensure the vitality of innovative funding models:**

While some funding models outlined in NASCIO's publication do not require formal business cases before implementation, many of them use business cases to ensure that funds are distributed to projects that will benefit the state and its citizens. An important point to go along with this trend is that, just because a project can obtain funding via an innovative funding model, it does not necessarily mean that funding should be devoted to that project. State CIOs are tasked with the continuing responsibility to ensure that each project initiated through an innovative funding solution links back to the state's strategic direction as well as enterprise cost savings and/or efficiencies.

- **Stakeholder trust is a key element for the facilitation of innovative funding efforts:** In order to successfully implement most innovative funding models, states must forge strong, trusting relationships with stakeholders. This is particularly important with funding models that provide increased flexibility for the distribution of funds. For implementation of the public-private partnership model, stakeholder trust is imperative. With Texas' public-private partnership to create an Internet portal, the state had to trust in the vendor's ability to deliver results, while the vendor had to trust in the state's ability to balance agencies' Internet portal

needs with the vendor's desire to obtain its anticipated profit level. Good governance procedures can help to build stakeholder trust by facilitating communication, coordination and oversight.

- **An appropriate governance and oversight structure can help to foster stakeholder trust by ensuring an innovative funding model's integrity:** Regardless of the funding model utilized, states must establish a governance process to ensure that communication takes place, results are documented, and the anticipated value is delivered to the end user. The governance models used by states can vary from a separate oversight authority for a particular project to oversight by a state IT council or even by the state legislature.

## Key Elements for Pursuing State IT Funding Innovations:

*NASCIO's Innovative Funding for Innovative State IT* provides case studies from nine states to illustrate in a realistic way how innovative funding models can be implemented. The publication also includes descriptions of each funding model and each model's general requirements, benefits, and transferability. The appendix includes implementation checklists for the funding models and the complete results of the NASCIO survey.

Distilled from case studies and other research, the following are key elements that factor into the level of project success that can be achieved through the use of innovative funding models:

- Fostering a high degree of trust among stakeholders
- Building better business cases that support IT projects and the innovative funding approaches that make them possible
- Developing good state IT governance and project management practices
- Adhering to project performance measures
- Streamlining the state budget process to allow for increased flexibility for funding cross-agency projects
- Improving state accounting systems to provide a clear picture of the savings that state IT can create
- Streamlining the budget appropriations process
- Encouraging increased flexibility in the use of federal funds to avoid the construction of IT systems that are not interoperable
- Educating state and federal government leaders about the importance of funding innovations for facilitating state technology efforts.

*For More Information regarding "Innovative Funding for Innovative State IT" is available for download by NASCIO members and purchase by non-members at:*  
<http://www.nascio.org/hotIssues/funding/>.

*If you have questions about this NASCIO publication, please contact NASCIO Issues Coordinator, Mary Gay Whitmer, at [mwhitmer@amrinc.net](mailto:mwhitmer@amrinc.net) or (859) 514-9209.*



# State and Local News

## Michigan Wi-Fi Funding Model

By George Boersma  
Director of Office of Technology Partnerships  
Michigan Department of Information Technology

### Opportunities and Foundation for Innovation

Michigan Wi-Fi (MI Wi-Fi) is a collaborative project between the Michigan Department of Information Technology, Department of Natural Resources, Michigan Department of Transportation, Travel Michigan, SBC and Intel to provide wireless Internet access to business traveler, truckers, boaters, campers and tourists in Michigan. It is a model for leveraging leading edge technology capabilities and opportunities to meet state policy and strategic goals, improve customer services, minimize demands upon the state budget and other resources, and potentially bring earnings to the state.

### Leveraging Opportunities for Funding Innovation

Emerging or new technologies, particularly in a partnership context, are fertile ground for innovation in project design, management practices, service potential and also funding mechanisms. Mobile and wireless services are a prime example. They are among the leading emerging technologies. Almost half of the 30 dominant technologies assessed in the 2003 Gartner Hype Cycle are in the mobile or wireless sector. By their nature, state level public mobile services ultimately cover most or all of the state, and involve a wide range of customers as well as service providers. The range of project design, management and funding options is much broader than for most legacy applications and services.

### Foundation for Innovation

Additional impetus to innovation is given by a Michigan Department of Information Technology (MDIT) technology, innovation and management framework that helps to identify and build solutions based upon existing strengths as well as partnered opportunities. Some of the strengths and capabilities that support the MI Wi-Fi project design and its innovative funding model include:

#### Assessment of Funding Model

**Options** - MDIT budget and planning staff have been conducting a systematic assessment of funding model options. This assessment has helped identify some of the mechanisms used for MI Wi-Fi. In addition, Michigan already has a precedent in innovative funding approaches in the wireless arena, the Antenna Site Project. This is a partnership with AAT, with the state receiving fees for leasing property (State lands, right of ways and buildings) for placement of wireless antennas.

**Partnerships** - MDIT has created an Office of Technology Partnerships, which facilitates joint IT strategies and initiatives with the public and private sectors. This Office helped design, develop and negotiate the MI Wi-Fi project.

**Wireless** - Michigan has historically strong commitment to wireless service, including innovative funding approaches.

- **Wireless Infrastructure:** Michigan is piloting the

deployment of wireless infrastructure components to the state telecommunications network, providing services to local area networks and to support disparate client services like PDA's, tablet PC's, cell phones and other mobile devices.

- **800 MHz:** The Michigan Public Safety Communications System (MPSCS) is one of the first and most comprehensive and advanced 800Mhz systems. The system is being upgraded to enable transmission of data in a mobile environment.
- **Freedom to Learn (FTL):** FTL is a student, wireless laptop project involving a total of 20,000 students in 174 buildings by the fall of 2004

### MI Wi-Fi Project Description

MI Wi-Fi is a collaborative project between the Michigan Department of Information Technology (MDIT), Department of Natural Resources (DNR), Michigan Department of Transportation (MDOT), Travel Michigan, SBC (FreedomLink) and Intel to provide wireless Internet access to business traveler, truckers, boaters, campers and tourists. In addition MDOT will test the use of Wi-Fi at the rest stop site for management of internal field construction operations. In MDIT the Office of Technology Partnerships coordinates the project.

The Michigan Wi-Fi sites will have installed IEEE 802.11b Wireless Standard networks with "access points" that can be used -usually within approximately 300 feet of the actual access point. Users must have their own equipment, wireless card and software.

There is selected free information that can be accessed on road

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conditions and other travel-related information that the state of Michigan provides from its own public websites. To have complete access to the Internet, users must be SBC FreedomLink customers.

The first deployment will be at ten sites: five state park campgrounds, two public marinas, two state welcome centers and one state rest area. Additional deployment will be determined this fall, based on the performance at these locations. Future applications and options under consideration include:

- Potential revenue share opportunities for the state, with additional deployment.
- Additional agency and public safety applications.
- Local government collaborative opportunities

## MI Wi-Fi Funding Model

Michigan is using a hybrid approach, combining several funding strategies, which collectively have the effect of eliminating GF /GP up front investment requirements as well as offering potential for future state earnings. This project is a part of both the Office of Technology Partnerships project folio as well as the MDIT funding model assessment and redesign (A systematic assessment of IT funding options, such as those identified by NASCIO, Center for Digital Government and others).

The basic model is a public / private partnership consisting of the use of state assets, state in-kind services, grants, one-time donated equipment and services, and use of fees. Marketing and promotion will be provided by the state as well as the private sector.

**State Assets:** The locations (Rest areas, information centers, campgrounds, and marinas) are being provided by the state.

**State in-kind Services:** The state will promote the service in tandem with the private sector.

**Grant:** Intel has provided a grant to support promotion of the services.

**Infrastructure:** SBC will install the infrastructure at each of the ten sites at no cost to the state.

**Fees:** Customers have to pay a fee or obtain a subscription in order to obtain the full range of Internet services. In the future, the state may obtain a portion of these fees.

## Prognosis and Benefits

MI Wi-Fi is expected to receive strong and rapidly growing customer support. According to a recent Forrester assessment (April 2004), mobile technology device ownership is pervasive among both business and leisure travelers. Nearly all own a mobile phone and three in 10 leisure travelers own a laptop computer. Travelers make Wi-Fi connectivity primarily via their laptops, most bearing the cost personally.

In the 2004 Cyber-state 2004 Survey of Michigan Residents' Use of Information Technology (May 2004), respondents placed a high or very high priority on increasing wireless access at businesses (49 percent), public sites including government offices (50 percent), and at common travel locations such as airports and rest areas (57 percent).

The MI WI-FI benefits include:

- State Policies and Priorities: Support state and MDIT goals and policies
  - State IT Plan Goal 1: Expand Michigan services to reach anyone at anytime from anywhere
  - State IT Plan Goal 2: Transform Michigan services through sharing and collaboration.
- Economic Development

- Promotes broadband, including wireless, development in the state. This supports both the Michigan Broadband Development Authority (MBDA) as well as MDIT's goals, part of the link Michigan strategy.
- Support economic development, tourism, boating industry and others. This supports Department of Labor & Economic Growth (DLEG) and Michigan Economic Development Authority (MEDC) goals.
- Citizen Services: Provide mobile services to citizens, including tourists, boaters, campers, businesswomen / men. Keep travelers connected in their increasingly Web-centric business and personal lives.
- Agency Business Processes: Supports mobile, offsite teleworker services for MDOT. Enables workers to download reports and data without returning to the office
- Incentives and Performance: Maximizes incentives and performance, producing the greatest benefits possible for all partners.
- Risk Management: State project funding risk is shifted and reduced. Risk is shared with the private sector.
- Budget and Revenues:
  - Eliminates GF /GP up front investment requirements
  - Offers potential for future state earnings, creating a new revenue stream.

*For further information, please contact George Boersma, Director of Office of Technology Partnerships, Michigan Department of Information Technology, at BoersmaG@michigan.gov.*

# Industry News

## Earth 911

By Dan Gillmor  
San Jose Mercury News, Calif. Knight  
Ridder/Tribune Business News

Every Monday morning, volunteers from the Surfrider Foundation, an environmental group, collect water samples from San Mateo County's beaches and send them on to a laboratory for testing. By Wednesday, Carolann Towe, a part-time county employee and foundation volunteer, has the results.

Towe then logs into a Web site called Earth 911 ([www.earth911.com](http://www.earth911.com)), where she updates the county's beach information, noting when bacteria counts have risen above or fallen below levels considered risky to swimmers and surfers. It takes her five or 10 minutes a week, she says.

What's the result of this effort? County residents or visitors can check the site and, using an interactive map and other tools, quickly check the status of the beaches.

Across the United States, government workers and volunteers are feeding all kinds of environment-related information into Earth 911, an environmental clearinghouse of unparalleled scope and value, serving both governments and communities.

With the data sent by governments and volunteers, plus its own combing of databases, Earth 911's staff members massage the data, then arrange it so the public can use it. The result is a highly centralized core, yet relying on a thoroughly decentralized data-collection system that feels utterly local to the person looking for information.

When you visit the site's home page and type in your ZIP code. You'll find local information for that community from a variety of federal, state, local and corporate sources -- everything

from what to do with solid waste to beach reports to educational activities for the environmentally conscious. Think of it as a personal environmental portal.

Earth 911 is a "public-private partnership that happened unilaterally" -- that is, at the instigation of a single motivated citizen. That citizen is Chris Warner and he has been working on this project for about 15 years from his base in suburban Phoenix. Warner calls himself the "chief cat herder" of the operation. He started with data from Arizona, but has worked tirelessly to get information from and about the more than 13,000 political jurisdictions -- states, counties, cities and towns -- in the United States.

Today, with donations from companies and grants from governments, he and his staff of about 30 have done what governments have not: created a one-stop shop for people who don't care what agency has responsibility for something. They just want to get information and live in more environmentally responsible ways.

Earth 911 isn't the only site providing valuable environmental information, of course. Scorecard ([www.scorecard.org](http://www.scorecard.org)) collects and shows what pollutants are being released into a community (sorted by ZIP code) and by whom. Another great site, the California Coastal Records Project ([www.californiacoastline.org](http://www.californiacoastline.org)), offers an aerial photographic survey.

When you visit the Earth 911 site and put in your ZIP code, you don't see a list of agencies. You see a list of topics -- and only when you drill deep into the site do you ever learn which, if any, government agency is providing the service. Earth 911 is far more comprehensive than many if not most government sites when it comes to telling people about all waste-disposal options.

Many governments do try to provide

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relevant information. San Mateo County, for example, puts the beach data on its site. But for the citizen, it's much easier to go to a single portal than root around on various government sites.

That approach has helped Earth 911 curb unnecessary duplication. At one point, Warner told me: "There were 248 oil recycling hotlines in California, 52 in Los Angeles County alone. Now there's one." And Earth 911 provides it.

The Earth 911 site has been working on a variety of projects that push the boundaries of environmental service. It offers e-mail and phone alerts as well as hot lines.

Warner and his team have replicated the system in a pets-oriented site called Pets 911 ([www.pets911.com](http://www.pets911.com)), again collecting massive amounts of data and massaging it so that it's locally relevant. News organizations have started using Pets 911 on their Web sites, a trend Warner is thrilled to support. They've also just finished an "Amber Alert" support project to make the new national missing-child system work more efficiently. The possibilities are almost endless.

"There are hundreds of uses for this medium we've built" Warner said of the open-source software platform his team has created. "We want it to be plagiarized. That's the best thing that could happen."

Dan Gillmor's column appears each Sunday and Wednesday. Visit Dan's online column, eJournal ([www.dangillmor.com/blog](http://www.dangillmor.com/blog)). E-mail [dgillmor@mercurynews.com](mailto:dgillmor@mercurynews.com); phone (408) 920-5016; fax (408) 920-5917.

## Service Contract Saves US Government \$140 Million in the Arctic Circle

By Dan McMahon and Hannon Armstrong

On a remote island where polar bears outnumber the people, two governments are utilizing a unique funding strategy to put their budgets to better use. By converting expensive annual operating payments for rented communications satellite capacity into service contract payments for a next generation data communication system, the US Government was able to save \$140 million over the 20 year contract term, while it improved the system capacity and reliability. Hannon Armstrong, an Annapolis, Maryland, financial services firm structured and funded the transaction.

Located in the Arctic Circle, more than 600 miles off the northern coast of Norway, the Svalbard island chain is home to a satellite facility, called SvalSat, operated by the Norwegian Space Centre (NSC). Through an Intergovernmental Agreement between the United States and the Kingdom of Norway, NSC provides critical infrastructure needed for research being conducted by various U.S. agencies. SvalSat hosts one command and data acquisition antenna owned by NASA and a new antenna owned by the National Polar-Orbiting Environmental Satellite System Integrated Program Office (NPOESS IPO), which includes NOAA/Department of Commerce and the Defense Department.

SvalSat plays a vital role for NASA and NOAA weather and earth science programs by acting as a receiving point for polar-orbiting satellites to download data collected. SvalSat's importance to NASA and NOAA is based upon its

unique geographic location. Although there are similar receiving stations in Fairbanks, Alaska and Wallops Island, VA, these stations have blind spots that prevent them from seeing the satellites--and downloading their data--on three of their fourteen daily orbits. Located just 765 miles from the North Pole, SvalSat's antennae have direct visibility to polar-orbiting satellites, allowing them to download data every time they circle the Earth.

Once the data is downloaded to SvalSat, the information needs to be transmitted to the U.S. Until last year, this was accomplished by transmitting the data via commercial communications satellite links. However, this process was inefficient and costly.

NSC developed a plan with the U.S. agencies to provide advanced telecommunications services from Svalbard to the Norwegian mainland. By connecting the island to the Norwegian mainland via a 621-mile long fiber-optic cable, data downloaded from the satellites could be transmitted to the United States through undersea trans-Atlantic cables. The new fiber link is being used to transmit half a terabyte of data a day from the SvalSat antennae to Norway and the U.S.

In addition to boosting data transmission rates, the new fiber optic cable will help the agencies reduce their costs for using the facility. Prior to laying the fiber, NASA and NOAA each were scheduled to spend approximately \$6 million a year to transmit data from Svalbard to the United States using the communications satellite links.

The challenge was how to pay for this worthwhile project. Neither the NSC nor any of the U.S. agencies had appropriations to pay for the approximately \$40 million capital cost required for the service contract. Conversely, none of the potential contractors were willing to accept annual payments in exchange for implementing the project. The solution was to adopt a third-party funding approach to finance the new asset.

After Tyco Telecommunications won the bid conducted by NSC, it partnered with Hannon Armstrong, which provided funding for the project. In exchange for providing the up-front capital for the project, the financial services firm will receive annual service payments from each of the U.S. agencies for the next five years. After that time, the agencies will have basically free use of the service until 2030.

The financing illustrates how the government can utilize private capital to save the public sector a lot of money while upgrading its service. NASA and NOAA will each realize an immediate \$1 million per year cost savings by switching service to the fiber optic cable, instead of commercial satellite data transmission. After the initial 5-year period, the agencies will no longer owe service payments and will each be able to realize full savings for the next 22 years. In total, the unique financial structure of the service contract will save the U.S. government at least \$140 million.

The advantages for the U.S. government were clear as agencies are able to access a critical service without seeking new Congressional appropriations.

*For additional information, contact Dan McMahon at [mcmahon@hannonarmstrong.com](mailto:mcmahon@hannonarmstrong.com).*



## The Invest to Save Budget (ISB)

Michael Thornton, Head of ISB Unit  
HM Treasury, United Kingdom

The United Kingdom's Invest to Save Budget (ISB) (<http://www.isb.gov.uk>) aims to transform the delivery of public services by promoting innovation and encouraging different parts of the public sector to work together. Since 1998 it has provided funding for projects involving two or more public bodies that test innovative methods of service delivery, often at the pilot stage.

The programme is run by Her Majesty's Treasury, working in partnership with the Cabinet Office. We noticed that the UK public sector was good at doing traditional things in a traditional way, but was missing out on some opportunities to innovate, particularly when they involved working with other government agencies. Often this was because grasping such opportunities involved taking risks. We saw that there was a case for supporting risk-taking on selected projects. If projects were successful they could be copied, at significantly less risk, to improve efficiency and deliver better outcomes across the public sector. If they were not, then we should learn the lessons and not repeat the mistakes. The fact that the benefits of successful innovation did not just accrue to the original partners was a strong argument for providing an additional, cross-government, source of funding.

Since its launch, the ISB has funded over 400 partnership projects at a cost of some £380 million. Projects range in size from £18,000 to £80 million. The ISB stage of a project lasts for up to 3 years, during which time it should

work to provide evidence of long-term viability. This means that the projects need strong support locally and at a national policy level if the full benefits of the initial investment are to be realised

Although the ISB was not started as a technology fund, its aims have much in common with the philosophy of e-government. It is not surprising that Information Technology features heavily in its portfolio: from smart cards to digital signatures and from opening new electronic services to the re-engineering of old ones. We have worked closely with our e-Envoy's office in assessing projects to go forward.

Exemplary e-government projects include:

- **National Land Information Service** (<http://www.nlis.org.uk>): House buyers in England and Wales conduct searches, before buying a property, to ensure that there are no problems with the purchase. The problem is that land and property information is held by 425 local authorities and many other agencies. The National Land Information Service (NLIS) is an online service that provides 'one-stop' electronic access to land and property information in England and Wales. The system has processed over 2 million searches to date, with a fastest response time of 9 minutes compared with days, or even weeks, by the traditional methods. After only two years, over one third of property searches in England and Wales are done through NLIS. The UK Government has licensed three

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private sector 'channels' to develop and operate NLIS web based front ends. Around half of all legal firms have signed up to these web based retail channels.

- **Info4local** ([www.info4local.gov.uk](http://www.info4local.gov.uk)): Good communication between the tiers of government is essential. Info4local provides a gateway for local government employees in over 380 local authorities across England to get quick and easy access to information they need on things like policy initiatives, new regulations and funding from central government departments and agencies. Over 50 departments and agencies regularly contribute data to the site. The site has a searchable archive with summaries of more than 8,000 publications, links to over 1,300 related sites and covers the week's press notices. 34,000 people subscribe to the twice-daily e-mail alert service, which sends requested information straight to their desktops. Research has found that people in local authorities are saving an average of 45 minutes to 1 hour per week by using info4local for their work purposes.
- **Time for Citizenship** ([www.timeforcitizenship.com](http://www.timeforcitizenship.com)): Technology also enables us to share information about the world and our responsibilities towards other people. Timeforcitizenship.com is used to teach primary schoolchildren in the UK and Ireland aspects of citizenship that will enable them to

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lead more fulfilling civilised lives, educating them to respect themselves, others and the environment. It enables teachers in primary schools to share exemplars of best practice by discussion on the Internet and builds a library of tried and tested lesson plans. The website also offers guidelines to Police Liaison Officers for their visits to schools and hosts a central bank of excellent initiatives, already in existence in many Police Districts. The site has strong support from across the political spectrum. It has established links with schools in many countries.

E-Pesticides

(<http://www.pesticides.gov.uk/home.asp>) : It is important that pesticides on the market are licensed and controlled. The original pesticide approval process relied on paper 'Notices of Approval' which were complex and time consuming. The project aimed to replace this with a more efficient electronic system. Beside the technical issues, the project had to tackle the legal issues associated with the admissibility of electronic records. This was the first attempt to use electronic records to deliver complex legally admissible regulatory licences.

Electronic licences are now produced routinely for most types of pesticides

approval. The e-pesticides system has provided a faster service to applicants and has allowed electronic documents to be integrated into internal systems. Another benefit is that full-published details of the licenses are made available via the web to citizens. The new process is made more efficient by issuing digitally signed electronic licences. There were savings of over 600 staff hours in the first 6 months.

*Mr. Thornton can be reached via e-mail at [michael.thornton@hm-treasury.x.gsi.gov.uk](mailto:michael.thornton@hm-treasury.x.gsi.gov.uk).*



## IT Innovations at the Heart of Cost-efficiency

By Heather Hudson  
Ontario, Canada

Thanks to a little ingenuity and a lot of hard work, the province of Ontario is the proud creator of a number of cost-effective funding solutions designed to optimally serve its 12 million citizens.

World renowned for its cutting edge approach to delivering government services online, Ontario has also harnessed the power of technology to streamline business processes and put in place sophisticated procurement policies to support its diverse IT innovations.

All of this has resulted in increased efficiencies across the Ontario public service. From tight internal processes to revolutionary web-based solutions to groundbreaking multi-jurisdictional partnerships, the Ontario government is proving itself as a pioneer in providing a first-rate IT framework for a contemporary public service.

The power of procurement policy

Innovative procurement models are an integral component of Ontario's broader IT strategy. Experts on board developed a risk assessment tool to help staff in program, legal and procurement departments to identify key risk factors of an IT proposal and mitigate liability in contracts. Additionally, a vendor of record program has been put in place to acquire IT goods, services and software used throughout the government.

"This process allows the government to take advantage of economies of scale," says Neil Sentance, Director of Procurement Policy and IT Procurement Branch.

"The vendor of record (VOR) procurement process allows business units to focus on specific outcomes while we are better positioned to ensure volume pricing. Plus, we're able to provide significant consulting advice to business units on large scale IT procurements which take place outside of the VOR model."

### Reducing duplication

With a modern, customized procurement policy in place, IT experts are working to streamline business processes, further reducing cost by eliminating duplication of services.

By consolidating the IT functions of nearly 30 ministries into seven key IT clusters, Ontario has created an environment encouraging innovation and greater efficiency. Under each cluster's umbrella, a number of like ministries move toward common I&IT goals that build on shared and unique information and knowledge management requirements and are enabled by enterprise-wide, infrastructure platform.

Diverse program areas are discovering groundbreaking ways of their own to work together to be more efficient and offer their customers new and innovative solutions.

The Inspections, Investigations and Enforcement (II&E) initiative is a leading example. More than 5,000 staff across 13 ministries deliver II&E services that protect Ontarians, such as inspecting food, ensuring the safety of roads and workplaces and protecting the environment.

The initiative offers more consistent

and coordinated services across government. It's also intended to improve the effectiveness of II&E through information sharing and establish common supports for more efficient program delivery.

"Before the project was launched, we operated in silos without connecting together very often. Now hundreds of staff work together on pilot projects to test eBusiness solutions, develop joint learning programs and provide common business tools," explains Denis Gertler, acting director of the II&E Secretariat.

High-tech solutions are also at the heart of other provincial initiatives, such as how the Business Transformation Project has revolutionized the way social assistance is delivered in Ontario. Using modern technology, the project has replaced an antiquated administrative system that was largely paper-based and labor-intensive with an electronic model. This replacement has created efficiencies and provided an opportunity to put more staff on the front line, where they are needed.

The new system processes more than 1.3 million transactions a day and has generated almost \$200 million in savings above project costs. It's estimated that annual savings will continue as the system matures.

### Web-based solutions

Web-based solutions are also taking center stage when it comes to cutting back on cost. The award winning [www.healthyontario.com](http://www.healthyontario.com) Web site is a web portal that allows access to a wealth of information on health and wellness. Rather than visiting their doctor or the emergency room for treatments to common ailments or answers to general medical questions, Ontarians can browse this site to learn about everything from the health services available in the

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province to information on hot medical issues, common conditions, diseases and treatments.

Recently named the best government/law Web site in the world by the International Academy of Digital Arts and Sciences, this Web site receives more than 5 million hits per month. Its success is attributed in part to its exhaustive expert information, intuitive organization and sheer volume of resources.

## **Groundbreaking interjurisdictional projects**

Solutions to financial pressures have also come through unique funding partnerships in multi-jurisdictional projects. One unique arrangement between three levels of government – federal, provincial and municipal – is improving accessibility to information for senior citizens in Ontario.

Seniors' info, [www.seniorsinfo.ca](http://www.seniorsinfo.ca),

was created to provide access to information and services delivered by all levels of government and community-based agencies serving older adults. Brockville, Ontario is the pilot city in this new venture.

Now senior citizens can find information on housing options, finding a doctor, pensions, property taxes and more without leaving the comfort of their homes. Moreover, the funding for such a project is spread out over three jurisdictions, saving the costs of creating, maintaining and staffing three distinct Web sites.

Businesses in Ontario can also reap the benefits of jurisdictional collaboration. By visiting the Ontario Business Connects ([www.cbs.gov.on.ca/obc](http://www.cbs.gov.on.ca/obc)) Web site, business owners can submit changes of business information to programs such as corporate income tax, retail sales tax and business name registration. With one swift click of a

mouse, information is updated for several ministries across two levels of government. Implementing a simple online system that clients can access themselves eliminates long line-ups, cumbersome forms and unnecessary red tape.

One of Ontario's current goals is to break down barriers across its organization and focus on results-based planning processes. Clearly, with an ever-increasing number of improvements continuously taking place, Ontario will hold onto its title as one of the best places in the world to live, work and raise a family.

*For more information on Ontario's unique approaches to cost-reduction, streamlining business processes and IT innovation, visit [www.cio.gov.on.ca](http://www.cio.gov.on.ca)*



# Non-Profits

## S.A.I.L. Public Private Partnership

By John Weiler, E.D., ICHnet.org

**T**he **Solution Architecture Integration Lab (SAIL)** is a private/public partnership formed to reduce the time, cost and risk of researching, modeling and validating reusable IT solution frameworks. These frameworks capture critical data points necessary for making sound business decisions, security, interoperability, legacy integration and ROI. SAIL establishes a conflict free zone where government and industry collaborate in developing viable solution frameworks based on implementation best practices. The SAIL collaboratory manages risk in the IT acquisition process through the vetting of IT solution frameworks among key members of the IT Value Chain; enterprise users (government & industry), standards bodies, academia, integrators and technology vendors.

By pooling agency resources, and leveraging industry best practices, (modeled and pre-validated), SAIL reduces lifecycle cost by sharing existing implementation/testing results. SAIL provides IT decision makers with a set of pre-vetted IT solution blueprints that detail critical attributes required for developing an analysis of alternatives; services functions, interoperability requirements, security metrics, ROI, business fits and infrastructure requirements. SAIL domain working groups use the ICH Architecture Assurance framework and Value Chain Method to develop re-usable solution frameworks that can be applied by many users, many times. SAIL's "create once, use many" support key policy objectives of the E-Gov (including FEA-PMO) and Clinger/Cohen Act. SAIL is facilitated by the Interoperability Clearing House ([www.ICHnet.org](http://www.ICHnet.org)), a not-for-profit, government sanctioned, consortium

This virtual "lab" leverages existing knowledge resources and implementation best practice data, recognizing that the best "lab" is the real world, and that the critical decision support information being sought already exists among within our community. GSA has made this capability available via a series of Schedule 70 and pre-competed MOBIS contract vehicles.

### **Problem scope; A need to leverage existing implementation best practices**

The need for collaboration among Value Chain partners is overwhelming, given the broad need to establish secure information infrastructure, coupled with daunting IT failure rates of major IT program hovering just over 50% in industry and over 70% in government. The potential benefit in terms of reduced lifecycle cost, reduced risk and improved alignment of business needs to IT investments makes SAIL a logical alternative to the traditional "green fields" approaches to technology research and validation. Research indicated (IDG, GAO, Gartner), that 34% of these IT program failures are directly due to the inability for IT decision makers to effectively align common business needs with commercial IT solutions offerings. The fast paced IT market, the lack of a common terms, and the growing gap between standards and technology cycles are major contributors to this problem.

Based on five years of root cause analysis of failed IT programs, and examining the existing work of some of the worlds most respected institutions, the ICH identified five critical enablers required to bridge the gap between enterprise architectures and implementation reality;

- **A Shared Solution vetting lab;** that provides a conflict free zone where value chain partners (users, standards bodies, vendors, integrators) can collaborate in the development of proven solution frameworks by leveraging implementation best practices and lessons learned.
- **Common Solution Architecture Views;** to assure accurate communications of business needs aligned to commercially available IT solution sets (via Component-based Architecture modeling).
- **Common COTS Assessment Framework;** to enable the sharing of disparate implementation, testing and evaluation results (via ICH COTS Evaluation Framework) to accelerate the Solution Development Life Cycle process while bringing into view critical evaluation metrics; security, interoperability, usability, legacy integration, ROI.
- **Knowledge Exchange;** industry enabled domain working groups and solution registry that assure information sharing and efficient application of solution architectures (via Solution Architecture Working Groups and ICH Solution Portal).
- **Education and Outreach;** combined shared interests groups and educational forums (Secure e-Business Summit) that bring together common interests [www.SecurE-Biz.net](http://www.SecurE-Biz.net).

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## **Approach; Solution Architecture Center of Excellence**

ICH accomplishes these objectives by first evolving standardized solution set evaluation templates that allow for the “oranges-to-oranges” comparison of alternative solution based on relevant, up-to-date, accurate and timely information. Additionally, SAIL provides a high degree of confidence to evaluations through utilization of the ICH evidentiary based down select process that has been recognized as one of the best in the industry.

SAIL owes much of its strength to the thought leadership and breadth of skills provided by its member organizations. Based on recognition of the dire need for a true honest broker, leading government, academia and industry organizations are joining forces to establish the SAIL public/private partnership to lead the way to positive and substantial change in the exploration, evaluation and adoption of interoperable commercial solutions optimized to business needs. The ICH Architecture Assurance Method, a Value Chain Analysis derivative (first conceived by Michael Porter), is core to the SAIL vetting process. By using a business driven approach to making IT investments, and aligning those decision with core business needs, agencies like GSA, DHS and OSD Health Affairs have developed some of the few truly actionable architectures.

The ICHnet.org and the SAIL partnership maintain the knowledge exchange for sharing lessons learned, vetting methods, solution templates, and a soon to be develop Solution Portal (co-developed with DARPA.). In this role, ICH will be responsible for guaranteeing evaluation fairness and elimination of all conflicts of interest both in fact and appearance. ICH was chartered in 1998 and incorporated on 09-11-00 as a government sponsored non-profit (501c6) research and validation collaboratory. The focus of the collaboratory is advancing IT capital-planning and architecture mechanisms for achieving business driven actionable results.

As SAIL evolves and takes hold in the industry, it is expected that SAIL membership with expand substantially to include all major vendors, standard bodies and integrators. SAIL is an inclusive standards like consortium that is uniquely structured to eliminate conflicts of interests while maximizing information sharing. However, while membership in SAIL gives organizations the opportunity to positively influence the basis for which solution sets will be evaluated, it will in no way influence the evaluation of their products, as all vetting information is evidentiary based.

## **SAIL Outcomes; Managing Risk and Conflict of Interests**

### **Mitigated Risk**

Managing risk is one of the critical success factors in IT program planning. SAIL mitigates risk through the leveraging of the best talent available across the industry through its architecture based research and validation process. Leading experts in its solution set domain will vet each solution architecture template. Domain experts will be tasked from across the wide-ranging talent pool, which is the SAIL consortium. Additionally, SAIL provides a commenting and petitioning process for mediating and resolving protests and disagreements in a public forum.

### **Managed conflict of interest (COI)**

The ICH consortium operational model is based on accepted international standards processes that initialize an open process for effectively managing COI issues. SAIL eliminates perceived and real conflict of interest through a combination of process design, bylaws, disclosure policies and openness. These mechanisms are described in the COI section of the Charter. Like a standards consortia, SAIL works through its members to help IT decision makers leverage existing knowledge sources and expertise to assure the planning/architecture lifecycle process.

### **Solution Architecture Knowledge Exchange (create once, use many)**

Knowledge repositories developed outside the context of addressing “real world” issues tend not to provide the usefulness and relevance of knowledge repositories based on solving actual problems, or addressing real needs. An evaluation of portals based on general criteria will lack the very valuable specificity of an evaluation based on real requirements in the context of an actual implementation. All SAIL evaluations will be performed in the context of solving a real problem of a sponsoring Agency. The context of the evaluation will be made available as part of the evaluation framework so that future users can ascertain its relevance. Additionally, evaluation templates will be updated to reflect knowledge obtained from applying the templates in different contexts.

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# Non-Profits

## **A common Service Oriented Architecture language and ontology**

One of the biggest problems in IT today is the misuse of terminology, as each school of thought or product vendor vies to define popular “buzz words” to suit their needs. A major part of SAIL is the development of a solution architecture ontology that provides for clear and concise communications to better enable the alignment of business models with commercial technology offerings.

## **Education and Collaboration**

The most critical factor to the success of SAIL is to provide a knowledge exchange t to ensure a broad spectrum of cross-industry participation. Broad participation requires that ICH establish a strong community outreach component and promote inclusiveness across the industry. This will be done through two mechanisms; 1) Domain focused, Solution Architecture Working Groups and 2) leveraging the existing Secure E-Business educational Summit that promote the combined efforts of these communities of interests ([www.SecurE-Biz.net](http://www.SecurE-Biz.net))

## **Use Case**

Several agencies have benefited by leveraging best practices and lessons learned including GSA. GSA FMS and GSA FSS both engaged ICH’s unique Value Chain approach to transform their architecture and IT capital planning process. By focusing on business drivers to develop stake holder views, GSA senior management were able to improve their ability to plan and make IT investment decisions, resulting in an upgrade from OMB Red to OMB Green in five short months. By building business views into the EA and leveraging commercial best practices, GSA senior managers were provided a rare view of relative value of on-going IT investments. No longer was the architecture going to be a tool for the techies, but a powerful planning tool that would help align business needs with the GSA IT portfolio. Based on these successes, OMB and GAO developed a position paper on transforming the Financial Management Systems acquisition process using the ICH SAIL concept of operation. This paper, and other industry report are now posted at [www.ICHnet.org/sail.htm](http://www.ICHnet.org/sail.htm). More recently, Homeland Security has also chosen to adopt this process in building out its enterprise architecture.

*For more information contact John Weiler at: [john@ichnet.org](mailto:john@ichnet.org)*



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