

JAY INSLEE
Governor



WILLIAM S. KEHOE
Director &
State Chief Information Officer

STATE OF WASHINGTON

WASHINGTON TECHNOLOGY SOLUTIONS

1500 Jefferson Street SE • Olympia, Washington 98504-1501

November 18, 2024

TO: Pat Sullivan, Director
Office of Financial Management

FROM: William S. Kehoe, Director & State Chief Information Officer
Washington Technology Solutions

A handwritten signature in blue ink that reads "William S. Kehoe".

SUBJECT: Request for Budget Reductions for Fiscal Year 2025 and 2025-27 Biennium

We acknowledge your request for Washington Technology Solutions (WaTech) budget reduction proposals in light of the state's current fiscal constraints. We understand the need to explore cost-saving measures for the remainder of the 2023-25 biennium and the upcoming 2025-27 biennium, as outlined in your recent communication. The proposal below outlines WaTech's approach and the limitations we face in achieving these reductions while maintaining critical services for state agencies.

As a predominantly Central Service agency, WaTech has a limited General Fund allocation—currently totaling approximately \$200,000 annually (excluding Electronic Health Record and Innovation and Modernization Fund). Therefore, our approach focuses on identifying areas where we can reduce fee-for-service rates to help agency customers lower their General Fund expenditures. Our goal is to provide targeted rate reductions where possible, while still maintaining the essential technology services that agencies rely upon.

Our ability to implement these reductions is constrained by the financial projections that indicate a negative fund balance by the end of the current fiscal year. As of actuals through September, WaTech is on a path toward a deficit unless corrective actions are taken. The limited flexibility in our budget necessitates careful consideration of rate adjustments to avoid exacerbating our fund balance challenges.

WaTech has submitted three rate increase requests to the Office of Financial Management, which are critical for ensuring our financial stability through the current and upcoming biennium. These increases are for the Enterprise Shared Tenant Fee, Teams Telephony, and Telephony Contact Center services.

Mainframe administrative fee reduction:

We propose reducing administrative fees for Mainframe pass-through services to agencies such as WSDOT

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and DSHS. This reduction would save approximately \$10,000 per month, and we project that this adjustment can be sustained through the end of the 2025-27 biennium (June 30, 2027).

Washington State Cloud rate reduction:

WaTech currently offers a 12% reduced rate for the Washington State Cloud service, implemented in FY 2022 to alleviate state budget pressures. We propose increasing this reduction to 15%, which would result in additional savings of approximately \$15,000 per month. This reduction would also be sustainable through the 2025-27 biennium.

Enterprise savings through modernization of phone services:

A significant cost-saving opportunity exists by transitioning agencies from legacy technologies (Centrex and PBX) to modern solutions like Teams Telephony. The current Centrex rate is \$45 per line per month, while PBX rates average \$22 per line per month. Transitioning to Teams Telephony, with an approved rate of \$10.75 per line, could generate approximately \$226,000 in savings per month for agencies. Please note that these proposals focus solely on adjustments to our fee-for-service rates and do not include reductions to Central Service Model (CSM) allocations, which should remain unaffected to ensure uninterrupted support for state agencies.

Thank you for your consideration. We are available to discuss these proposals in further detail or provide additional information as needed.

Attachments

Cc: Cheri Keller, OFM
Val Terr, OFM
Gwen Stamey, OFM
Chris Winans, WaTech