

# SMARTER STRATEGIES FOR FUNDING IT

State and local organizations have a once-in-a-generation opportunity to make foundational changes in government IT.

With an influx of dollars from the federal government and a new focus on investing in the nation's technology infrastructure, IT leaders can leverage current funds to close technology gaps exposed by the COVID pandemic, drive new innovations and improve constituent service delivery. Here are some **best practices and smart strategies** for making the most of this important moment.

## ▶ NAVIGATING TECHNICAL DEBT

As agencies invest in new technology, they must also manage the complexity of maintaining their legacy infrastructure.

### Best Practices for Addressing Technical Debt:

- ❑ **Understand where technical debt exists** and the risks it poses so the organization can prioritize spending.
- ❑ **Select technology and solutions** that align to the organization's core vision.
- ❑ **Focus on "buy vs. build"** and as-a-service solutions to reduce the process debt that occurs when making changes.
- ❑ **Invest in automation** and other tools to help scale staff capabilities without adding staff.
- ❑ **Aim for a minimum viable product** to streamline delivery.
- ❑ **Use the growing focus on cybersecurity** as an opportunity to update legacy systems.

## ▶ UNDERSTANDING TOTAL COST OF OWNERSHIP

It's important to understand the full extent of expenses associated with new technology investments. Conveying that information to lawmakers and budget decision-makers can be especially challenging — particularly when more projects are shifting away from traditional capital outlays to ongoing software-as-a-service models.

### Best Practices for Capturing TCO:

- ❑ **Communicate the full breadth** of costs to budget and finance teams, including implementation, migration, customization, maintenance, annual user licensing and other operating costs.
- ❑ **Consider using a chargeback model** to control demand for resources. In addition to typical chargebacks for things like devices or email services, some agencies bill back for things like identity and access management services.
- ❑ **Have agencies bring a problem, not a solution.** When agencies present a need, work with them to discuss tools you may already have to address the problem — or procurement possibilities if a new solution is needed.
- ❑ **Create a portfolio/consultancy office** dedicated to managing relationships, providing subject matter expertise and serving as a point of communications.
- ❑ **Develop a culture of innovation.** Focus on flexible, easy-to-implement infrastructure and provide training so teams are comfortable using new tools.

## ▶ LEVERAGING SHARED SERVICES

Shared services is a business model that enables technology resources to be leveraged across a department, a jurisdiction or even an entire region. This approach can help streamline processes, lower costs and improve customer service for internal and external stakeholders.

### Best Practices for Sharing Services:

- ❑ **Get approval.** Require chargeback models and rates to be approved by the main entities involved with finance, which may mean the budget office, the secretary of finance, the controller general and any number of additional stakeholders.
- ❑ **Keep decision-makers in the loop.** Ensure the executive steering committee approves any significant changes in scope, scale or funding early in the cycle; doing so helps prepare for changes in course and cost.
- ❑ **Know what's coming.** Work with agencies on priorities and forecasting so they know where they want to invest and IT teams can prepare as needed.
- ❑ **Emphasize benefits beyond cost savings.** Consistency across IT infrastructure and governance strengthens cybersecurity, facilitates data sharing across departments, and enables a uniform experience for internal and external users.

## ▶ MAKING THE CASE TO BUDGET LEADERS

Now that technology is playing a more prominent role in overall policy and planning, it's important for tech leaders to fine-tune their skills in communicating its value.

### Best Practices for Communicating IT Investment Needs:

- ❑ **Communicate in terms of quantifiable ROI** ... Budget analysts are trained to think in terms of concrete, tangible outcomes, such as the number of people using a digital government service.
- ❑ **... But don't forget "soft" benefits.** Identify less-direct impacts in areas such as efficiency and resiliency, like the benefits of adopting more scalable platforms to handle future surges in demand.
- ❑ **Show achievable impacts.** Provide a sense of the technical specifics and implementation milestones the budget team can expect to see.
- ❑ **Cultivate ongoing support.** Maintain a relationship with finance teams and other decision-makers and provide insight into the operational and maintenance side of technology investments.
- ❑ **Perfect the art of "the story."** Anecdotes resonate well, especially where technical specifics may be less familiar or are difficult to communicate.

## ▶ MAXIMIZING PUBLIC-PRIVATE PARTNERSHIPS

Not long ago, public-private partnerships (P3s) were seen as unique funding structures for certain large-scale investments in infrastructure and technology. In the post-pandemic economy, P3s will be an essential part of how state and local governments build out technologies to increase connectivity, close the digital divide, provide constituent services, streamline internal business processes and address workforce changes.

### Best Practices for Managing P3s:

- ❑ **Address compliance.** When tapping into federal funds, understand where, when and how technology investments fit into federal guidance.
- ❑ **Clarify the impact of capital budgets vs. operating budgets.** With the increasing shift to cloud and software-as-a-service offerings, many IT investments are considered operational expenses rather than capital expenditures.
- ❑ **Prepare for audits and reporting.** Be prepared to provide an accounting of how your organization leveraged funding through a P3.
- ❑ **Find a trusted partner.** To be successful, P3s must be grounded in trust and mutually beneficial to both the government partner and the private partner.

**MORE INFORMATION:** *The Center for Digital Government partnered with the Center for Municipal Finance at the University of Chicago Harris School of Public Policy to produce a comprehensive guide on funding government technology. Download "Funding Gov Tech: A Practical Guide to Financing State and Local Government IT" at [govtech.com/fundinggovtech](http://govtech.com/fundinggovtech).*

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