NEW YORK STATE OF OPPORTUNITY. | Office of Information Technology Services

Rate Setting Overview

July 28, 2023

Why Set Rates?

- Regulation set by the Federal Office of Management and Budget, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
- Cost recovery:
  - Drives Federal/Special Revenue Operations (SRO) reimbursement.
  - Rates are set based on allowable costs of centralized services.
  - Federal funds awarded to client agencies based on our central service cost allocation model.
  - DOB revenue draw based on Memo Bills.
- Provides ITS with an accounting of ITS spending by aligning costs with a service or bundle of services.

Rate Setting Process

- Rates are established based on projected usage and service costs.
- Agency utilization for each rated service area is projected using historical utilization data along with ITS program area input.
- Rated service costs are projected based on non-personal services, personal services including fringe benefits, and depreciation.
- Projected rated service costs are divided by projected utilization to determine the billing rate.
- During the fiscal year, agencies are memo or direct billed quarterly based on actual monthly utilization data and the ITS rates.
- ITS is federally mandated to true-up annually and reconcile all over and under recoveries.
- ITS has shifted over the years from using vendors for all rate setting processes, to reconciliation only, to now fully in-house rate setting.

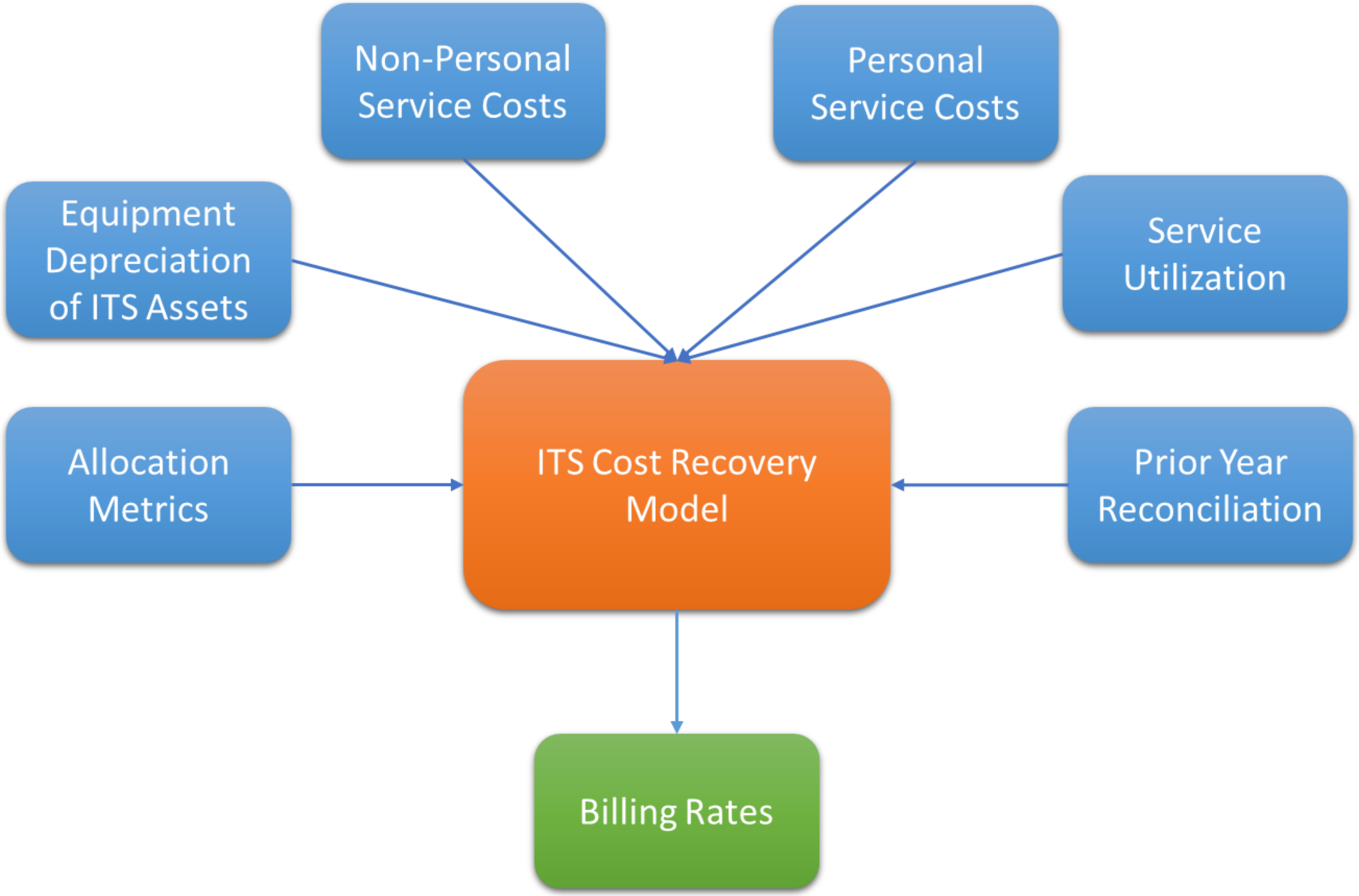
Additional Roles of Rate Setting

- Strive to ensure that costs to clients are:
  - Reasonable – Are costs reasonable and does the rate make sense for both ITS and client agencies?
  - Equitable – Is this a fair way to charge for services for all client agencies?
- Work with the Budget, Accounting, and Billing teams, and ITS program areas to ensure data accuracy.
- Work with ITS program areas to ensure that utilization metrics properly capture rated service cost drivers.

Annual Rate Cycle

- Annual cycle
  - July – begin reconciliation of prior year actuals. The reconciliation is built into next year’s rate.
  - September – begin program managers meetings to discuss reconciliation, potential service changes, etc..
  - January– update rate model with budget and full year projections.
  - April – produce rate package for exec/DOB approval.
  - July – Q1 Billings.

Inputs to Cost Recovery Model



Factors that impact rates:

- Personal service costs – actual TDS and salary data
- Non-personal service costs – spend plan projections
- Depreciation - following schedule created by accounting team for ITS purchased assets
- Service Utilization - number of licenses, number of mobile devices, number of page views, etc.
- Allocation metrics - power consumption, number of help desk tickets, GB storage used by an ITS rated service, etc.
- Prior year billing rates - ITS is required to true-up annually and reconcile all over and under recoveries

Rate Model Development

- ITS Finance meets with program areas to discuss rated services cost inputs and future rated services.
- Rate setting continuously reviews and analyzes collected data.
- All projected costs are assigned to cost pools.
- Steps are repeated for true-up model.
- True-up rates are developed and included with forecast rates - any prior-year over and under billings are included with the forecast rates.
- Rates are presented and published, ideally at the start of a fiscal year, to customer agencies following ITS executive and Division of the Budget approval.

Ongoing Review

- Rate Setting continuously strives for improved data quality and process improvements.
  - Finance teams work together to review financial cost inputs and agency impact.
  - Rate Setting meets with program areas as needed to review service cost inputs and outputs.
  - Rate Setting works with an outside vendor to ensure all federal regulations are being followed and costs are equitable across all service areas and customers.

23-24 Rate Preview

Annual "Look-Back"

- In FY 2023, the total ITS Billed Cost was $842 million. In FY 2024, the Rate model anticipates a total of $909 million, which is an increase of $67 million or 8 percent. This increase is primarily driven by;
  - Significant shifts in prior year reconciliations. Prior billings were reduced due to funding shifts driven by COVID.
  - Increased costs related to state labor statutory raises, an increase in hiring and promotions, and increased hourly costs for consultants.
  - Increases in agency specific procurement costs, such as Integrated Eligibility Systems costs.

Service Type($000s)	22-23 Actuals	23-24 Projection	Billing Variance	%
End User	$189,248	$263,036	$73,789	39.0%
Infrastructure	$109,472	$98,661	-$10,811	-9.9%
Labor	$281,998	$307,931	$25,933	9.2%
Platform	$54,694	$49,307	-$5,387	-9.8%
Telecom	$92,672	$99,579	$6,907	7.5%
Non-Rated	$114,000	$90,956	-$23,044	-20.2%
Total Billings	**$842,083**	**$909,470**	**$67,386**	**8.0%**

Historical Billings

Despite these increased costs for the second straight billing cycle, the average historical billing growth since the full transfer to ITS is 2.1%.

Bill Type	2016-17 (Actuals)	2017-18 (Actuals)	2018-19 (Actuals)	2019-20 (Actuals)	2020-21 (Actuals)	2021-22 (Actuals)	2022-23 (Actuals)	2023-24 (Projected)
MEMO	$ 775.80	$ 770.30	$ 799.30	$ 797.53	$ 801.40	$ 699.21	$ 788.08	$ 852.63
DIRECT	$ 28.90	$ 32.10	$ 34.50	$ 41.66	$ 36.20	$ 39.13	$ 54.00	$ 57.79
Total	$ 804.70	$ 802.40	$ 833.80	$ 839.19	$ 837.60	$ 738.34	$ 842.08	$ 910.42
% Incr./Decr. from Prior Year		-0.3%	3.9%	0.6%	-0.2%	-11.9%	14.1%	8.1%

Average Growth Rate 2.1%

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Contact Information and Rate Card

Additional Questions? Contact ITS Finance at:

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Rate Card:

The FY 2024 rate card will be available at the following link prior to bill release: https://its.ny.gov/service-rates

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