

SUBJECT: Standardizing enterprise resource planning systems for state agencies

COMMITTEE: Government Reform — committee substitute recommended

VOTE: 6 ayes — Callegari, Berman, Leibowitz, Miles, Rodriguez, W. Smith

0 nays

1 absent — Pitts

WITNESSES: For — *(Registered, but did not testify:* April Brown, Texas Conservative Coalition)

Against — None

On — Dustin Lanier, Department of Information Resources

BACKGROUND: During first called session in 1991, the 72nd Legislature enacted SB 3 by Montford et. al to implement recommendations of the first Texas Performance Review. SB 3 also created an eight-member advisory council to develop the Uniform Statewide Accounting System (USAS) or a format for state agencies to report their expenditures to the Comptroller's Office.

Government Code, sec. 2101.035 authorizes the comptroller to administer, maintain, and modify the USAS, and Government Code, sec. 2101.036 also permits the comptroller to modify, delay, or stop a state agency from adopting its own accounting or payroll system or to replace those systems with those that are compatible to the statewide accounting and payroll systems.

The Department of Information Resources, in *Shared Results: Strengthening the Enterprise: 2006 Biennial Report on the Use of Information Resources Technologies by State Government*, noted that enterprise resource planning is a term for systems that integrate financial and human resources planning across an organization. The report also recommended amending Government Code, sec. 2101.036 to grant the comptroller rule-making authority to set standards for implementing an enterprise resource planning program for state agencies' accounting and human resource management systems.

Government Code, sec. 2054.103 requires state agencies to submit a copy of their biennial information technology operating plans to the governor, the Legislative Budget Board, and the state auditor within 30 days of when the plans are approved by the Department of Information Resources. Government Code, sec. 2054.104 allows the governor to order the comptroller to withhold appropriations for information technology projects of an agency that fails to meet the 30-day deadline set by sec. 2054.103. The denial of funds continues until the governor is satisfied that the agency has complied with the requirements.

DIGEST:

CSHB 3106 would amend Government Code, ch. 2101, subch. C to create an enterprise resource planning advisory council. The members would include representatives of:

- the Department of Information Resources;
- the Health and Human Services Commission; and
- other stakeholders appointed by the comptroller.

The bill also would amend Government Code, sec. 2101.001 to define enterprise resource planning as the administration of a state agency's:

- general ledger;
- accounts payable and receivable;
- budgeting;
- inventory and asset management;
- billing;
- payroll;
- projects;
- grants; and
- human resources.

The enterprise resource planning council would advise the comptroller about the key requirements, constraints, and alternative approaches to be used for enterprise resource planning standards, including related core functionality and business process reengineering requirements that would be needed in the standards.

CSHB 3106 also would amend Government Code, sec. 2101.036 to allow the comptroller to require a state agency to modify, delay, or stop a state agency's implementation of a enterprise resource planning system or

require that the agency adopt a standard state enterprise resource planning system.

The comptroller would be required to report to the Legislature about the proposed enterprise resource planning program. Members of the advisory council would not receive additional compensation or travel expenses for serving on the panel.

CSHB 3106 would repeal Government Code, sec. 2054.104, which allows the governor to order the comptroller to withhold appropriations for information technology projects of an agency that fails to meet the deadline in submitting its operating plan.

The bill would take effect on September 1, 2007, but the comptroller would have until January 1, 2008, to adopt a statewide enterprise resource planning program.

**SUPPORTERS
SAY:**

CSHB 3106 would grant the comptroller the clear statutory authority to start updating the USAS, which originally was developed in 1993, with an enterprise resource planning program. The state needs to plan for a program to integrate financial and human resource systems across all agencies. It also needs to prepare for a time when vendors no longer will support existing information technology and management systems.

Enterprise resource planning systems have become well-established and successful programs for a variety of organizations that need to integrate and standardize the use of data. Academic studies indicate that almost 60 percent of large U.S. corporations and 40 percent of small and medium-sized companies had deployed enterprise resource planning systems by the end of the 1990s. By 2003, more than 30,000 companies worldwide had adopted the program. Those developing and maintaining enterprise resource planning systems constitute a global industry worth \$79 billion. Enterprise resource planning systems have a proven track record.

The bill would provide for an open and representative process to develop an enterprise resource planning system that would benefit state agency operations and the citizens of Texas. The comptroller would work with representatives of the Department of Information Services and Health and Human Services Commission, but the bill would provide flexibility in the selection of other key stakeholders.

Creating a statewide enterprise resource planning standard would provide a blueprint for improving government budgeting and expenditure reporting. It would allow them to collect, analyze, and share critical information and data with other agencies and with policymakers.

The bill allows for a method to ensure that standards meet the needs of state agencies and avoid the problems encountered in developing enterprise resource planning for other organizations.

**OPPONENTS
SAY:**

Enterprise resource planning may not produce the beneficial organizational outcomes claimed by vendors and consultants. Several academic studies show that the systems may not be much more effective than the systems they replace.