



Commonwealth of Kentucky  
Finance and Administration Cabinet  
**OFFICE OF THE SECRETARY**  
Room 383, Capitol Annex  
702 Capital Avenue  
Frankfort, KY 40601-3462  
(502) 564-4240  
Fax (502) 564-6785

**Steven L. Beshear**  
Governor

**Lori H. Flanery**  
Secretary

## MEMORANDUM

TO: Budget Officers  
Fiscal Officers

FROM: Robin Fields Kinney  
Deputy Secretary

RE: COT FY 14 Rates

DATE: July 23, 2013

The consolidation of information technology (IT) infrastructure services became effective November 1, 2012. At that time, agencies were advised that the goal was to transition to COT's rated services cost model for the provision of IT infrastructure services in FY 2014.

Since that time, it has become evident that more detailed information about agency IT infrastructure operations is necessary before transitioning to new service rates for FY 2014. Doing otherwise would violate the principle of budget certainty for both agencies and for COT.

Instead of using existing service rates or changing them, the alternative plan for financing FY 2014 IT infrastructure services newly provided through COT is to adopt a modified version of the FY 2013 method.

### **Modified Method for FY 2014:**

Agencies will continue to pay for the salary and benefit costs of employees transferred to COT as part of the IT infrastructure consolidation. The amounts represent the salary and work week of the employees while they were with the original agency. The list of employees for which agencies will be billed is based on a **May 1, 2013** snapshot of those employees, and will be provided in a subsequent communication.

Agencies will continue to pay for the contractors moved to COT based on a more recent level of utilization under COT's supervision. This change will reflect amounts that are equal to or less than the total amount paid by the agency and COT in FY 2013 for the existing contractor base.

Agencies will inventory for COT, all FY 2014 IT infrastructure hardware/software maintenance contracts, license agreements, and lease costs. After consulting with COT, the agencies will pay for these IT infrastructure hardware/software maintenance contracts, lease agreements, and lease costs. Agencies may be advised to pay these contracts on a quarterly basis to limit out-of-pocket costs pending any mid-year (FY 2014) consolidation and potential cancellation of these contracts. The primary vendors that currently provide these services have been advised of this change.

Agencies will continue to pay for certain support costs during FY 2014, as they did in FY 2013, such as travel, basic supplies, space/facilities.

**Breakdowns or scheduled hardware replacements:** COT will handle any breakdowns, scheduled hardware replacements, or additions. Agencies will pay COT FY 13 service rates. For those agencies that had staff transferred to COT that previously provided the relevant service, the service rates will be adjusted downward by the value of personnel and related costs embedded in the rates. The full rates will be charged starting in FY 2015.

**Consolidation Implementation:** For agencies that have their IT Infrastructure consolidated by COT during FY 2014, agencies will pay COT the amounts that the agency otherwise would have incurred for IT infrastructure services during the remaining part of FY 2014. The inventory of all IT Infrastructure hardware/software maintenance contracts, license agreements, and lease costs provided by agencies will be the primary basis for understanding much of those costs. There will be some exceptions related to federal funds. These issues and amounts will be worked out with each agency on a case-by-case basis.

As with any change of this magnitude, there will be unforeseen circumstances in specific situations, and these will be handled on a case-by-case basis. Once again, the primary reason for continuing with a slightly modified approach for FY 2014 is to provide agencies and COT with budget certainty. Agencies will be contacted by the Finance and Administration Cabinet as soon as possible regarding billing procedures as well as the amount that each agency will be charged for employees and contractors in FY 2014.

If you have questions regarding FY 14 rates, please contact your agency's COT business relationship manager.

Thank you.