

AGENDA ITEM

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DATE: November 9, 2012

TO: Members, Planning, Program Development and Budget Committee
Members, Board of Trustees

FROM: John Chiappetta, Director of Budget

SUBJECT: Budget Amendment for Enterprise Software Licensing

EXECUTIVE SUMMARY

The Office of Information Technology (OIT) has evaluated the volume licensing alternatives available for upgrading the State Bar's Microsoft software on an ongoing basis. OIT recommends that the bar switch from its current "Select" licensing to Microsoft's "Enterprise" licensing program. This change will entail a one-time cost of \$360,000 (spread over three years), but will yield a net savings estimated at up to \$480,000 over the next six years. Enterprise licensing will also allow the bar to budget for software upgrades as a predictable ongoing cost, rather than as large "lumpy" expenditures at varying intervals.

This agenda item requests a \$360,000 non-lapsing allocation from the strategic plan's IT Initiative contingency reserve to pay the one-time cost of the transition to Enterprise licensing.

BACKGROUND

The State Bar, like many organizations, uses software from Microsoft pervasively. Microsoft Windows, Office, Exchange, SQL Server, and – in the future – SharePoint, are important components of the bar's IT infrastructure. Upgrading this software to current versions and keeping it up-to-date in the future are therefore important elements of the bar's overall strategic IT initiative.

In the past, the bar has participated in Microsoft's "Select" licensing program, which provides volume discounts but does not include version upgrades ("Software Assurance," in Microsoft's parlance). This type of licensing is cost effective for organizations which rarely upgrade their software, which has been the State Bar's historical practice. (The vast majority of the bar's desktop PCs, for example, run Windows XP, the operating system Microsoft first released in 2001.)

OIT estimates that updating the bar's Microsoft products – once – under Select licensing would cost approximately \$760,000. Assuming, conservatively, that one more such upgrade would be needed within the next six years, the total six year cost would be just over \$1.5 million. However, this does not account for the possibility that multiple version upgrades may become available over that time period.

Alternatively, purchasing Select licenses together with Software Assurance would provide guaranteed upgrade coverage – at a six year cost of almost \$1.9 million.

Enterprise licensing would deliver the same upgrade benefits with a one-time cost of \$360,000 plus annual costs averaging \$172,000 per year, for a six-year cost of \$1.4 million (saving \$480,000 compared with Select + Software Assurance). Moreover, while the annual costs would continue beyond the six-year period (if the bar opts to renew the licensing), the one-time cost will not be repeated.

A side benefit of the Enterprise licensing model is that it allows the bar to recognize and budget for software upgrades as a regular, recurring operating expense.

FISCAL / PERSONNEL IMPACT:

If approved, this agenda item would earmark \$360,000 from the IT Initiative contingency to purchase Microsoft Enterprise licensing for software used on the State Bar's servers, desktops, laptops and infrastructure. Ongoing annual costs will be incorporated into the OIT operating budget beginning in 2013.

BOARD BOOK IMPACT:

No impact.

RECOMMENDATION

Staff recommends that the Committee on Planning, Program Development and Budget and the Board of Trustees authorize the budget amendment described above.

PROPOSED BOARD COMMITTEE RESOLUTION:

Should the Planning, Program Development and Budget Committee agree with the above recommendation, the following resolution would be appropriate:

RESOLVED, that the Planning, Program Development and Budget Committee recommends that the Board authorize the expenditure identified in the item for the purchase of Microsoft Enterprise licensing from the IT Initiative contingency budget.

PROPOSED BOARD OF TRUSTEES RESOLUTION:

Should the Board concur with the Planning, Program Development and Budget Committee's recommendation, the following resolutions would be in order:

RESOLVED, that upon the recommendation of the Planning, Program Development and Budget Committee, the Board hereby authorizes the expenditure identified in the item for the purchase of Microsoft Enterprise licensing from the IT Initiative contingency budget.