

Enterprise Authorization & Authentication FY 11 Methodology

The Authorization and Authentication Utility rate methodology was approved as a base rate per FTE covering 64% of operational costs and a usage fee of \$0.02 per authorization based on an average of just over 243,000 authorizations per month. While this methodology was intended to spread part of the cost among the users of the service, it also has had the unintended consequence of hindering adoption.

Methodology Comparison

- A & A supplies more than 200,000 user authentications per month for more than 75 unique applications
- Over 70% of the IDs in A & A are for individuals outside of state government
- Costs are currently allocated to two categories, fundamental cost of providing the service (base rate), and those that are affected by usage (usage rate).

Currently approved model

Pro

Apportions some costs to users of the service

Con

Discourages adoption by establishing additional costs to use

Creates unpredictable costs that must be covered by agencies; it punishes success

Forces individual agencies to bear the cost of providing access to citizens without being able to control those costs

Base fee only model

Pro

Encourages adoption by fixing the cost level regardless of whether an agency uses the service or not

Establishes predictable, level costs that can be budgeted

Removes the need for agencies to recover or absorb the cost of providing authentication as part of a service offering

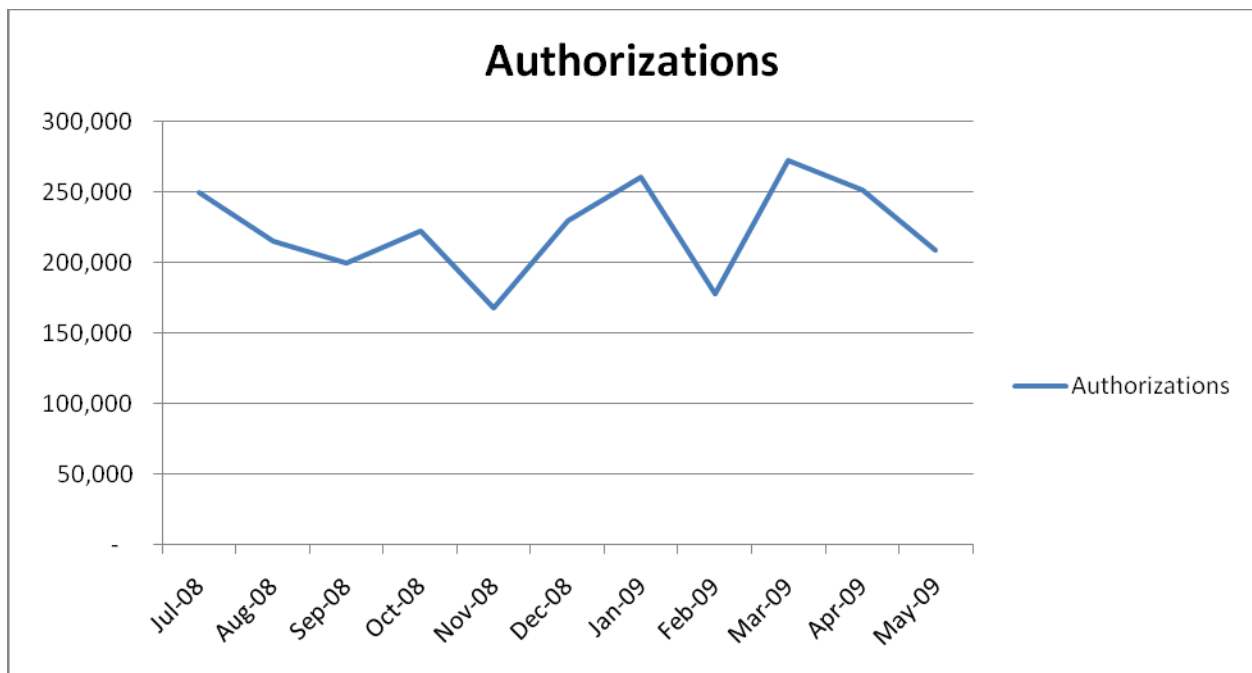
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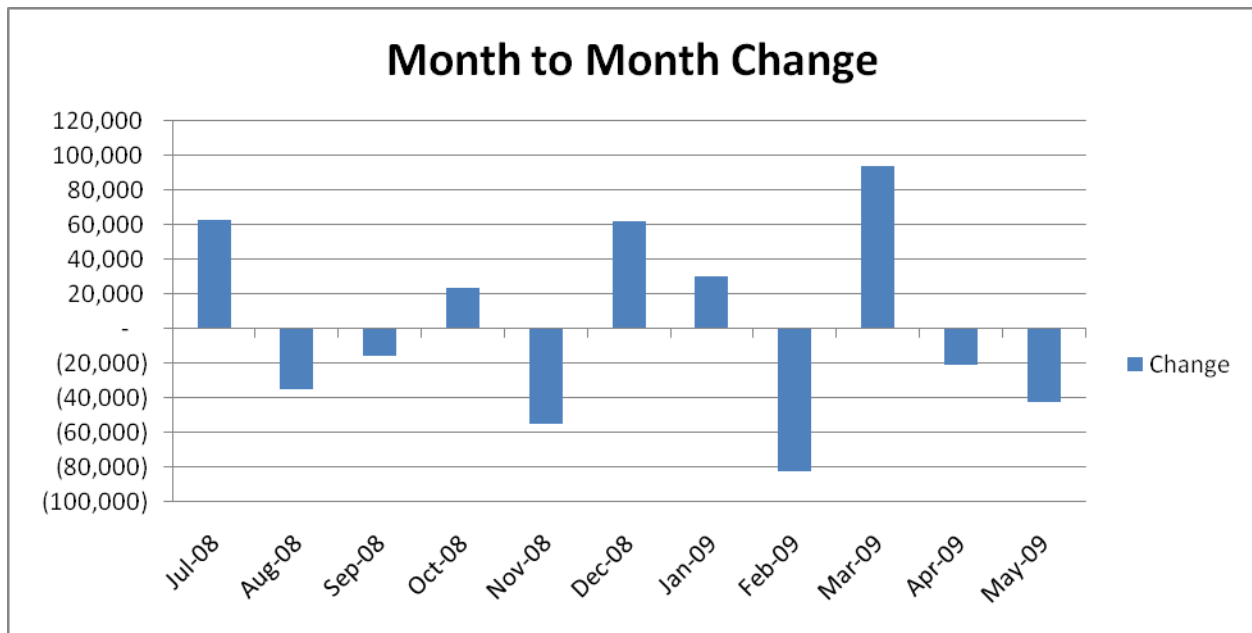
Everyone pays regardless of usage

Usage Patterns

Service usage can vary significantly from month to month. FY 09 usage is shown below as an example of the range of variance that can be expected. The average monthly volume through May was 223,215.

	Volume	Change from prior month	Percent Change
Jul-08	249,985	62,693	33.50%
Aug-08	215,100	- 34,885	-14.00%
Sep-08	199,253	- 15,847	-7.40%
Oct-08	222,748	23,495	11.80%
Nov-08	167,632	- 55,116	-24.70%
Dec-08	229,944	62,312	37.20%
Jan-09	260,403	30,459	13.20%
Feb-09	178,058	- 82,345	-31.60%
Mar-09	272,147	94,089	52.80%
Apr-09	251,360	- 20,787	-7.60%
May-09	208,739	- 42,621	-17.00%





Impact of Methodology Change

By using FY 09 usage data to project the financial performance of the utility in FY 10, it appears that the utility will operate at a loss if usage levels remain at current levels. In addition to the unpredictable bills for customers, the large variation in usage also makes it very difficult to operate financially.

Budgeted monthly revenue from usage		\$ 4,938.32
Average revenue per month (FY 10 YTD)		\$ 4,464.31
Average monthly usage	223,215	
Projected annual usage	2,678,584	
Projected annual revenue		\$ 53,571.69
Budgeted annual revenue from usage		\$ 59,259.84
<i>Net results for usage</i>		<i>\$ (5,688.15)</i>

As a result of the formula adopted for assigning costs to the base or usage rate, changes in costs borne by the utility will move more of the expense into the base rate. As shown below, moving the utility to a single base rate methodology would serve to make the cost to the agencies more predictable, provide a stable financial base for the utility and provide an incentive for agencies to make use of the service.

Formula approved for allocation of costs between base and usage rates

Expense Item	Allocation to Base
Operational staff time	50%
New Development staff time	75%
Administration staff time	100%
DB2 Database	100%
Java WebSphere Hosting	100%
ITE Service Desk Advanced Support	25%

Cost allocation for FY 11 for current and base rate only methodologies

	FY 11	FY 11	FY 10
	Base rate only	Current method	
Total Cost	\$163,217	\$163,217	\$163,595.40
Base portion	\$163,217	\$114,295	\$104,393
FTE Count	22,354	22,354	22,354
FTE rate/yr	\$7.30	\$5.11	\$4.67
FTE rate/mo	\$0.61	\$0.43	\$0.39
Usage portion	\$ 0	\$48,921	\$59,202
Usage count		222,000	243,403
Usage rate		\$0.018	\$0.020