1
00:00:08.040 --> 00:00:13.380
Narrator: Welcome to CMS it governance training it Capital Planning versus Budget.

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00:00:14.730 --> 00:00:28.020
Narrator: The Clinger COHEN ACT OF 1996 requires federal agencies to use a disciplined Capital Planning investment control or CPIC process to acquire, use, maintain, and dispose of IT.

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00:00:28.830 --> 00:00:43.950
Narrator: It's a dynamic process in which IT initiatives are selected and then continually monitored and evaluated to ensure each chosen initiative is well managed, cost effective, and supports the mission and strategic goals of the agency.

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00:00:46.830 --> 00:00:56.850
Narrator: Prior to this mandate, many government agencies were spending money on IT projects and services with no clear way of measuring their usefulness to the agency.

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00:00:57.930 --> 00:01:11.040
Narrator: Congress introduced capital planning to make sure that government agencies are spending taxpayer dollars on worthwhile IT investments, as well as monitoring those investments to make sure they remain valuable to the agency.

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00:01:12.420 --> 00:01:23.760
Narrator: Effective Capital Planning uses long range planning and a disciplined integrated budget process to maintain a portfolio of IT investments that fulfills the strategic priorities of the agency.

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00:01:24.660 --> 00:01:39.990
Narrator: Capital Planning helps to determine whether or not the agency's IT investments are worth funding and answers questions like where are we now? where are we going? do we have the money to get there? And will this project add value for many years?

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00:01:42.540 --> 00:01:52.320
Narrator: IT governance plays a critical role in the capital planning process, bringing together a multi disciplinary team of subject matter experts or SMEs.

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00:01:52.620 --> 00:02:08.010
Narrator: familiar with CMS owned technical solutions as a planning forum to help project teams think through their options and develop well informed business and technical solutions that satisfy CMS'enterprise standards and strategy.

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00:02:09.120 --> 00:02:21.240
Narrator: Through discussions with project teams SMEs and decision makers CMS strategically manages its IT portfolio through enterprise decision making about IT projects.

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00:02:21.990 --> 00:02:40.560
Narrator: Before formally considering an IT investment for selection we focus on discovery and initial evaluation of opportunities to apply IT within CMS to add business value, which may or may not result in the development of a proposal for new or enhanced technologies.

12
00:02:41.700 --> 00:02:56.160
Narrator: It may include a number of iterative discussions with a wide range of SMEs to better define the requirements and identify at a high level potential technical capabilities and alternative solutions that could satisfy the requirements.

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00:02:57.360 --> 00:03:06.480
Narrator: Let's look at an example of how this works using something we can all relate to, buying a car. So imagine the process of looking to buy a brand new car.

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00:03:07.080 --> 00:03:16.050
Narrator: The first question I might ask is what is my car mainly going to be used for? will it be used for driving friends and family so I'll need a lot of room?

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00:03:16.560 --> 00:03:24.840
Narrator: Or will I be commuting long distances, so I need a car with better gas mileage, or maybe I want something that is reliable during inclement weather.

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00:03:25.470 --> 00:03:30.870
Narrator: Either way, at this stage, I want to hammer down my needs first for deciding on which car to buy.

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00:03:31.530 --> 00:03:38.700

Narrator: Similarly, CMS needs to assess and frame its own questions to choose investments that best meet the needs of the agency.

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00:03:39.570 --> 00:03:56.250
Narrator: First, is this a valid business need? Do we need to invest in automating this process, or is there another alternative to an IT investment? if there is a current manual process, we will need to include it in our analysis. What CMS priority does this investment support?

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00:03:57.270 --> 00:04:04.440
Narrator: If you can't point to a CMS priority that this investment will support it will end up far down on the priority list for funding.

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00:04:05.280 --> 00:04:11.130
Narrator: Is there another system doing the same thing or something similar? Can we leverage that system instead?

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00:04:11.760 --> 00:04:18.750
Narrator: Like with most things before you sink a hefty amount of money into a new investment, you want to take a step back and assess your needs,

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00:04:19.140 --> 00:04:32.190
Narrator: and then select the solution best suited to meet those needs. One output of this process is a recommendation to move forward with the development of a full business case for new or enhanced IT capabilities.

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00:04:34.590 --> 00:04:45.450
Narrator: When formally considering a new IT effort we screen all potential IT investments on a distinct set of criteria, including alignment to mission and strategic business needs,

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00:04:45.900 --> 00:04:57.870
Narrator: balanced against risk and benefit. The Governance Review Board only selects IT initiatives that best support the mission, business objectives and alignment with CMS technical architecture for funding.

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00:04:58.650 --> 00:05:09.750
Narrator: The capital planning process results in a portfolio of technically and financially sound initiatives that are best aligned with the President's Management Agenda and CMS business priorities.

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00:05:10.440 --> 00:05:21.510
Narrator: A project approved during the capital planning process becomes part of the CMS IT portfolio that CMS may later submit to the Department for inclusion in the President's budget.

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00:05:24.210 --> 00:05:35.460
Narrator: Cost estimates during Capital Planning are critical to the decision making process as they are used to develop annual budget requests, to evaluate resource requirements at key decision points,

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00:05:35.820 --> 00:05:44.610
Narrator: and to develop budget baselines. Moreover, having a realistic estimate of projected cost makes for effective resource allocation,

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00:05:45.180 --> 00:06:04.020
Narrator: and it increases the probability of a project's success. A project's approved cost estimates are used to create the budget request. Since resources are finite, budgeting requires a delicate balancing act to ensure that the rate of spending closely mirrors available resources and funding.

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00:06:05.250 --> 00:06:11.280
Narrator: Because cost estimates are based on assumptions that certain tasks will happen at specific times,

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00:06:11.760 --> 00:06:24.300
Narrator: it is imperative that funding be available when needed, so as not to disrupt the program schedule or require project delays or de-scoping. This also highlights one of the differences between Capital Planning and Budgeting.

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00:06:26.970 --> 00:06:38.820
Narrator: As projects and assumptions change, project teams should work with the IT investment team to adjust baselines, and changes in project direction and costs, which may require Capital Planning approval.

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00:06:39.690 --> 00:06:46.380
Narrator: Just because funding has been budgeted in a funding line doesn't mean that the activities you would like to redirect it to are approved.

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00:06:46.980 --> 00:06:55.050
Narrator: Whereas budgeting allocate resources based largely on availability, Capital Planning reviews and approves the specific activity,

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00:06:55.560 --> 00:07:07.170
Narrator: and so both Capital Planning and Budget approval are needed. Furthermore, while it's necessary for an investment to be be approved through the CPIC process, that does not ensure it will be funded.

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00:07:08.100 --> 00:07:13.440
Narrator: CMS' IT CPIC process aligns closely to the budget formulation cycle.

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00:07:14.250 --> 00:07:27.600
Narrator: Agency decision makers review and prioritize all capital investment budget request against not only other investments, but also all other funding demands, based on meeting meeting budget targets.

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00:07:28.110 --> 00:07:37.050
Narrator: And critically, the capital planning process allows agency decision makers to determine the long term fiscal impact of approving a project this year.

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00:07:38.460 --> 00:07:51.030
Narrator: Instead of making a one year funding decision, CMS' fiscal planners weigh how approving a project today will influence CMS finances in the years to come, throughout the lifecycle of the investment.

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00:07:51.870 --> 00:08:08.850
Narrator: That is why cost estimating is so important, so that out of cycle or above target funding requests are infrequent. Once Congress approves the federal budget, and projects are funded, CMS evaluates the financial performance of the investment throughout the IT CPIC process.

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00:08:10.980 --> 00:08:21.600
Narrator: The importance of capital planning cannot be overstated. Here are some key takeaways from this presentation. IT Capital Planning and Budget are not the same, but they are interdependent.

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00:08:22.440 --> 00:08:35.880

Narrator: We need to provide cost estimates to develop CMS'long term capital plan. Changes to project baselines due to increased scope will require approval from capital planning, as well as available funds.

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00:08:36.780 --> 00:08:46.950
Narrator: The IT Governance team is here to engage, collaborate, and guide you through these processes. Look for other videos from the Division of IT Investment Management and Policy.

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00:08:48.300 --> 00:08:53.730
Narrator: If you wish to learn more about IT Governance, please visit our website for more information.