

Technical void

As state slashes IT spending \$250 million, technology firms look for work elsewhere

By **Jim T. Ryan**

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Tightening its belt, Pennsylvania plans to spend about a third less on information technology this fiscal year compared with \$822 million the state government spent in 2008-09.

While the state expects to save nearly \$250 million, that means less work for computer consultants and other IT firms that depend on state government for a large part of their business.

During this fiscal year, the state plans to spend \$575 million on IT -- including computers, software and services, said Brenda Orth, the state's chief information officer. The more conservative figure is included in the \$27.8 billion budget the legislature passed Oct. 9, more than three months late. The budget is \$1.9 billion less than the previous fiscal year, according to the state budget office.

"We're looking at the (IT) contracts we have and how we can do them smarter," Orth said.

That includes rebidding the state's telecommunication services, new technology that will save the state \$60 million over seven years, virtualization to reduce the number of servers to run computer operations, and consolidated processing power to save \$240 million over seven years, she said.

The changes should make the state's operations more efficient. But the spending cuts hit IT firms hard.

"Of course the budget delayed things, so state work dried up for a while," said Karen Sarabok, a principal at Camp Hill-based IT consulting firm Momentum Inc.

The state issued fewer requests for proposals, but many are larger, she said.

That makes it more difficult for small companies to bid on the work, she said.

"What that forces us to do is partner with a lot of the big integrators," Sarabok said, "and that's how we go after those (types) of contracts."

Momentum has a two-year contract with PennDOT to analyze its business and IT solutions, she said. The company also provides consulting services to the federal government, including the Defense Department, and the private sector.

"Our strategy was to diversify four years ago into the federal government market," Sarabok said. "It's been a lifesaver this year."

Pennsylvania is not alone in curbing its IT spending, said Paul Mathison, president of [pjmathison](#), a technology and business consulting firm based in Philadelphia. The company has an office in Harrisburg.

Revenue shortfalls across the country have forced many states to take a hard look at budgets and cut anywhere they can, he said. Some states are worse off than Pennsylvania, he said.

"It's all relative," he said. "Compared to other states, we're not getting whacked as bad."

If companies can't rely on the state for business, they need to be more creative, Mathison said.

"Anyone that's sitting still and thinking they can rely on the same old (requests for proposals) and offices and businesses is probably getting hurt," he said.

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