

DEPARTMENT OF TECHNOLOGY SERVICES

I. SUMMARY

Our world now exists in the Information Age. Rapid advances in technology have transformed every aspect of our personal and professional lives over the last 20 years. Though California is the birthplace of most of the advances in information technology, state government has not kept pace with the rapid changes wrought by the technology revolution. The very ability of state agencies to manage their resources and deliver required services is inextricably linked to the effectiveness and efficiency derived from technology.¹ Despite massive investments in information technology, California state government can do more to reduce its operating costs through the deployment of technology.

For close to a decade, several authorities – including the Legislative Analyst’s Office (LAO)², the State Department of Finance (DOF), and the State Chief Information Officer (CIO) – have recommended consolidation of the State’s data centers as a necessary step to leverage advancements in technologies, maximize employee resources, and to reduce state spending. Executive Order S-13-04 directs the consolidation of the Stephen P. Teale Data Center (Teale) and Health and Human Services Agency Data Center (HHSDC) under the management authority of a Department of Technology Services organization. As planning for that consolidation proceeded, it became clear that statewide voice telecommunications and data networking functions should also be transferred from the Department of General Services to the proposed Department of Technology Services in recognition of the ongoing convergence of voice and data networking technologies.

Creating the Department of Technology Services is an essential element as the state transforms itself in all other areas operations. The consolidation of the state’s two general purpose data centers is a necessary step as the State continues to improve its ability to leverage economies of scale and in bringing together the systems and expertise necessary to realize the productivity focused organization envisioned in this Governor’s Reorganization Proposal (GRP). The effective use of technology will enable the State to optimize the productivity of its workforce and integrate government’s many enterprises to facilitate real-time, dynamic interaction between government and the people it serves. Leveraging this capacity is one of the primary goals of this new organization.

While the State CIO will provide the vision, framework and ongoing oversight of the state’s technology investment, the Department of Technology Services will provide for the comprehensive management of common information technology infrastructure and services to best leverage the State’s massive investment in these core business tools.

¹ California State Auditor, Bureau of State Audits, *Effective Use of Information Technology: Lessons about State Governance Structures and Processes*, by RAND Science and Technology (Santa Monica, California, 2003), p. 17 (Consultant’s Report).

² Legislative Analyst’s Office, 2003-04 Budget Bill Analysis, February 2003.

This combined approach to information technology management will align the state's technology functions with best practices and also offer the following advantages:

- More efficient, standardized systems capable of supporting multiple agencies;
- Reduced redundancy and variation within the state's technology infrastructure;
- Reduction in cost for common infrastructure services;
- Enhanced ability for data sharing;
- Improved ability to successfully leveraged IT procurements;
- Enhanced security and privacy measures for the storage and distribution of electronic data;
- Improved core technology support for all state agencies and departments; and
- More effective utilization and management of technology personnel.

Establishing this department will allow California to fundamentally change and improve the manner in which government delivers services.

II. THE CASE FOR REORGANIZATION

Existing organizations

Of the State's six data centers, only two are general purpose with broad service missions serving a wide array of customers. Teale was established within the Business, Transportation and Housing Agency, as a general-purpose data center for State government in 1972. It currently provides services to over 250 customers, including State agencies and local government entities. HHSDC was established in 1978 within the Health and Human Services Agency as a multi-purpose data center for health and human services departments. It currently serves over 200 State and local customers, including core customers from State health and human services departments and 140 customers whose sole or primary service is CALSTARS, the State's program cost accounting system. As such, some state agencies are customers of both data centers.

Combined, the two data centers have approximately 950 employees and slightly over \$400 million in expenditure authority. Excluding the welfare projects, each data center has about 400 employees and expenditures of about \$100 million annually. HHSDC's welfare projects involve about 150 employees, with expenditures of about \$200 million annually. HHSDC has one division, its System Integration Division, which is primarily devoted to the operation and/or management of five major welfare-related systems integration projects and is not included in the scope of this reorganization. .

Administrative and Legislative efforts

The LAO recommended the consolidation of Teale and HHSDC in its February 2003 analysis of the fiscal year 2003-04 Budget Bill. The State's CIO incorporated the concept into a white paper issued on May 14, 2003, entitled "Re-Alignment of Responsibility for the Management of the State's IT [Information Technology] Resources and Infrastructure." The concept was further promoted by the Administration in the May Revision to the 2003-04 Governor's Budget, which requested the State's CIO develop a Governor's Reorganization Plan for consolidating the two data centers beginning in fiscal year 2004-05.

In response to that, the State's CIO appointed a working group to develop recommendations for the reorganization plan. The working group was comprised of representatives from the two data centers, customer departments, the LAO, the Department of Finance, and other State agencies with relevant experience and expertise. The group met over two months under the leadership of the Business, Transportation and Housing Agency, and discussed a variety of issues related to a consolidated data center, including mission, goals, operations and organizational structure. Unfortunately, budget-related legislation enacted on August 11, 2003 (Chapter 225, Statutes of 2003 [AB 1752]) temporarily preempted preparation of the State CIO's reorganization plan by requiring the convening of a specific working group to conduct the data center consolidation review.

After the legislation was enacted, consolidation efforts continued, building on the foundation established by the prior working group. A new staff group comprised of representatives from the Department of Finance and the data centers, as well as the State

CIO, was formed pursuant to the legislation that then developed a vision statement with goals and operating principles. The group also identified a number of areas in which potential savings might be realized, and began to research these areas. A public hearing was held on November 12, 2003, to solicit input from interested parties on the benefits, opportunities and concerns relative to data center consolidation, as well as on the role of a consolidated data center in State government.

Outcome of Analysis

The group's conclusion is that consolidating the data centers would fundamentally improve the state's information technology approach. A statewide data center would offer customers cost-effective access to a wider variety of advanced technology resources. Specifically, a combined data center would:

- Reduce data center operating costs, thus reducing customer's costs;
- Deliver "best practices" solutions in technology services more effectively; and
- Improve the operations, reliability and security of the state's information technology solutions.³

Research on data center consolidation efforts of other states and large organizations demonstrate that the benefits of data center consolidation are significant and support the outcome of the state's own internal analysis.⁴

³ *Plan for Consolidating Teale Data Center and Health and Human Services Agency Data Center*, December 2003.

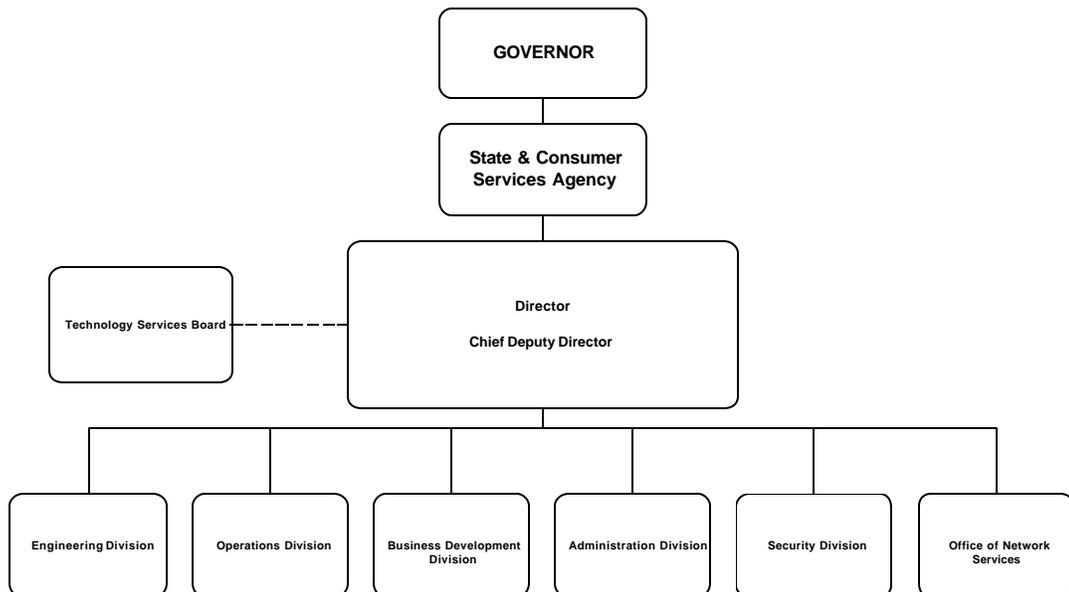
⁴ California State Auditor, Bureau of State Audits, *Effective Use of Information Technology; Lessons about State Governance Structures and Processes*.

III. THE NEW ORGANIZATION

The organizing premise for the concentration of information technology expertise and equipment in a centralized department offers customers cost-effective access to a wide variety of powerful information technology resources without requiring customers themselves to make expensive investments in hardware, software, and technical expertise. Concentrating these resources in a single organization allows customers to indirectly leverage investments and take advantage of economies of scale, technical expertise and experience. The consolidation of these organizations into a single, synergistic organization will streamline the structure and administration of functional activities to reduce duplication of effort, align the management of technology implementation, operations and maintenance into a more integrated lifecycle model, and increase the depth, flexibility and robustness of the services to customer agencies. By pooling the necessary physical, technical and human resources in this Department, the public will experience improved quality of government services.

The Department of Technology Services would be established as a service-based organization in the State and Consumer Services Agency, which shall exercise the power of general supervision over the department pursuant to Government Code § 12850. The proposed organizational structure of the Department of Technology Services is depicted below:

Proposed Department of Technology Services



The Office of the Director

The Director will report to the Secretary of State and Consumer Services Agency and serve as the primary point of accountability for providing technology services to state agencies. The Director is also charged with carrying out the vision, policies, and standards related to IT as promulgated by the State CIO, as they pertain to the operations of the Department of Technology Services. This position will be appointed by the Governor and subject to confirmation by the Senate.

Transferred Functions:

The Director will fulfill all current responsibilities of the directors of HHSDC (excluding management of the Systems Integration Division) and Teale, as well as the Director of General Services' responsibilities related to the voice telecommunications and data networking functions.

Divisional Structure and Responsibilities

The Department of Technology Services will be comprised of five divisions and one office – Engineering, Operations, Business Development, Administration, Security and the Office of Network Services. The consolidation would result in the transfer of all of the functions from Teale and HHSDC, as well as the voice telecommunications and data networking functions of the Telecommunications Division of the Department of General Services.

Engineering

This division will provide engineering services for software, network, platform and IT architecture. It also will assist customers in the development of project scope by providing the requisite expertise to identify the right technology solution to meet the operational needs of the client.

Operations

This division will provide the day-to-day operational support in client platforms, networks and applications, as well as provide support to a statewide help desk, and ensure continued service continuity and system reliability.

Business Development

This division will establish procedures and provide units focused on training IT professionals, customer management and marketing functions, and other professional services that will augment the day-to-day operational capacity of the department.

Administration

This division will consolidate administrative functions that cut across program areas including: finance, budgets, procurement and human resources.

Security

This division will maintain site specific security and risk prevention and mitigation plans. It will also be primarily responsible for ensuring continued data integrity and protection from contamination, loss or misuse.

Office of Network Services

The office will house all voice and data networking functions for the state, administer the CalNET contract and assist state agencies in identifying and meeting their telecommunications needs.

Technology Services Board

The Technology Services Board will be responsible for oversight and approval of the Department's budget, rate setting methodology and plan of operations. The governance structure of the Technology Services Board will consist of thirteen members, as follows:

- The State CIO, the Governor's designee, who will be the chair of the Board;
- The Director of Finance, who will be vice-chair of the Board;
- The State Controller;
- The Secretaries of the: Department of Food and Agriculture; Business, Transportation and Housing Agency; the Environmental Protection Agency; Health and Human Services Agency; Labor and Workforce Development Agency; Resources Agency; State and Consumer Services Agency; Department of Veterans Affairs; and Youth and Adult Correctional Agency; and
- The Director of the Office of Emergency Services.

One of the key features of this reorganization proposal is the creation of a customer-dominated board that is empowered to ensure that the Department provides the desired quality of services.

Transferred Functions:

This reorganization proposal would transfer the budget, rate setting and planning functions currently performed by the Business, Transportation and Housing Agency (with respect to Teale), the Health and Human Services Agency (with respect to HHSDC), the Department of Finance and the Department of General Services (with respect to voice telecommunications and data networking) to the Technology Services Board.

IV. GENERAL PROVISIONS

This Reorganization Plan is effective on July 1, 2005. On the effective date, the plan shall become operative.

Transfer of Employees

Pursuant to Government Code Sections 12080.3 and 19370, all employees serving in the State Civil Service, other than temporary employees, who are engaged in the performance of functions transferred to the Department of Technology Services or engaged in the administration of a law, the administration of which is transferred to the Department of Technology Services by this Reorganization Plan, are transferred to the Department of Technology Services. The status, positions, and rights of such persons shall not be affected by their transfer and shall continue to be retained by them pursuant to the State Civil Service Act, except as to positions the duties of which are vested in a position exempt from civil service. The personnel records of all transferred employees shall be transferred to the Department of Technology Services.

Transfer of Property

The property of any agency or department, related to functions transferred as part of this reorganization, is transferred to the Department of Technology Services. If any doubt arises as to where such property is transferred, the Department of General Services shall determine where the property is transferred.

Transfer of Funds

All unexpended balances of appropriations and other funds available for use in connection with any function or the administration of any law transferred by this Reorganization Plan shall be transferred to the Department of Technology Services for use for the purpose for which the appropriation was originally made or the funds were originally available. If there is any doubt as to where such balances and funds are transferred, the Department of Finance shall determine where such balances and funds are transferred.