

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 5 ON INFORMATION TECHNOLOGY AND TRANSPORTATION

ASSEMBLYMEMBER DEAN FLOREZ, CHAIR

**WEDNESDAY, MAY 12, 1999
STATE CAPITOL, ROOM 127
5:00 P.M.**

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4130 HEALTH AND WELFARE AGENCY DATA CENTER

ISSUE 1: TRANSFER EXPENDITURE AUTHORITY (FINANCE LETTER)

The department requests the transfer of \$4,076,000 in expenditure authority between programs to move 35 positions from the Information Services Division to the Administration Division to more closely align the staff with the focus of that division.

ISSUE 2: LEARNING INSTITUTE (FINANCE LETTER)

The department requests an increase of \$1 million and six positions to the budget proposal to transfer the Learning Institute from the Department of General Services (DGS). The budget already reflects a reduction of \$1,125,000 from the DGS budget.

ISSUE 3: YEAR 2000 CONVERSION

The budget proposes increased spending authority of \$3.1 million from the Health and Welfare Agency Data Center (HWDC) Revolving Fund to continue the Year 2000 project and to provide Year 2000 conversion center services.

ISSUE 4: INFRASTRUCTURE AUGMENTATIONS

The budget proposes increased spending authority of \$14.5 million from the HWDC Revolving Fund and ten positions to support the data center's computing and connectivity requirements.

ISSUE 5: ENTERPRISE INFORMATION SECURITY PROGRAM

The budget proposes increased spending authority of \$1.5 million from the HWDC Revolving Fund and three positions to enhance Enterprise Information Security and develop a common architecture and product deployment across health and human services programs.

ISSUE 6: DEDICATED EQUIPMENT PURCHASES

The budget proposes increased spending authority of \$924,000 from the HWDC Revolving Fund to procure services and equipment for client departments utilizing data center services.

4130 HEALTH AND WELFARE AGENCY DATA CENTER

The Health and Welfare Agency Data Center (HWDC) is one of three consolidated data centers within state government. The HWDC provides large-scale computer processing and telecommunications services to departments within the Health and Human Services Agency and others. The HWDC Revolving Fund was created in 1978-79 to provide a continuous source for the payment of expenses of the center. Customer departments pay into the HWDC Revolving Fund from their own federal fund, General Fund, and/or special fund appropriations.

ISSUE 7: ACQUISITION OF LEASED FACILITY

The budget proposes to exercise the purchase option on one of two buildings currently leased by the Health and Welfare Agency Data Center (HWDC) in Sacramento. The budget includes \$5.5 million from the General Fund to exercise the option for the larger of two buildings (118,000 square feet) based on the purchase price as of July 1999. Of this amount, \$4 million is a loan to be repaid from the HWDC Revolving Fund over the next six years.

The Legislative Analyst's Office (LAO) withholds recommendation on \$5.5 million from the General Fund pending receipt of an economic analysis of the building's value to the state if the data center is relocated. Of this amount, \$4 million is a loan to be repaid from the HWDC Revolving Fund over the next six years.

The budget also proposes trailer bill language to eliminate authority to use revenue bonds for acquiring the larger building. The LAO recommends that the Legislature also adopt trailer bill language to eliminate this authority for the smaller building.

BACKGROUND:

The data center purchase was proposed in last year's budget, but was rejected by the Legislature. The Legislature did, however, adopt supplemental report language requiring the Department of Information Technology (DOIT) to develop a plan by January 1, 1999 to include a schedule and budget for siting and configuration of the state's data centers. In fall 1998, DOIT indicated that it would not be doing the plan and that the issue of data center consolidation would be left for the new administration. According to the LAO, the Legislature is once again being asked to approve this acquisition without knowing the administration's position on data center consolidation.

The HWDC building proposed for purchase is also located in the flood plain. Furthermore, a 1997 consultant's study on data center consolidation concluded that the current HWDC site was not preferred for long-term operations because of exposure to flood disasters.

The budget proposal indicates that, regardless of whether the HWDC remains in the building, the purchase still makes sense because either (1) the state could use the entire building for general office space or (2) the state could sell the building for an amount greater than the purchase price. A February 1997 appraisal concluded that the building is worth about \$7 million. The LAO indicates that if the data center moved from the building, however, renovation of the computer areas into office space would involve costs that were not accounted for in the appraisal. Also, the site has limited parking, which could become a barrier to more intensive state office use or to a potential buyer.

The LAO indicates that if the administration and Legislature agree that the HWDC can remain within the flood plain for the long term, then the proposed purchase would make sense. If the data center were to relocate and the administration could demonstrate that continued state use or sale of the facility would be an economic benefit to the state, then the purchase should go forward.

COMMENTS:

- According to the Department of Finance, the purchase of the building still represents a good long-term decision.

ISSUE 8: ADDITIONAL WEST ANNEX LEASE

The budget proposes an increase of \$1,998,000 for the HWDC to acquire additional leased office space in the Alhambra Plaza adjacent to its current facility.

BACKGROUND:

HWDC's central site offices are co-located in Alhambra Plaza with the University of California at Davis (UCD) Medical Offices. The HWDC facility at Alhambra Plaza currently occupies approximately 50,000 square feet of computer room floor space and 68,000 square feet of office space for approximately 150 state staff. The facility contains an elaborate security system to ensure the safety of state staff, customer data, and over \$60 million in state information technology assets as well as the valuable information housed on these assets.

HWDC was recently notified that UCD would be vacating their leased space in July 1998. This space is part of the contiguous building that HWDC currently occupies. HWDC would like to negotiate a lease of the UCD space so that it may consolidate staff and acquire room for budgeted staffing increases. Because this space has housed medical offices, alterations would be required.

COMMENTS:

The department indicates that it is currently reassessing its space needs which will be completed before the May Revision.

ISSUE 9: STATEWIDE AUTOMATED WELFARE SYSTEM

The budget includes the following proposals for the HWDC for the Statewide Automated Welfare System (SAWS):

- A decrease of \$3.8 million and an increase of seven positions for the ISAWS;
- A decrease of \$1.2 million for technical architecture; and
- A decrease of \$5.5 million for CalWORKs reprogramming.

BACKGROUND:

In 1984, legislation was passed which authorized the development of SAWS. The SAWS automates eligibility determination, benefit computation, benefit delivery, case management and management information. The system encompasses the CalWORKs, Food Stamp, Medi-Cal, Foster Care, Refugee Assistance and County Medical Services programs. The Budget Act of 1995-96 required the department to: (1) develop a multiple county consortium strategy as the foundation for statewide welfare automation, and (2) develop and maintain a statewide technical architecture and interface standards.

The HWDC is responsible for overall project management and state oversight under an interagency agreement with the Department of Social Services. State oversight includes securing project approvals and funding, procuring and managing independent verification and validation services, reviewing and approving consortia deliverables, applying early issue identification and resolution methods, managing risk, managing stakeholder involvement, and approving and tracking expenditures. The counties or consortia are responsible for local project management.

The following chart shows the four consortia projects and their status:

SAWS Consortia Current Status of Projects	
<u>Consortia</u>	<u>Status</u>
<p>Interim SAWS (ISAWS) 35 counties: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Marin, Mariposa, Mendocino, Modoc, Mono, Monterey, Napa, Nevada, Plumas, San Benito, San Joaquin, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yuba</p>	<ul style="list-style-type: none"> ➤ ISAWS project began in 1993-94. ➤ As of March 1998, the project was operational in all counties.
<p>Los Angeles Eligibility Automated Determination, Evaluation, and Reporting (LEADER) System Los Angeles County only</p>	<ul style="list-style-type: none"> ➤ LEADER project began in November 1995. ➤ Currently in testing stage of the development and implementation phase. ➤ A significant contract amendment has been approved by the federal government. ➤ Countywide implementation scheduled to begin October 1999. ➤ Implementation to be completed July 2000.
<p>Welfare Client Data System (WCDS) 18 counties: Alameda, Contra Costa, Fresno, Orange, Placer, Sacramento, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Tulare, Ventura, Yolo</p>	<ul style="list-style-type: none"> ➤ Planning activities began in April 1996. ➤ Procurement document was released December 1997. ➤ Contract negotiations have concluded. ➤ Development expected to begin in 1999-00, following federal and state approvals and a contract award. ➤ Development would continue through 1999-00.
<p>Consortium IV (C-IV) 4 counties: Merced, Riverside, San Bernardino, Stanislaus</p>	<ul style="list-style-type: none"> ➤ Planning activities began December 1997. ➤ Procurement document was released in December 1998. ➤ Draft proposals were due March 1999. ➤ Contract expected to be awarded in September 1999.

In addition to funding for the four consortia projects, the budget includes funding for the following activities related to SAWS:

SAWS Technical Architecture. As indicated above, the HWDC is responsible for technical architecture which would (1) enable the exchange of data among the four consortia for eligibility, anti-fraud, and case management purposes, (2) provide an interface for the consortia with other state automation systems, and (3) connect the consortia and state agencies to meet state and federal reporting requirements. The enactment of state and federal welfare reform legislation and delays in the consortia implementation schedules significantly impacted the original scope of the project. Consequently, the original SAWS technical architecture project was terminated February 28, 1999. At this point, alternatives are being considered to refocus the project to meet its original objectives and address the changes in scope.

Consortia Planning and Management. This includes the various state oversight and county planning activities. The budget proposes no changes in the level of spending for these activities.

CalWORKs Reprogramming. As a result of federal and state welfare reform, significant modifications will be needed to the electronic data processing systems for determining welfare eligibility, benefits and case tracking.

COMMENTS:

The LAO indicates that it is likely that the administration will submit May Revision letters to appropriate more funds for the SAWS. For example, the following cost increases are anticipated: (1) an increase of \$20 million in the contract for Los Angeles County's LEADER project, (2) planning documents for technical architecture are still under review within the administration and the final planning documents could result in modifications to the budget year request, and (3) additional costs for ISAWS reprogramming have yet to be identified.

ISSUE 10: STATEWIDE FINGERPRINT IMAGING SYSTEM

The budget proposes an increase of \$9.5 million for the HWDC for the Statewide Fingerprint Imaging System (SFIS) in 1999-00.

BACKGROUND:

Current law requires that applicants for and recipients of CalWORKs and food stamp benefits be fingerprint imaged as a condition of eligibility. The following individuals must provide fingerprint images and a photo image:

- Each parent and/or caretaker relative of a child applying for or receiving aid when living in the home of the child;
- Each parent and/or caretaker relative receiving or applying for aid on the basis of an unaided excluded child;
- Each adult applicant or recipient; and
- A pregnant woman applying for or receiving aid in an assistance unit consisting of the woman only.

The SFIS is designed to provide an automated method of capturing the fingerprint and photo images. The SFIS project would create a database of stored fingerprint and photo images whereby the print images of new applicants would be matched against the database of stored recipient fingerprint images. If there is a positive match, an investigation would occur and aid would be denied or terminated if the investigation revealed fraud.

The budget includes savings of \$8.8 million in the CalWORKs program in the budget for the Department of Social Services (DSS) to reflect the estimated CalWORKs grant savings associated with denying aid due to fraud. The DSS estimates savings of \$362 million (for a four-year contract period) from SFIS implementation.

In December 1997, a Notice of Intent to Award the contract was issued. However, an award protest was filed, followed by litigation surrounding the Minority and Women Business Enterprise provision. As a result of the *Monterey Mechanical v. Wilson* appellate court decision, the department canceled the procurement and re-bid the SFIS procurement.

The department issued another notice of Intent to Award in January 1999. However, there was *another* award protest which occurred at that time. The protest is currently under review by the Board of Control. The department anticipates resolution this month.

Based on an anticipated April 1999 contract award date, the department anticipates completing the development and testing of the system by September 1999. At that point, the SFIS would be implemented in three phases in approximately 300 county sites:

- Phase 1: Approximately eight counties by October 1999;
- Phase 2: Approximately 22 counties by January 2000; and
- Phase 3: 58 counties by March 2000.

COMMENTS:

The LAO indicates that the budget proposal request could change depending on the final contract award.

ISSUE 11: ELECTRONICS BENEFITS TRANSFER

The budget proposes an increase of \$1.6 million for the HWDC and the establishment of nine three-year limited term positions for the Electronic Benefits Transfer (EBT) system.

BACKGROUND:

The EBT is designed to automate benefit authorization, delivery, redemption, and settlement processes through computers, plastic cards, and telecommunications technology which results in the elimination of paper benefits (coupons and checks). The EBT would provide benefits through automated teller machines (ATMs) and retailer point-of-sale terminals. Federal law requires states to implement an EBT system for the Food Stamp program by October 2002. The DSS is currently analyzing and planning an EBT design for the CalWORKs program, which under current law would be implemented only at each county's option. Currently, there are Food Stamp EBT projects already operating in San Bernardino County and San Diego County.

State legislation which implemented the CalWORKs program required the state to certify one or more vendors as eligible to contract with the counties to develop and implement the EBT system. The state pays 100 percent of the nonfederal share of costs for EBT system planning, procurement, development, implementation, and conversion. In addition to federal, state and local government agencies, other project stakeholders include the retailer and farmers' market community, client advocate groups and the banking industry.

In response to concerns expressed by the counties, the department is changing its strategy so that the would state contract with a single vendor to implement the EBT system statewide. Last year, one of the budget trailer bills provided authority for this change.

The state and county departments are preparing for implementation activities and decisions, such as the order of county implementation, which counties will opt to implement EBT for cash issuance, and the approach for cash settlement and reconciliation processes for the cash program.

COMMENTS:

The budget proposal is based on the following projected schedule:

July 1999	Award vendor contract
July 1999-March 2000	Conduct system design, development and testing
March 2000-June 2000	Pilot implementation and evaluation
July 2000	Being regional and statewide implementation
October 2002	Complete state wide implementation

The department indicates that the procurement document is currently under review by state and federal control agencies.

ISSUE 12: CHILD WELFARE SERVICES/CASE MANAGEMENT SYSTEM

The budget proposes an increase of \$1.2 million for the HWDC for the Child Welfare Services/Case Management System.

BACKGROUND:

The CWS/CMS is mandated under current law to provide a comprehensive database, case management tool, and reporting system for the CWS program. The CWS/CMS provides:

- Immediate statewide data on referrals for children at risk of abuse, neglect or exploitation;
- Immediate case status and case tracking for children and families receiving child welfare services;
- All necessary information and forms required to determine eligibility for the federal foster care program;
- Tracking for all placement activities for children in foster care;
- Issuance of the appropriate notice of action messages, court reports and services plans;
- All required state and federal reports; and
- Adoptions information to produce the semi-annual adoption and foster care analysis reports.

The one-time costs for the project were approximately \$120 million. During the development and implementation phase of the project, costs were shared by the federal and state governments. For a while, the federal government paid an “enhanced” share, or 75 percent of development and implementation costs. The federal share was later reduced to 50 percent of the costs. The federal share for ongoing maintenance and operations costs is 50 percent.

At this point, CWS/CMS activities include stabilization, business integration, and maintenance and operation. The CWS/CMS was implemented statewide in 1998. There are currently about 15,000 users and 175,000 transactions daily. The annual maintenance and operation costs are estimated to be approximately \$60-70 million. The current vendor is IBM and the contract runs through March 2000. The department has finalized a request for proposal for a new contract, which is currently under federal review.

COMMENTS:

- According to the LAO, the amount requested in the budget proposal could change depending on the outcome of the contract award.
- Last year, the Budget Act of 1998-99 included budget bill language requiring the Department of Social Services to determine the feasibility of including information on probation foster care placements within the CWS/CMS. The DSS has been asked to report to the subcommittee on its efforts to address this issue.

2740 DEPARTMENT OF MOTOR VEHICLES (DMV)

The Department of Motor Vehicles' (DMV) responsibilities include protecting the public interest in vehicle ownership by registering vehicles and promoting public safety on roads and highways by issuing driver licenses. In addition, the DMV licenses and regulates vehicle-related businesses and provides revenue collection services for state and local agencies. The Governor's budget proposes \$617 million for the DMV, a decrease of \$21 million, or 3.4 percent, below revised current year spending.

ISSUE 13: VEHICLE LICENSE FEE REDUCTION COMPUTER REPROGRAMMING

The Governor's budget includes \$891,000 for the DMV to continue reprogramming efforts as a result of the 25 percent reduction to the Vehicle License Fee (VLF). The reduction can increase if the State's revenue meet specified targets. The DMV requests funding to upgrade its computers to accommodate potential additional cuts.

Of the amount requested, a portion will be for "Phase II" of the reprogramming project. This phase is to enable the DMV to capture important data regarding the VLF reduction. The remainder of the request is proposed for "Phase III" of the reprogramming project, which would enable flexibility should additional VLF cuts be made or other changes in registration fee structures in the future.

The LAO recommends that funding for Phase III should not be approved because it is not likely revenues will not reach the BLF trigger levels and that the registration system is in the process of being replaced with a system that should include the necessary flexibility.

COMMENTS:

The DMV and the LAO have been meeting to discuss what exact portion of the request is for Phase III. The agreed upon figure should be available prior to the hearing. Should the Subcommittee act to reduce the request, it should be done with the understanding that the balance remains open pending action on the DMV's information technology requests and the Year 2000 issue.