

JOINT HEARING**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION****ASSEMBLYMEMBER TOM DALY, CHAIR****AND****SELECT COMMITTEE ON GOVERNMENT EFFICIENCY, TECHNOLOGY, AND
INNOVATION****ASSEMBLYMEMBER JOAN BUCHANAN, CHAIR****THURSDAY, MARCH 20, 2014****UPON ADJOURNMENT OF SESSION. - STATE CAPITOL ROOM 437**

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
7502	DEPARTMENT OF TECHNOLOGY	
ISSUE 1	OVERVIEW OF THE DEPARTMENT AND 2014 STRATEGIC PLAN	1
ISSUE 2	CALCLOUD	3
ISSUE 3	PROJECT APPROVAL LIFECYCLE	4
8880	FI\$CAL	
ISSUE 4	FI\$CAL SPR 5 CHANGE MANAGEMENT PLAN	5
7502	DEPARTMENT OF TECHNOLOGY	
ISSUE 5	PLAN DEPARTMENT OF TECHNOLOGY BUDGET PROPOSALS	7

ITEMS TO BE HEARD

7502 DEPARTMENT OF TECHNOLOGY

ISSUE 1: OVERVIEW OF THE DEPARTMENT AND 2014 STRATEGIC PLAN

The Department of Technology will provide an overview of its direction, as outlined in its strategic plan.

BACKGROUND

Effective July 1, 2013, the Governor's Reorganization Plan (GRP) No. 2 of 2012 created the Government Operations Agency and, as part of the plan, moves the California Technology Agency (previously budgeted within Legislative, Judicial, and Executive under Organization Code 0502) to this new Agency (Government Operations).

The Department of Technology supports state programs and departments in the delivery of state services and information to constituents and businesses through technology. The Department retains statewide authority to centralize and unify information technology projects and data center services to enhance the ability to develop, launch, manage, and monitor large informational-technology projects.

The California Information Technology Strategic Plan provides a vision to guide the strategic objectives of California's technology community leaders to enhance the reliability and efficiency of state programs, and to improve business operations and services to the greatest number of Californians. This plan encourages the state to focus on the outcomes technology can deliver while responding to critical issues facing the state's information technology community.

The 2014 update builds on the direction established in the 2013 plan and further specifies the six strategic goals of the State to consider when making decisions about technology. The purpose of this plan is not just to do things better, but to also make certain government is focused on the outcomes that have the greatest impact on Californians and achieving them in the most efficient way possible.

The six Strategic Goals for IT are:

- Goal 1: Responsive, Accessible and Mobile Government
- Goal 2: Results through Leadership and Collaboration
- Goal 3: Efficient, Consolidated, and Reliable Infrastructure and Services
- Goal 4: Secure and Manage Information is an Asset
- Goal 5: Capable Information Technology Workforce
- Goal 6: Responsible and Effective IT Project Procurement

The 2014 strategic plan highlights several recent changes to the services offered by the department. These include:

- Implementation of the CalCloud system
- Development of the Project Approval Lifecycle model.
- Improvements to Cyber-security
- Implementation of a “strike team” of departmental staff that can intervene in a crisis.

STAFF COMMENTS

The Director of the Department of Technology, Carlos Ramos, will provide the committees with an update on the strategic plan.

ISSUE 2: CALCLOUD

The State has recently implemented the CalCloud project, a public-private partnership to provide cloud-based services to California departments and agencies.

BACKGROUND

Cloud computing allows an individual user to draw from internet-based resources, applications, and storage for their local computing needs. Cloud computing is widely used because it is cost effective, flexible, and scalable. California began constructing its own “cloud” in 2013 so that State departments and agencies could get the benefits of cloud computing. The State has recently launched this solution, called CalCloud,.

CalCloud is designed to offer the following benefits:

- **No cost to the State:** This is a provisioning based contract and government customers only pay for what they use.
- **Highly secure:** This private cloud will meet all of the compliance requirements for HIPPA, PCI, DSS, IRS, SS, FIPS, NIST, Fed Ramp, etc.
- **No data located outside of State control:** All data remains in the State data centers in Rancho Cordova and Vacaville.
- **Disaster Recovery:** DR services are available for customers.
- **Flexible:** Customers can design their system to the level of availability required for their application.
- **Scalable to workload:** Resources can be scaled up during busy times and scaled back during slow times.
- **Self-provisioning:** Customers can assign resources as they see necessary.
- **Highly Standardized/Highly Virtualized Environment:** This will lower costs and reduce support requirements.

California began the procurement for CalCloud in 2013 from a vendor and is in the process of implementation. Cal Cloud services will be available no later than July 2014.

STAFF COMMENTS

Department of Technology Chief Deputy Ron Hughes will provide an update on CalCloud.

ISSUE 3: PROJECT APPROVAL LIFECYCLE

The Department of Technology will provide an overview of the Project Approval Lifecycle.

BACKGROUND

California adopted a new Project Approval Lifecycle, which introduces a Stage/Gate Model specifically tailored for IT projects. The Stage/Gate Model divides the Project Approval Lifecycle into stages, separated by gates. Each stage consists of a set of prescribed, cross-functional, and parallel activities to develop deliverables used as the inputs for the next gate. The gates provide a series of “go/no go” decision points that request only the necessary and known information needed to make sound decisions for that particular point in time.

As additional information is collected and refined through the lifecycle, cost estimates, schedules and business objectives will be progressively evaluated to determine if the project is still practical and if the investment should continue.

The Project Approval Lifecycle uses the Stage/Gate Model to:

- Improve efficiencies through performing systematic and strategic analysis without compromising due diligence in carrying out California’s IT policies and processes.
- Ensure each step and work product in the life cycle is operationally reusable in subsequent steps.
- Ensure decision points request only the necessary and appropriate level of detail of information needed to make a sound decision, estimate, or product for that particular stage.
- Ensure that a “no” or a “go back and re-think” decision is communicated sooner if the level of detail provided is inadequate.
- Result, ultimately, in more successful projects.

STAFF COMMENTS

Department of Technology Chief Deputy Andrea Wallin- Rohmann will provide a presentation on the Project Approval Lifecycle model.

There will be a handout to accompanying this presentation that will be posted on the Assembly Budget Committee website when available.

8880 FI\$CAL**ISSUE 4: FI\$CAL SPR 5 CHANGE MANAGEMENT PLAN**

The FI\$Cal project is proposing a change to the project implementation plan to address potential challenges in change management.

BACKGROUND

The Financial Information System for California (FI\$Cal) Project is a partnership of four control agencies: the Department of Finance, the State Controller's Office, the State Treasurer's Office, and the Department of General Services. FI\$Cal will provide the state with a single integrated financial management system that encompasses budgeting, accounting, procurement, cash management, and financial management and reporting. This "Next Generation" project, through the adoption of best business practices, will reengineer business processes; improve efficiency; enhance decision making and resource management; and provide reliable, accessible, and timely statewide financial information allowing the state to be more transparent. After a lengthy multi-stage procurement process, a vendor was selected in 2012 to begin designing and implementing the project.

FI\$Cal is the State's largest information technology project in terms of budget and scope, and has considerable project risks. In recent history, the Legislature has taken action to mitigate this risk and ensure the best chance for project success by prescribing a multi-stage procurement, requiring additional reporting, stipulating that the State Auditor's Office monitor the procurement process, and by having the active monitoring of project meetings by LAO staff.

The Administration is proposing a shift in implementation plans for the FI\$Cal project that will lengthen the overall duration of the project, this change has been articulated in the State Project Report #5 (SPR 5) and the department's BCP.

The current FI\$Cal project plan anticipated that groups of State departments would join the new system over three 12-month waves of implementation between 2014 and 2016. The new project plan has lengthened the waves to 24-month periods and moved most of the departments into the last wave of implementation. This will extend implementation of the project by one year, until 2017. This change will increase total project costs from \$616.8 million to \$672.6 million, a 55.8 million, or 9 percent, increase in total costs.

The Project comments that this change in approach is the result of feedback from outside experts who had direct experience with the recent implementation of New York State's financial system. Based upon the feedback from the outside experts, this change will improve the implementation of the new system and reduce the amount of overall risk of the project.

In addition, the Project has decided to replace the existing DGS internal procurement system with Fi\$Cal, which will increase the cost of the project in the short run, but will reduce the need to build interfaces to this existing system, which was near the end of its useful life.

STAFF COMMENTS

The State is being proactive and identifying and addressing project risks to the FI\$Cal project. The State was actively learning from other States during implementation and is willing to apply these lessons pre-emptively to reduce the risk of the project. Given that Change Management is a consistent area of weakness in the implementation of projects, such foresight has likely avoided millions of additional costs and months of unnecessary delays to the system. If such thoughtful project administration had been in place at the time, the State may have been able to avoid the catastrophic failures of the Controller's 21st Century project and the Administrative Office of the Court's California Case Management System.

7502 DEPARTMENT OF TECHNOLOGY**ISSUE 5: DEPARTMENT OF TECHNOLOGY BUDGET PROPOSALS**

The Department will provide a brief summary of budget proposals and the LAO will present a recommendation regarding IT Security.

BACKGROUND

The Department of Technology's budget reflects the anticipated increase in information technology purchases and projects being requested by other State departments, as reflected in the Technology Services Revolving Fund. The Department receives reimbursements from these departments through this fund for work it performs on behalf of these other departments. While the overall funds for such projects are increasing by over 11.7 percent, the Department's overall operational staff levels are relatively flat, with only an increase of 7 positions, a 0.6 percent increase.

The budget has four different proposals:

- **IT Security Pilot** The Governor's budget proposes \$684,000 to fund five limited-term positions for a two-year pilot project. The pilot project would audit state departments' compliance with mandated state and federal IT security policies. The audits would assess IT security compliance of eight departments that range in size.
- **Prior Year Adjustments.** The Department has made a routine annual adjustment to prior year budgets to reflect actual project expenditures. This adjustment affects the Departments projected needs for the current and budget years. In the Governor's budget, lower than projected expenditures in 2012-13 translate into a reduction in project costs of \$25.7 million in 2013-14 and \$26.9 million in 2014-15.
- **Gold Camp Data Center.** The Department includes a proposal for a \$6.7 million capital improvement project to improve the cooling and backup power supplies at the Gold Camp Data Center. The Gold Camp Data Center, located in Rancho Cordova, hosts many of the State's largest computer systems, including the CALHEERS system which is the enrollment system for the California Health Benefit Exchange. The Administration projects the growth in the systems hosted by the Data Center will outstrip the available power and cooling capacity of the data center.
- **Other IT Infrastructure Budget Proposals.** The Department of Technology has submitted five budget change proposals as part of their budget submission. These proposals reflect the projected utilization of the State IT infrastructure in the budget year and add \$35.8 million of expenditure authority for the Department based upon projected needs for client departments for data storage, mainframe CPU usage, secure file transfer, network capacity, and servers. Most of these funds, \$35.6 million are for equipment, and the remaining \$212,000 is for information technology contracting related to the secure file transfer proposal. This budget request

authorizes the Department to seek reimbursement for these services at this level from other state departments.

STAFF COMMENTS

No action can be taken on these items in an informational hearing; these issues will be considered for action at the April 8th hearing. Staff will also recommend a change to Control Section 11 legislative notification language during this hearing.