

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
ON TRANSPORTATION AND INFORMATION TECHNOLOGY**

Assemblymember Pedro Nava, Chair

**WEDNESDAY, APRIL 13, 2005, 4 PM
STATE CAPITOL, ROOM 127**

PROPOSED CONSENT

ITEM	DESCRIPTION	PAGE
2780	Stephen P. Teale Data Center	2
Issue 1	BCP #2 – Mainframe CPU Processing Capacity	2
Issue 2	BCP #3 – Enterprise Storage Management Services	2
Issue 3	BCP #4 – Mid-Range Systems Capacity	2
Issue 4	BCP #5 – Prior Year Project Adjustments	2

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
2780	Stephen P. Teale Data Center	3
Issue 1	Data Center Consolidation (Item 1955)	3

Proposed Consent Items

ITEM 2780

STEPHEN P. TEALE DATA CENTER

ISSUE 1: BCP #2 - MAINFRAME CPU PROCESSING CAPACITY

The administration is requesting \$5.5 million (non General Fund) to purchase and install upgrades for its IBM mainframes. The upgrades will add approximately 541 Millions of Instructions Per Second (MIPS) of processing capacity. The capacity increase will enable the Data Center to accommodate customer growth. Major customer growth includes State Controller's Office (130 MIPS), Department of Motor Vehicles (200 MIPS), Board of Equalization (60 MIPS) and State Teachers' Retirement System (50 MIPS).

ISSUE 2: BCP #3 - ENTERPRISE STORAGE MANAGEMENT SERVICES

The administration is requesting \$1.5 million (non General Fund) to procure mainframe storage capacity to accommodate customer workload growth, as well as replace older mainframe and mid-range storage capacity. Many of the existing mainframe storage devices are as much as 7.5 years old. Devices that have been installed for 3.5 years or more are subject to several issues, including: incompatibility with newer operating system environments, lack of vendor hardware support and/or increasing vendor support costs.

ISSUE 3: BCP #4 - MID-RANGE SYSTEMS CAPACITY

The administration is requesting \$1 million to replace older mid-range systems that are no longer capable of meeting the necessary technical requirements to provide sufficient IT capabilities and to ensure mitigation of possible data security risks to customer applications. Teale identified 37 UNIX processors and 55 Windows processors that require replacement.

ISSUE 4: BCP #5 – PRIOR YEAR PROJECT ADJUSTMENTS

The administration proposes to reduce Teale's expenditure authority by \$9.6 million to more accurately reflect on-going cost of prior year projects. Teale is adjusting eight (8) projects for a range of circumstances, including one-time reductions; project cost reductions due to a favorable contract negotiations; or project completion. This action will facilitate rate reductions for Teale's customer departments.

ITEMS TO BE HEARD

ITEM 2780 STEPHEN P. TEALE DATA CENTER

The Governor's Budget proposes the establishment of a Department of Technology Services through the consolidation of the Stephen P. Teale Data Center (Teale), The Health & Human Services Data Center (HHDSC) and the Office of Network Services of the Department of General Services (Item 1955).

The Governor's Budget proposal includes a total of \$335,446 and 776.1 positions for the created Department.

ISSUE 1: DATA CENTER CONSOLIDATION (ITEM 1955)

The Department of Technology Services would consolidate the state's two largest data centers, Stephen P. Teale Data Center (Teale) and the Health & Human Services Agency Data Center (HHSDC). The consolidation would also include a portion of the Department of General Services' Telecommunications Division (TD). As proposed, DTS would provide information technology and telecommunication services to most state agencies and various local jurisdictions. Operational costs for the department would be fully reimbursed by its client agencies.

Over the last two years, the legislature and administration have taken steps towards organizational consolidation for the state's data centers. AB 1752 by Assemblymember Oropeza (Chapter 225, Statutes of 2003) required the Department of Finance to submit a conceptual plan to the Legislature for data center consolidation. In May 2004, DOF submitted a plan that identified the goals, organizational structure, and areas of potential savings that a consolidated data center could provide to the state.

The current year budget (2004-05) assumes the consolidation and requires DOF to transfer \$3.5 million from the Teale Data Center Revolving Funding to the General Fund to reflect savings for the consolidation. Furthermore, the Governor issued an executive order in September of 2004 directing Teale's director to prepare a plan to implement the data center consolidation. The DTS reorganization plan contains three major components – services, governance and funding – and seeks to begin consolidating in 2005-06.

DTS would be governed by the Technology Services Board (TSB). The Board would consist of the following members: the state Chief Information Officer (CIO), DOF's Director, State Controller and The Governor's cabinet secretaries. The TSB would be responsible for (1) reviewing and approving DTS' annual budget and rates, (2) appointing the director, (3) setting salaries of the director and five executive officers, and (4) approving the departments' plan of operations. In addition, the TSB would be required to hire an independent auditor to conduct an annual DTS financial audit.

The administration proposes to establish a continuously appropriated revolving fund (DTS revolving fund) that the department would use to pay its expenses. Initially, the fund would receive its first appropriation from the unexpended balances of the Teale and HHSDC Revolving Funds and a portion of the DGS Service Revolving Fund. However, after the establishing appropriation, the DTS revolving fund would be considered "off budget," which means that appropriations from the fund do not appear in the budget bill and the Legislature will not annually review department expenditures.

COMMENTS

- The administration has yet to provide language for the data center consolidation. The administration submitted a narrative of the reorganization plan to the Little Hoover Commission on March 31, 2005. The committee also received a project overview (from Teale Director, dated January 24, 2005) and a narrative in the Budget Summary.
- The administration's proposal from data center consolidation seeks to create fiscal savings and departmental efficiencies, as well as reduce the considerable amount of time it takes to deliver an information technology (IT) project. According to the administration, project delivery for IT projects take at least 18 months.
- The administration's proposal for a continuously appropriated fund is inconsistent with current practice. Although the Teale and HHSDC revolving funds are continuously appropriated, the Legislature caps the expenditure authority for each fund through the budget process, thereby ensuring legislative oversight of department operations.

The administration contends that the current budget process, when combined with administration policies, consumes a considerable amount of time thereby delaying the implementation of a project.

- The administration proposes limiting the Legislature's oversight role to receiving the annual financial audit (contracted by the TSB) and approving DTS expenditures embedded within other department's project budget requests. TSB, not the Legislature, would be responsible for the review of the actual DTS budget. In order to impact department operations, the Legislature would review the individual projects within each department.