

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE No. 5 On Transportation and Information Technology

Assemblymember Joan Buchanan, Chair

WEDNESDAY, MAY 5, 2010
STATE CAPITOL, ROOM 127
4:00 PM

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ITEMS ON CONSENT

California Highway Patrol

- 1. Operating Costs for Los Angeles Transportation Management Center (BCP#2):**
The Administration requests a permanent augmentation of \$191,000 (Motor Vehicle Account) to meet the increased maintenance and operations costs for the Los Angeles Regional Transportation Management Center (LARTMC). The CHP shares this facility with the California Department of Transportation (Caltrans) so the two departments can coordinate responses to more effectively respond to public safety issues, and return highways to full operation. Funding of \$885,000 was approved for the CHP for LARTMC costs when the facility opened about five years ago; however, ongoing operations costs have been higher than anticipated and an additional \$191,000 is necessary to meet the CHP's share of facility costs.
- 2. Vehicle Insurance Premiums (BCP #4, as modified by April Finance Letter #2):**
The Administration requests a permanent augmentation of \$4.2 million (\$4.0 million Motor Vehicle Account) to meet the increased vehicle insurance costs, which are determined by the Department of General Services (DGS). The DGS billing to CHP will increase to \$7.7 million – about \$4.2 million more than the CHP budget for this expense. Statute requires the state to self-insure for vehicle insurance and DGS acts as the insurer. Premiums are charged by DGS based on a five-year average of claims and judgments paid.
- 3. California Motorcyclist Safety Program (BCP #5):** The Administration requests a permanent augmentation of \$481,000 (California Motorcyclist Safety Fund) to allow CHP staff to conduct essential compliance visits at selected motorcycle training sites, to increase public outreach on motorcycle safety, and to sponsor research on motorcycle safety measures. The program is supported by a \$2 fee on motorcycle registrations. The CHP indicated that the number of motorcycle registrations dipped a decade ago, but has since recovered – registered motorcycles in the state were 675,000 in 1987, 391,000 in 1997, and 773,000 in 2007. Program revenue followed a similar pattern and the CHP indicated it had to permanently reduce outreach and research due to funding constraints in 1997. Revenue has since rebounded with the registrations, but motor cycle collisions and fatalities are also on the rise. The CHP requests to restore certain outreach and research activities discontinued over a decade ago with the goal of reducing motorcycle accidents.

- 4. Workers' Compensation (BCP #6).** The Administration requests \$4.1 million (Motor Vehicle Account) in 2010-11, and ongoing, to fund increased costs for workers' compensation adjusting services. The CHP's cost has increased to a new annual level of \$12.3 million. The fee amount is based on two factors: (1) the Master Agreement between the Department of Personnel Administration (DPA) and the State Compensation Insurance Fund (SCIF), which was recently renegotiated to a statewide cost of \$78 million per year; and, (2) a department's share of open cases to the total caseload for all departments. The CHP has a total of 6,706 open workers' compensation cases which is about 16 percent of the statewide total.

- 5. Homeland Security Augmentation / License Plate Recognition System** The Administration requests a permanent augmentation of \$3.9 million (federal funds) to allow the CHP to expend grant revenue from the federal Department of Homeland Security (DHS), to be distributed via the California Emergency Management Agency (CalEMA). These grants will be used to acquire security equipment and to provide training for coordinating the state security efforts with federal agencies. Items purchased would include commercial radiation detection devices, night vision goggles, and license plate recognition systems.

ITEMS TO BE HEARD

2720 CALIFORNIA HIGHWAY PATROL

Budget Summary

The Governor proposes total expenditures of \$2.0 billion (no General Fund) and 11,494.4 positions, an increase of \$57 million and an increase of 205 positions.

Activity: (funding in millions):

Activity	2009-10	2010-11
Traffic Management	\$1,676	\$1,729
Regulation and Inspection	199	204
Vehicle Safety	45	46
Administration	306	307
TOTAL	\$1,921	\$1,977

Major Funding Sources (funding in millions):

Fund Source or Account	2009-10	2010-11
Motor Vehicle Account (MVA)	\$1,724	\$1,779
State Highway Account (SHA)	59	60
Reimbursements	113	114
Federal funds	19	18
Other special funds (no General Funds)	6	6
TOTAL	\$1,921	\$1,977

Issue 1: CHP Enhanced Radio System (CHPERS)

The Administration requests \$84.6 million in state operations and \$31.3 million in capital outlay funding – for a total of \$115.9 million, for the fifth year of the public safety radio project.

Background

In 2006-07, the Legislature approved this five-year project that had an estimated total cost of \$491 million. As the project evolved, the CHP and its partner, the Office of the Chief Information Officer – Public Safety Communications Division (OCIO-PSCD) down-scoped the project to reduce costs, and the CHP now reports a revised total cost of \$360 million for a savings to the state of \$131 million. Some of this savings was already scored in the January 10 Governor's budget but about \$53 million is new savings. The project will enhance radio interoperability with other public safety agencies and provide additional radio channels for tactical and emergency operations. The project involves new radio transmission equipment at CHP facilities, on remote towers, and in CHP vehicles. As part of project approval, the Legislature required annual project reporting for the life of the project - due annually each March 1.

This year's budget request is expected to result in the completion of most project components on schedule and under budget. There will be additional expenditures of about \$13 million in the out-years for additional radio towers where the existing towers were not structurally strong enough to accommodate new equipment. COBCP 1 requests funding of \$3.3 million for preliminary plans and working drawings for eight tower replacement projects (it is the out-year construction of these towers that will cost an estimated \$13 million). COBCP 2 will fund construction of 25 tower replacements. The remainder of budget funding is for radio equipment and other costs.

Staff Comment

While several large State technology projects have failed or succeeded only after large cost overruns and delays, the CHPERS report suggests this project has managed through some unanticipated challenges and appears to be on track to successfully complete with cost savings.

Staff Recommendation: Approve the budget request.

Issue 2: Officer Staffing Augmentation

The Governor requests \$17.8 million (\$28.5 million ongoing) to add 180 CHP Officer positions (of this number, 85 uniformed positions would be added in 2010-11 and 95 would be added in 2011-12). The funding level includes about \$4.8 million for associated vehicles and equipment.

Background

Beginning in 2006-07, the Legislature started approving annual increases in CHP Officer positions. Through this process, about 600 Officers have been added, to bring the total number of authorized Officer positions to 6,491. With this year's request, the number of Officers added since 2006-07 would rise to 780 and the total number of Officers would rise to about 6,671. The Administration indicates their multi-year plan would continue to add additional Officer over the next few years via future budget requests until the total augmentation over the 2005-06 level is 1,000 Officers.

Uniformed Staffing Study: With a given number of Officer positions, the CHP has to decide where to assign the positions to maximize the public safety benefit. The LAO has also in the past looked at the efficiency of Officer time – for example, the amount of an Officer's time spent filling out reports instead of patrolling the highways. The CHP indicates it has hired a consultant to gather data and put together some recommendations on these issues. The report is complete, but the Administration is still reviewing before publicly releasing the information.

Staff Comment

The Department recently released a report on patrol workload and staffing analysis that provided a complete analysis how CHP allocated its resources to different staff activities. The report looked at how much time CHP devoted to administrative workload, encumbered enforcement (non patrol activities such as court appearances, assisting other state agencies, aiding disable motorists, DUI Arrests) and proactive patrol activities. Staff notes that the study highlights that the CHP devotes more time to encumbered enforcement activities (54%) and less time on average (20.9%) to proactive patrol than the industry standard. Additionally, the report discusses that certain regions in the state have less CHP patrol time than the state average. Staff doesn't have concerns with the proposed staff increases because CHP ultimately has authority how to most effectively deploy its force to meet the needs of the state, however, at the hearing, the subcommittee should discuss with CHP how they are planning to use this report to deploy the requested positions and whether they will be taking actions to bring their staffing activities in line with industry standards.

Staff Recommendation: Approve as budgeted

Issue 3: Construction or Renovation of State-owned Facilities

The Administration requests \$13.0 million (Motor Vehicle Account) in 2010-11 for three capital outlay projects for state-owned facilities. When future construction costs are added, the total costs for these projects, in 2010-11 through completion, is \$52.6 million. Funding for some CHP COBCPs was rejected in the 2009 Budget Act to generate savings in support of the Motor Vehicle Account transfer to the General Fund.

According to the 2008 California Infrastructure Plan, the CHP occupies 102 area offices, 25 communications centers, 8 division offices, and 39 other facilities including the Sacramento headquarters and West Sacramento Academy. The Administration generally submits three budget requests over multiple years to complete a State-owned capital outlay facilities project. The first step is preliminary plans, the second step is working drawings, and the third step is construction. The three projects and phases are as follows:

- **Oakhurst Area Office – Replacement (Construction):** \$10.2 million is requested to replace the Oakhurst Area Office. The Legislature previously approved about \$2.0 million for preliminary plans, working drawings, and site acquisition.
- **Oceanside Area Office – Replacement (Working Drawings):** \$1.5 million is requested for a replacement facility in Oceanside. The Legislature previously approved about \$3.0 million for preliminary plans and site acquisition. The Administration will likely submit a COBCP for 2011-12 requesting approximately \$20.0 million for construction.
- **Santa Fe Springs Area Office – Replacement (Working Drawings):** \$1.3 million is requested for a replacement facility in Santa Fe Springs. The Legislature approved \$6.3 million for preliminary plans and land acquisition for this project in 2007-08. The Administration will likely submit a COBCP for 2011-12 requesting approximately \$19.6 million for construction.

Staff Comment

Given the number of aging facilities and growing number of CHP Officers, it is understandable that in any given year, the CHP has a number of facilities projects in process. This year the Motor Vehicle Account (MVA) balance may be sufficient to allow both a transfer of \$72 million to the General Fund and advancement on long-term capital outlay projects. If MVA funds are insufficient for both, the Subcommittee may want to take another look at this proposal in the May Revise and prioritize the General Fund relief over the facilities projects.

Staff Recommendation: Approve as budgeted

ITEM 0502 OFFICE OF CHIEF INFORMATION OFFICER

Issue 1: Overview of Information Technology Procurement in California

The Office of the State Chief Information Officer (OCIO) serves as the primary point of accountability for, and management of, the state's integrated information technology, public safety communications and information security program. More specifically, the OCIO is responsible for enhancing information security and stakeholder privacy, ensuring the reliability and cost effectiveness of the state's IT infrastructure, providing shared technology services across government, and conducting oversight of state IT projects to ensure their delivery and the effective management of the risks inherent in IT projects.

The OCIO was created under Chapter 183, Statutes of 2007 (SB 90—Budget Trailer Bill). On May 10, 2009, the Governor's Reorganization Plan No. 1 (GRP 1) took effect consolidating statewide information technology (IT) functions under the Office of the State Chief Information Officer. The Governor's Budget provides the OCIO with 1,331.2 authorized positions and \$470.8 million (including \$4.1 million GF). The Governor's Budget also contains the final phase of the consolidation of IT related activities and personnel under the OCIO pursuant to GRP 1, representing an increase of 394 positions to reflect the transfer of employees from DGS' Public Safety Communications Division.

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$6.7 mil (3.8 mil GF)	\$434.1 mil (4.2 GF)	\$470.8 mil (4.1 GF)
Personnel Years	31.5	853.6	1,331.2

OCIO Approves and Manages IT Projects

The OCIO currently manages 106 projects, worth over \$7 billion in total project costs. The complete list project list is attached. (Attachment A)

The OCIO utilizes an IT Project Complexity Assessment (Attachment B) to determine the risk level for IT projects. The assessment considers risk in terms of business and technical complexity. Typical business attributes include scope, geography, schedule constraints and financial risk. Typical technical attributes include the level of technology integration, security needs, stability of hardware/software, and team experience. The complexity introduced by each of the individual attributes is scored on a scale ranging from 0.5 to 4 (Low to High), and the composite score developed for both business and technical complexity that, when plotted on a two-dimensional chart, depict the relative risk of the project.

Consistent with the State Administrative Manual, IT Project Managers are required to report to the OCIO regarding the status of the IT projects they are managing. The frequency of reporting, which is done using a consistent format, depends on the level of project risk as determined through the complexity assessment. The reporting requirements are as follows:

- High Risk/Criticality – Monthly reporting.
- Medium Risk/Criticality – Quarterly reporting.
- Low Risk/Criticality – Semiannual reporting.

Accountability Committee Recommended Template of Questions

On November 18, 2009 the Assembly Committee on Accountability and Administrative Review conducted a hearing on the management and oversight of Information Technology projects. The Committee adopted a recommendation to submit a template of questions to the Legislative Analyst, the Budget Committee and Subcommittee staff to be utilized to create an ongoing evaluation of each state IT project. The list is attached (Attachment C)

Staff Comment

In addition to managing projects, the OCIO commented that was also finding ways to leverage IT initiatives across departments to reduce the number of projects and lead to greater efficiency. As an example, the OCIO is working to cut the current 400,000 square feet of State data centers in half—cutting costs and saving energy.

Possible questions:

- What is a project? Is there something less than a project?
- How has the review and approval of projects changed under the new OCIO artitecture.
- What other roles does the OCIO have?

Issue 2: High Risk Procurements

Currently the State has 23 projects that are high risk, and have project costs of more than \$50 million. Of those projects, 15 are managed by the OCIO.

	Project Name	Agency Responsible		OCIO?
1	CA-MMIS	Department of Health Care Services	\$1,684,172,034	No
2	Financial Information System for California (FI\$Cal)	Department of Finance	\$1,620,052,518	Yes
3	California Child Support Automated System - Child Support Enforcement (CCSAS-CSE)	Department of Child Support Services	\$1,552,411,070	Yes
4	California Court Case Management System (CCMS)	California Judicial Branch	\$1.3-1.7 billion	No
5	Total Receivership IT Portfolio (19 projects)	California Prison Health Care Services (Receivership)	\$800 million est	No
6	LEADER Replacement	California Health and Human Services Agency	\$489,432,232	Yes
7	Enterprise Data to Revenue (EDR) Project	Franchise Tax Board	\$317,058,812	Yes
8	CWS/CMS New System	California Health and Human Services Agency	\$314,061,820	Yes
9	In-Home Supportive Services/Case Management Information and Payrolling System	California Health and Human Services Agency	\$298,810,625	Yes
10	ISAWS Migration	California Health and Human Services Agency	\$263,549,843	Yes
11	Information Technology Modernization	Department of Motor Vehicles	\$208,103,286	Yes
12	Consolidated Information Technology Infrastructure Program (CITIP) Project	Department of Corrections and Rehabilitation	\$191,036,710	Yes
13	Human Resources Management System (21st Century) Project	State Controller	\$178,671,658	Yes
14	Business Information System (BIS)	Department of Corrections and Rehabilitation	\$175,724,553	Yes
15	Unemployment Insurance Modernization (UI MOD)	Employment Development Department	\$125,993,758	Yes
16	Automated Collection Enhancement System (ACES)	Employment Development Department	\$93,186,000	Yes
17	VoteCal Statewide Voter Registration System	Secretary of State	\$51,122,165	Yes

18	Health Insurance Portability and Accountability Act (HIPAA)	Department of Health Care Services	\$51,090,700	Yes
?	Project Phoenix	California Judicial Branch	Unknown	No
?	Health Care Networking Project	California Prison Health Care Services (Receivership)	Unknown	No
?	Data Center Project	California Prison Health Care Services (Receivership)	Unknown	No
?	Clinical Data Repository	California Prison Health Care Services (Receivership)	Unknown	No
?	SOMS/BIS	California Prison Health Care Services (Receivership)	Unknown	No

California MMIS

The California Medicaid Management Information System (CA-MMIS) processes millions of payment claims every year to Medi-Cal providers, including physicians, pharmacies, and hospitals. Since 1987, CA-MMIS has been operated through an approximately \$189 million per year contract with Electronic Data Systems (EDS – recently purchased by Hewlett Packard) as the State’s fiscal intermediary. The EDS contract is due to end in the near future and therefore the Department of Health Care Services (DHCS) undertook a competitive procurement process to secure a new contract, releasing the RFP in December, 2008. Three bids were received and the State awarded the contract to ACS, recently signing the contract which will begin May 3rd.

The CA-MMIS is an extremely complex system and, according to the DHCS, as well as a report by Eclipse Solutions, it’s a system that is outdated and unable to continue meeting the needs of the Medi-Cal program into the future. Among many other goals, the new system is expected to comply with new federal CMS requirements, reduce costs, increase efficiencies, improve beneficiary quality of care, and increase provider participation.

CA-MMIS Procurement Through Service Contract

The DHCS, working with the Department of General Services, used a service contract to procure the CA-MMIS contract. Because this system was considered a service contract, it was not subject to the same requirements for oversight and review as projects managed by the OCIO and the OCIO was not a principle in the procurement of the project.

Since the CA-MMIS project will receive a significant amount of federal funding, the project was required to meet federal requirements.

Financial Information System for California (FI\$Cal)

The Financial Information System for California (FI\$Cal), is an Enterprise Resource Planning (ERP) information technology (IT) project intended to create and implement a new statewide financial system which will encompass the areas of budgeting, accounting, procurement, cash management, financial management, financial reporting, cost accounting, asset accounting, project accounting, and grant accounting. As an ERP system, FI\$Cal will be a set of software applications that will integrate and streamline the aforementioned business processes, and, in so doing, replace aging legacy systems, inefficient “shadow” systems, and duplicate processes throughout the state’s departments and agencies.

The FI\$Cal system evolved from an effort by the Department of Finance to create a new Budget Information System (BIS). The project evolved and was increased in size into what is now know as the FI\$Cal project into a full ERP system to replace the State Controller’s Systems and the California State Accounting and Reporting Systems (CALSTARS). When fully implemented, the project will involve over 100 state departments and could cost over \$1.6 billion to fully implement.

Due to a late budget and concerns raised by the Legislature, the Office of the State Chief Information Officer (OCIO), and the partner agencies, in early 2009 the project contracted with ERP experts (Grant Thornton, LLP) to review various project elements, including objectives, the implementation approach, and the procurement approach. Although this review did not result in any changes to the overall project scope (the intent was still to overhaul statewide financial systems), it did trigger two significant changes: (1) a new implementation strategy aimed at reducing up-front costs and risks by reducing the functionality in the first wave of implementation (to core accounting functions only); and, (2) a new, two-step procurement strategy in which interested bidders would have an early opportunity to extensively review the state’s needs and then compete (based on a “fit-gap” analysis) for an opportunity to enter a formal project proposal in the second phase of procurement. Although the official updated project plan (SPR 3) was not yet available when 2009-10 budget deliberations closed, the Legislature approved continued funding of FI\$Cal, but required a report from the project following the fit-gap analysis but prior to award of the prime vendor contract.

Consistent with SPR 3, the Governor requests \$38.4 million (including \$2.2 million GF; renewed authorization for \$13.8 million short-term GF; and \$22.4 million from various special funds) for ongoing support of 82 authorized FI\$Cal positions. Additionally, the Governor requests 74 supporting positions and associated funding in other state departments, including the partner agencies. Based on SPR 3, approved by the OCIO on November 19, 2009, the official overall cost to deliver FI\$Cal remains approximately \$1.6 billion over a total of 12 years.

Fit-Gap Analysis = "Bake Off"

The project has adopted a two-step procurement strategy (similar to the one used on the 21st Century project) that includes an open procurement for a Firm Fixed Price fit-gap analysis to three top bidders (in FY 2010-11), followed by the actual fit-gap analysis in which the bidders have seven months to review potential gaps between their software and the state's business requirements. Each bidder receives a fixed price for production of a detailed implementation plan, including all costs to carry out the plan. At the end of the process, the state could have three entirely viable FI\$Cal proposals from which to choose. The Administration currently estimates the prime vendor contract award will take place on September 12, 2011.

The Fit-Gap analysis is often referred to as a "bake-off" because the final vendor is selected from a pool of vendors that have developed tangible prototypes for evaluations before the final awards are made.

California MMIS vs. FI\$Cal

While both projects were complex in nature, the stakeholders and process differed dramatically.

Comparison	CA MMIS Project	FI\$Cal
Total Vendor Cost	\$1,684,172,034 (includes takeover costs, maintenance of current system, development of new system, and maintenance of new system totaling 10 years)	\$426,978,158 (total vendor costs for prime and secondary vendors)
Total IT Project Cost	\$190,026,220	\$1,620,052,518
Replace Legacy System?	Yes	Yes
Sponsor	Health Care Services	Department of Finance
Partners	None	State Controller's Office, State Treasurer's Office, Dept of General Services
Procurement Process	Service Contract Procurement (Run by DHCS Office of Medi-Cal Procurement)	Multi-stage Information Technology Procurement (Run by DGS)
OCIO Role	Informal Consultations (2x/month)	Project Management and Project Oversight roles; CIO is also voting member on Steering Committee
Bureau of State Audits	None	Statutory Required
LAO Role	None	Steering Committee attendee
Project Document?	Federal Approval Process: Planning Advanced Planning Document, Implementation Advanced Planning Document (IAPD), IAPD Updates (as needed), and Post Implementation Review when project is closed out.	State Approval Process: Feasibility Study Report, Special Project Reports (as needed), monthly project status reports, and Post Implementation Evaluation Report when project is closed out.

LAO Recommendation on Procurement

In November 2009, the LAO released a report recommending changes to the IT procurement process. The following recommendation is taken from the report:

Complex systems integration projects should not follow a one-size, fits-all approach. Instead, the unique characteristics of each project—its complexity, scope, size, and requirements—should help determine its procurement approach. As it reviews such projects, the Legislature should take into account various procurement options available to the state; their benefits, risks, and consequences; and the conditions under which one procurement approach would be more advantageous than another.

We recommend that the Legislature carefully consider each project's procurement approach as part of the overall review process for IT proposals.

Currently, the Legislature focuses on an IT project's business and program merits and weighs these against the estimated costs for building a system. The documents available for legislative review may include the FSR and/or accompanying budget requests. However, these documents do not as a rule include any discussion of a project's procurement approach. Typically, project staff will develop a detailed procurement plan, which is submitted to DGS PD for review before the procurement process may begin. The Legislature, however, does not usually have an opportunity to review the procurement plans and weigh in on this decision.

Because a well-run procurement may mitigate many of the problems that could otherwise develop later in a project, we recommend the enactment of legislation requiring state entities to present the rationale for their procurement strategy for each IT project. For complex systems integration projects, the strategy should include consideration of the advantages and disadvantages of a multi-stage procurement approach. This strategy could be included in a project's FSR and/or as part of the separate documents presented to justify budget requests to the Legislature. In other words, just as project documents provide the business reasons to justify a proposed new system, they should also include a high-level explanation for the chosen procurement approach.

Notification When Procurement Approach Would Change.

To keep the Legislature up to date about procurement strategy, we further recommend that state agencies notify the Legislature whenever they modify the approved procurement approach for a complex systems integration project. This notification process could be implemented through the following proposed budget control language:

A state entity to which state funds are appropriated for an information technology project shall notify the Joint Legislative Budget Committee and the chairpersons of the appropriate policy committees of both houses of the Legislature of any changes to the project procurement approach as defined in the most recent legislatively approved project documents not more than 30 days after a formal decision has been made for that procurement change and before associated procurement documents are released to vendors.

This change would give the Legislature the opportunity to learn of any major procurement changes and to assess how they might affect a project.

Staff Comment

The Subcommittee has received complaints, from an unsuccessful bidder, regarding the process and outcome of the CA-MMIS procurement. These complaints have faulted both the fairness of the process and whether ACS, the successful vendor, is capable of successfully implementing the new system. Because the level of oversight of a service contract is so minimal, there is no way for the Legislature to either validate or refute the criticisms of the CA-MMIS procurement. This is in stark contrast to the independent evaluation available in the FISCAL project, where, in addition to the sponsor, the project is overseen by OCIO, has the constant presence of the Bureau of State Audits, and has an LAO staff member as a stakeholder.

The Subcommittee may wish to discuss why the rationale for using a service contract to procure high-risk IT projects.

Some questions to consider about IT procurement:

- How can the Legislature best oversee high-risk IT project procurements?
- Should we require certain processes, reporting, and oversight protocols for high-risk IT projects?

- How does the Legislature assess IT project risk?
- When should the OCIO have no formal role in a major state IT project?
- When should the state use an outside vendor, like Grant Thornton, to help evaluate the procurement of a high-risk system?
- When should the Bureau of State Audits be required to participate in the procurement and implementation of an IT project?
- What role should the LAO have in IT procurement and project oversight?

Staff Recommendation: Adopt placeholder Trailer Bill Language to implement the LAO Recommendation on Notification.

Issue 3: OCIO Budget Change Proposals and Spring Fiscal Letter

The OCIO has a variety of budget change proposals, a trailer bill provision, and a Spring Fiscal letter that contain various proposals.

BCP-1 Mainframe CPU Processing

The Office of the State Chief Information Officer (OCIO) on behalf of the Office of Technology Services (OTech) requests an increase in expenditure authority of \$4,685,000 (Special Funds) in FY 2010-11 to the Office of Technology Services for the purchase of 1,305 Millions of Instructions Per Second (MIPS) to accommodate existing and increasing workload capacity and 1.0 additional state staff person to address the increased workload. The Office of Technology Services (OTech) provides information technology (IT) services for the State of California Executive Branch agencies and other public entities that serve California residents. As California's population continues to grow and new IT projects are approved OTech's capacity must increase to provide sufficient resources for customer workloads. Funding for the department is driven from the OTech Revolving Fund and has little or no impact on the General Fund.

BCP-2 Midrange Server

The Office of the State Chief Information Officer (OCIO) on behalf of the Office of Technology Services (OTech) requests an increase in expenditure authority of \$6,276,000 in spending authority in FY 2010-11 to purchase 91 additional UNIX server instances and 160 additional Windows server instances for growth. The Office of Technology Services (OTech) also requests 40 replacements UNIX servers and 50 replacement Windows server instances to replace those which are over 5 years old. One time costs will be \$5,033,000 for UNIX and Windows server instances and software cost. Ongoing costs are \$1,243,000 for 12.0 additional State staff positions. The requests have been made to provide OTech with the sufficient processing capacity and staff support for increased workload due to the expansion of current systems and addition of new systems in order to deliver the performance and service agreed to. OTech is an internal service fund (special fund) department that operates from the OTech Revolving Fund and has little or no impact on the General Fund.

BCP-3 Network Capacity

The Office of the State Chief Information Officer (OCIO) on behalf of the Office of Technology Services (OTech) requests a \$4,537,000 increase in spending authority for FY 2010-11. Ongoing costs for the next four years are estimated at \$4,009,000 and the total project expenditure is estimated to be \$20,571,000. The additional funding is needed to continue scheduled replacement of routers and switches that is considered routine maintenance to prevent business interruptions or state revenue loss increases from aging or defective equipment. The requests are also for upgrading the Internet Service Provider connections for the OTech infrastructure to keep adequate internet capacity and speed. BCP requests establish groundwork to transition towards Managed Network Services. Funding is driven from the OTech Revolving Fund and has little or no impact on the General Fund.

BCP-4 Data Storage Capacity

The Office of the State Chief Information Officer (OCIO) on behalf of the Office of Technology Services (OTech) requests an increase of \$1,284,000 in spending authority in FY 2010-11 for hardware, software, and connectivity components to ensure adequate data storage support to meet needs of customer driven workloads. Without capacity upgrades and growth OTech will be unable to support the growth of customer programs, the systems will reach capacity, and customers will be unable to add new data. Funding is driven by the OTech Revolving Fund and has little or no impact on the General Fund

BCP-5 E-Hub

The Office of Technology Services (OTech) under the Office of the State Chief Information Officer (OCIO) requests an increase of \$1,090,000 in spending authority in FY 2010-11 for one additional state staff and e-mail hygiene services that include anti-spam, anti-virus, content filtering, e-mail encryption and secure e-mail routing through the E-Hub for the security and integrity of state e-mail. E-Hub will significantly improve the overall security of statewide e-mail, improve e-mail availability through standardization, and reduce the disparate approaches agencies and departments practice across the state. E-Hub aggressively improves the security and integrity of all executive branch e-mail systems. OTech does not receive direct funding from the General Fund for its operation, and is mandated to operate on a cost-recovery basis.

BCP-6 Public Safety Communications Division: Emergency Telephone Users Surcharge

The Governor requests an increase in expenditure authority of \$88,000 (State Emergency Telephone Number Account - SETNA) for state operations and \$2 million (SETNA) for local assistance and one two-year limited term full-time position (July 1, 2010 through June 30, 2012) to provide one-time grants to primary Public Safety Answering Points (PSAPs) for recruitment and training of 911 dispatchers as authorized by Chapter 489, Statutes of 2009 (AB 912). The Public Safety Communications Division administers California's 911 program which involves a variety of associated functions specific to 911, including, but not limited to, review and approval of equipment and services, system compliance evaluation, and reimbursing PSAPs for costs associated with the planning, implementation, and maintenance of a state-approved 911 system. There are approximately 470 PSAPs operating throughout the state. The SETNA account has a 2009-10 fund balance estimated at \$125.8 million after total expenditures of \$125.6 million on total resources of \$253.5 million. In 2010-11, the SETNA fund balance is estimated at \$103.4 million after total expenditures of \$129.4 million on total resources of \$232.8 million.

BCP-7 Enhanced 9-1-1 Act Federal Grant

The Office of the State Chief Officer is requesting an increase of \$1,932,000 in federal expenditure authority to allow the OCIO to take advantage of an approved Federal Grant request for one-time federal grant under the Ensuring Needed Help Arrives Near Callers Employing 911 Act in FY 2010-11. OCIO received an award letter, dated September 25, 2009, which granted \$4,346,352.77 through September 30, 2012 with the requirement of a 50% match in funds. The funding will be used for the migration of Enhanced 9-1-1 services to an Internet IP-enabled emergency network that helps meet the needs of wireless call routing. This project will be the foundation that will enable all Californians access to public emergency services from any personal communications device, regardless of mobility or technology.

BCP-8 Prior Year Adjustments

Adjust the Office of the State Chief Information Officer's (OCIO) expenditure authority to align previously approved budget actions with the ongoing costs of the related projects. The adjustments result in a net reduction of \$1,823,000 in 2009-10 and \$1,835,000 in 2010-11. The purpose of these adjustments is to align the OTech budget with actual expenditures for these projects in order to maintain a reasonable connection between spending authority level of OTech and the actual expenditures required to support the needs of its customers.

Trailer Bill Language: Technology Services Revolving Fund

The Governor proposes trailer bill language to make certain statutory changes necessary to continue implementation of GRP 1 related to IT consolidation.

In adopting GRP 1, numerous statutory changes were made including renaming and transferring the Department of Technology Services (DTS) from the State and Consumer Services Agency to the OCIO. Additionally, the "Department of Technology Services Revolving Fund" was renamed the "Technology Services Revolving Fund." GRP 1 also transferred duties related to the state's procurement of information technology from the Department of Finance, the Department of General Services, and the DTS to the OCIO. The proposed trailer bill: (1) authorizes the TSRF to receive revenues for services rendered by the office of the OCIO; (2) authorizes the OCIO to collect payments from public agencies for services requested from, rather than contracted for, the OCIO; and (3) revises the conditions used to determine whether a balance remains in the TSRF at the end of a fiscal year to limit the amount that is used to determine a reduction in billing rates.

The first and third components of the trailer bill are technical and conforming. The second component of the trailer bill authorizes the OCIO to collect payments from public agencies for services requested from, rather than contracted for, the OCIO. The language effectively moves toward a direct billing model and will, in part, address DTS cash flow issues that have arisen due to delays in receipt of state agency/department payments for services rendered.

Spring Fiscal Letter

1. **Homeland Security Grant Program-** On April 1st, the Department of Finance issued a Spring Finance letter that requests reimbursements be increased by \$3,389,000 for the Homeland Security Grant Program. Approval of the two-year grant will allow the Office of Information Security (OIS) to receive the \$4,700,000 Grant Fund awarded by the Department of Homeland Security through California Emergency Management Agency (CalEMA). The remaining balance will be spent in FY 2011-12. Three cyber security projects will be funded by this grant: "State-level GIS Web Services Hosting", "State Enterprise Cyber Security Risk Assessment Program" and the "Secure ca.gov Domain Name System Project." These projects will help fund a California Geographic Information Systems(GIS) strategy to enhance California's emergency planning and response, provide information technology security, and strengthen the states communication capabilities and state cyber security objectives.
2. **California Child Support Automation System Migration Project-** The Department of Finance requests funding be increased by \$6,024,000 (OTech Revolving Fund) to support the rehosting of the California Child Support Automation System (CCSAS) from a private vendor to the Office of Technology Services before the expiration of their hosting service contract in October 2010. Since the original approval in 2003 the CCSAS project has been planned by the Department of Child Support Services to transition from the Business Partner to the State. The federal government may also discontinue funds to the State if the CCSAS project is not under state management. These funds are needed for the transition, future funding, and the replacement of outdated equipment. The Finance letter also refers back to Provision 2 from the 2009-10 FY for display purposes of last years expenditure and position adjustments related to the CCSAS project.

3. **Office of the State Chief Information Officer Distributed Administration for Public Safety Communications Department-** The OCIO requests an increase of \$2,061,000 (OTech Revolving Fund) and 9.0 positions to complete the transfer of services that support the Public Safety Communication Division from the Department of General Services (DGS) Telecommunications Division to the OCIO, as part of the Governors Reorganization Plan (GRP). With the passing of the GRP, telecommunication services and funds were transferred from DGS to the OCIO effective May 10, 2009. The budget authority to support direct services was initially transferred, but indirect administrative expenses and positions were not transferred and still remain within DGS authority. The Finance Letter requests that the technical adjustment be made to reallocate budget authority and positions to indirect services performed by the OCIO in support of the Telecommunications Division.

Staff Comment

Subcommittee staff does not have any concerns with any elements of these proposals.

Staff Recommendation:

- **Adopt all BCP's**
- **Adopt proposed Trailer Bill**
- **Adopt Spring Fiscal Letter**