



"Technology helping people"



Arnold Schwarzenegger,
Governor

California Health and Human Services Agency Data Center

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April 13, 2005

James P. Mayer
Executive Director
Little Hoover Commission
925 L Street, Suite 805
Sacramento, CA 95814

Dear Mr. Mayer:

Thank you for the opportunity to testify at the public hearing regarding the Governor's Reorganization Plan to create a Department of Technology Services.

The inspiration for consolidation comes primarily from a number of sources including the Legislative Analyst Office, California Performance Review recommendations SO 1, SO 2, and SO 3, Governor Arnold Schwarzenegger's August 24, 2004, Executive Order S-13-04 and the November 2004 California Information Technology Strategic Plan (CAITSP) published by the State Chief Information Officer (CIO). In February 2005, a "Consolidation Approach" document outlining the Project strategy was delivered to key stakeholders including: Executive Sponsors (BTH/HHS/SCS Agency Secretaries, State CIO), the Data Center Consolidation Steering Committee, the Technology Advisory Peer Group, and HHSDC/Teale Directors. This document describes the background, approach, schedule, and next steps required to establish the Department of Technology Services. It is these documents that provide the basis for the responses below:



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To learn more about saving energy, visit the HHSDC web site at <http://www.hhsdc.ca.gov>

Question 1: Why have welfare automation functions been left in the Health and Human Services Agency and why is the Health and Human Services Agency better equipped to administer these functions than the new Department of Technology Services?

The System Integration Division performs a fundamentally different line of business than the rest of the HHS Data Center. The data center operations of the HHSDC focuses on operating and maintaining a computing and data processing infrastructure to support the computing and data processing needs of 13 state departments. This consists primarily of putting in place the hardware and software, equipment and technical staff to operate and maintain computers, a data network, data storage capabilities, a customer support function and various administrative support processes. The data center works almost exclusively with commercially-available and mature data center technologies and processes.

The System Integration Division performs the functions of a system integrator and project manager. SID is responsible for developing and implementing large complex technology applications and systems that support the programmatic and operational needs of local, state and federal HHS programs. In most cases, these systems are custom-developed to meet the unique needs of California's massive and complex HHS programs. SID is responsible for the management and oversight of the system development and integration. In most cases, the development and implementation of new systems fundamentally changes the way local agencies (e.g., welfare offices, child protective services, adult protective services, county health offices, local child support agencies, and others) conduct business. SID is responsible for assessing and coordinating with the locals the operational changes that each system will bring about. SID also must coordinate programmatic and policy changes among the affected state agencies (e.g., Health Services, Social Services, and Child Support Services) and the federal oversight agencies.

An additional reason not to include the SID and its portfolio of large projects in the data center consolidation effort, is that doing so would increase risk to the successful consolidation of the two data center operations. In and of itself, merging and integrating the two data centers organizationally, operationally and technologically will be a complex and difficult undertaking. It must be accomplished with no disruption to either data center's production environment. It will require the dedicated attention and focus of the leadership of the new Department of Technology Services. Laying on top of that the responsibility of managing and bringing to successful conclusion the large portfolio of state and county projects that SID manages would increase complexity and risk to the successful integration of the two data centers.

Likewise, by peeling the SID and its project portfolio away from the HHS Agency and moving it to the new DTS and the State and Consumer Services Agency would increase the risk of failure for the projects currently managed by the SID. As previously indicated, successful development and implementation of these projects requires an intimate, cross-cutting and ongoing knowledge and collaboration with local HHS departments, the 58 counties, the federal government and a number of state HHS departments and programs. The entity responsible for the projects needs to be able to identify, modify and implement programmatic, policy and operational changes at the local level in order to ensure the successful implementation of the SID projects. Moving the SID to the DTS would thrust the new director of the DTS into the role of managing, coordinating and

holding accountable a set of stakeholders at different levels of government that he or she does not currently work with and at a time when he or she should be focusing on the consolidation of the two data centers. This would pose a substantial increase in risk to these projects.

The other reason that it is important to keep the projects within the HHS Agency is that each of these large and sensitive projects carries with it a significant amount of federal oversight. This oversight and involvement takes the form of federal funding, federal approvals of project scope, project procurements, contracts, technology strategy and direction and project schedules. In many cases, the imposition of federal financial sanctions and incentives on not only the projects but also the programs they support, are based on the successful management of the projects and the continuous and effective engagement with the federal oversight agencies. Accordingly, placing responsibility for the projects in the DTS would put the projects in the hands of an entity that has no financial stake in the projects, fiscal or programmatic accountability for the programs the systems support and no management or oversight authority for the local government entities that are the end users of the systems. Keeping the responsibility for the projects within the HHS Agency would provide a more appropriate line of accountability and keep intact the program, policy, project and fiscal accountability that currently exists.

Question 2: Who are the customers of the Health and Human Services Agency Data Center? What major benefits have you identified for specific customers that could not other wise be captured except by this consolidation?

HHSDC provides services to State departments (primarily the departments reporting to Health and Human Services Agency), local government (counties and cities) and major State projects. Although HHSDC has over 150 customers, the Department of Social Services programs being managed by the Systems Integration Division (SID) represent over 60% of the data center's budget. Below is a list of HHSDC's 10 largest customers listing revenue with SID included and excluded:

HHSDC	Data Center and SID	Data Center only
Top 10 Customers		
CDSS	204,273,322	3,344,696
EDD	48,780,644	48,780,644
HEALTH SERVICES	31,700,000	31,700,000
CHILD SUPPORT SVCS	28,463,807	28,463,807
DEVELOPMENTAL SERVICES	5,305,000	5,305,000
REHABILITATION	4,700,000	4,700,000
CORRECTIONS	2,020,000	2,020,000
MENTAL HEALTH	1,932,000	1,932,000
FRANCHISE TAX BOARD	1,265,979	1,265,979
BOARD OF CONTROL	1,210,500	1,210,500
TOTALS	\$329,651,252	\$128,722,626
Percent of total revenue	97%	93%

The data center also provides the telecommunications for health and human services programs to all 58 counties. This is one of the largest telecom networks in the nation and will continue to provide service to the System Integration Division projects when they are no longer part of the data center.

Consolidation will allow the creation of a single, more nimble, organization which can leverage existing strengths to deliver more reliable, timely, cost effective and efficient telecommunication and technology services statewide so California residents will receive government services when and where needed. As noted in the "Consolidation Approach" document, the new organization and operating structure will:

- Be more responsive to customer needs.
- Promote more effective and efficient management of the state's IT infrastructure.
- Eliminate duplication of services and infrastructure within the state's data centers.
- Provide economy of operations and improve service delivery capacity greater than that provided by the separate structures.
- Improve the security of the state's information systems.

We feel these benefits naturally flow from a simpler management structure, reducing duplication of administrative activities and leveraging economies of scale.

Question 3: What risks or adverse outcomes have you identified for specific customers of HHSDC and what steps will be taken to mitigate these risks and outcomes?

Systems Integration Division

As addressed in the first question, the System Integration Division will remain with Health and Human Services Agency which will help mitigate the risk of these projects being directed by an agency with a different mission and the risk of the consolidation project becoming so large that it would not be successful.

HHSDC Data Center Operations

The consolidation of the State's two existing data centers and the transfer of DGS ONS into a single organization is a complex effort. One of the goals of consolidation is to provide seamless, continued services to all customers. The consolidation will occur while each organization maintains the existing level of service required by their respective clients. In addition, the impact on the personnel of the organizations must be considered. To ensure decision making during the consolidation effort takes into consideration these primary stakeholders and their requirements, the following Consolidation Principles, as stated in the "Consolidation Approach" document, will be adhered to:

- Do no harm during or as a result of the consolidation - All services to clients of both data centers remain at contractual service levels or better.

- Execute the consolidation with absolute integrity and appropriate transparency.
- Maintain open two-way communications with all stakeholders.
- Newly designed processes will be based on industry best practices.
- Consider risk and quality when deciding to consolidate similar systems

A major risk is the competing priorities between delivering day-to-day services and consolidation activities. This risk is being addressed by establishing a separate consolidation management office, dedicated to consolidation. The existing organization will remain focused on delivering day-to-day services as its priority.

The Consolidation Management Office will also safeguard against all other risks that are identified. As defined in the "Consolidation Approach," this group will provide a coordinated, independent and objective approach to manage the data center consolidation project.

The CMO will supply the focused leadership required for the success of the consolidation project, and an independent, objective approach to its management. The CMO will provide the essential: leadership and planning; project management and organization; risk, issue and quality management; communications and change management; and, stakeholder relationship management.

The CMO will be centered on a highly skilled team committed to managing the initiative's complex issues and demands. Each team member will specialize in the most critical areas of policy, governance, organization, finance, technology, data center operations and customer service.

Question 4: How will the existing staffing at HHSDC be impacted by this consolidation?

The consolidation effort encompasses the merging of the HHSDC, Teale, and the DGS ONS. Consolidation is defined as an integration of organizational and technical functions. It does not imply a physical move of staff and equipment to a single data center facility. The DTS will be one organization with 2 sites. Likewise, it should be understood that it is neither an acquisition of one organization by another nor an attempt to downsize the state's technology infrastructure.

It is anticipated that there will be some staff savings once the data centers have fully integrated and standardize in to one organization. During the two years to complete this integration, the data centers expect workload to increase by approximately 20% per year. The staff saving will be redirected to support this growth.

Question 5: When will the transition for this reorganization be completed?

As stated in the February 2005, "Consolidation Approach" document, the Consolidation Project consists of two stages: Merge and Integrate.

The Merge stage concentrates on creating a single reporting/management structure for the new Department of Technology Services. This is expected to take two months once DTS becomes a reality.

The Integrate stage completes consolidation by creating one functional organization within the DTS with single policies, standards and operating processes. Each Division will be organized without duplicate sub-functions. The organizations become one, functionally and organizationally.

The primary advantage of this approach is to establish the DTS organization as quickly as possible and undertake the more complex functional integration while DTS continues to deliver services to its customers.

The activities described above are expected to take two years and are scheduled to begin July 1, 2005.

Thank you for the opportunity to discuss our new structure and direction.

Sincerely,

A handwritten signature in cursive script that reads "Bob Austin". The signature is written in black ink and includes a horizontal line extending to the right from the end of the name.

Bob Austin
Interim Director

Attachments: Biography for Bob Austin

cc: Mike Genest, Undersecretary
California Health and Human Services Agency

Bob Austin

Bob Austin was appointed Interim Director of the California Health and Human Services Data Center (HHSDC) in March 2004. In this position, he leads the management of HHSDC's primary business lines: the technology systems and infrastructure that support the Departments within the Health and Human Services Agency, as well as other state and local government customers; and the major statewide integration projects primarily for the Department of Social Services. Bob came to the HHSDC in August 2004 as its Chief Deputy Director. He began his career in State government in 1974 as a programmer. Bob has served in management appointments in State agencies where he supported systems for social services, criminal justice and tax administration. Prior to coming to HHSDC, Bob was CIO for the California Board of Equalization. A California native, Bob graduated from Cal Poly, San Luis Obispo in 1968 with a degree in Business Administration and served in the U.S. Navy during the Vietnam era. Bob is chairman of the Executive Institute Steering Committee, a member of the IT Council, and a sponsor for the State's IT Manager's Academy.