Testimony
before the
Little Hoover Commission
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presented by
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The Information Technology Association of America (ITAA) appreciates the opportunity to testify on the Governor's Reorganization Plan to transfer and consolidate the Stephen P. Teale Data Center and the Health and Human Services (HHS) Agency Data Center functions, along with the Department of General Services' (DGS) telecommunications and data networking functions into a new Department of Technology Services (DTS).

ITAA is generally supportive of the recommendations as outlined in the Reorganization Plan. In particular, ITAA commends the intention to "promote the strategic management of Executive Branch technology by concentrating the functions and expertise of three existing technology service providers into a single, synergistic organization."

Lack of Best Practices and Skills:
While the plan specifically speaks to merging Teale and HHS Data Centers, the responsibilities of the new DTS should be broader than just managing the combined data center. There is a need to address other issues that relate to the State's larger needs, such as technology selection, architecture and alignment. One such core issue is the lack of best practices and skills in the existing data centers and in the various IT departments throughout the state. However, the creation of DTS is unlikely to either decrease costs or increase the success rate of state technology projects unless it simplifies the acquisition process and increases the overall IT expertise in the state. In other words, adding another layer of oversight will not necessarily be effective, but recruiting the best talent throughout the state would be the right direction.

Data Center Consolidation:
The case for consolidating the Data Centers is summed up with the following goals: reduce data center operating costs thus reducing customer's costs; deliver "best practices" solutions in technology services more effectively; and improve the operations reliability and security of the state's information technology solutions. These are all commendable objectives and certainly

should be obtained by the consolidation of the existing state-housed data centers. However, there can hardly be an argument that the government is better suited to achieve these objectives than the private sector. We would be concerned if government officials view the data center consolidation as meaning that work, which has been outsourced to the private sector for several years, will now be brought back "in-house".

Traditionally, the State has been hampered in its ability to provide and maintain a competitive, responsive data center (or hosted service) for the State's agencies and departments. Some of this is due to the inability of the State to retain and/or retrain their technology staff to keep pace with advances in technology. Therefore, the State's consolidated data centers may not be the most cost effective or responsive source for this service.

A case in point is what is happening at CalSTRS today. CalSTRS is in the final stages of an RFP process for mainframe services, which are now being provided by the State's Teale Data Center. CalSTRS received three bids ranging from $40.3 to $44.6 million for 8 years of service, at a fixed price. By comparison, the Teale 8 year price, if prices remain fixed, is $53.6 million, or approximately 20-25% higher than the competitive bids for the same service. Given that government costs are generally expected to rise during the next 8 years, the difference is likely to be even much greater.

Technology Governance and Role of the State CIO: The reorganization plan is silent on how the State's CIO and the new DTS will actually provide technology governance. Last fall, the Governor's Comprehensive Performance Review (CPR) identified the need for statewide planning and implementation of technology. It discussed the "stove-piped" IT systems in state government, i.e., systems controlled by individual agencies, which independently struggle to maintain their own information and control their own systems. Technology governance is vitally needed if the overall spirit and intent of the reorganization plan is to be achieved.

We wish to point out that no matter who is selected to lead this new department, that individual will only be successful if he or she is given authority to enforce good procurement practices and is given some flexibility to try innovation in procurement. The Commonwealth of Virginia is an example of where the state CIO was given broad authority. As a result, Virginia is doing creative things in procurement that are good for the state. It is time for the state of California to embrace this type of "best in class" mentality.

Bifurcation of Authority: In its preamble, the Plan suggests that the newly established DTS will play an essential role in the "comprehensive management of common information technology infrastructure and services". However, reading through the plan one is left to wonder how DTS will be able to be successful if the State relies on a bifurcated situation where authority on major IT projects is shared by DTS, DGS and the Department of Finance. We believe that the new DTS should receive the authority that it will need to do its job -- and then be held accountable for the results. If not, the State will repeat the problems that plagued the now defunct Department of Information Technology (DoIT).

CALNET II – We support the plan to "transfer the State's statewide voice telecommunications and data networking functions from DGS to the proposed DTS in recognition of the ongoing convergence of voice and data networking technologies". As many of you may know, ITAA has been outspoken during the past several months on what we believe were serious flaws in the initial CALNET II RFP, as released by DGS in November 2004. Much more recently (on April 7), we communicated to state officials that we commend DGS for deciding to reissue the CALNET II RFP in September of 2005, and that we urge officials to place substantial emphasis on new technologies (such as VoIP) and on greater competition through a multiple vendor award approach. ITAA believes that only by adjusting the RFP in this manner will the State achieve the best value solution for California state & local agencies, and the state's taxpayers. We believe that only by adjusting the RFP in this manner will the State realize newer and lower-cost technology.

Thank you for the opportunity to address you today.

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