



*State of California*

# LITTLE HOOVER COMMISSION

May 26, 2005

The Honorable Arnold Schwarzenegger  
Governor of California

The Honorable Don Perata  
President pro Tempore of the Senate  
and members of the Senate

The Honorable Fabian Núñez  
Speaker of the Assembly  
and members of the Assembly

The Honorable Dick Ackerman  
Senate Minority Leader

The Honorable Kevin McCarthy  
Assembly Minority Leader

Dear Governor and members of the Legislature:

The Governor's reorganization plan to create a Department of Technology Services is a modest but important step in improving how the State uses technology to serve Californians. The Commission recommends that the plan be allowed to go into effect and in this report offers some suggestions for ensuring the reorganization is successful.

The Commission also urges policy-makers to establish in the statute a state Chief Information Officer and to vest that position with the authority to effectively deploy technology to improve performance throughout state government. This position – along with the director of the new Department of Technology Services and other key managers – must be filled with talented individuals skilled and experienced in using technology to transform business operations.

Successful organizations – private and public – are embracing technology to reduce costs, manage risk, improve customer service and raise outcomes. Similarly, California must assemble the commitment and talent to capitalize on sophisticated technologies.

The current chief information officer said California must learn to walk before state government can run. As true as that may be, and mindful of the State's history of stumbling on technology procurements, California is in a heated competition with other states and nations. Winning the confidence of taxpayers and voters, entrepreneurs and investors requires a government that each day is deriving more public benefit from the same public dollar.

Consolidating the State's two general purpose data operations – the Stephen P. Teale and Health and Human Services Agency data centers – has been considered for more than a decade, and mimics a well-established trend in the industry. Including the State's telecommunications network, as proposed for the new Department of Technology Services, reflects the more recent convergence of technologies.

As presented in the Governor's Reorganization Plan, the proposal offers modest fiscal benefits, most of which will be absorbed in the near term by the costs of the consolidation. Implementing the plan also will involve moderate risks to some vital computing functions – risks that have not been fully identified and mitigated.

As a result, the net benefit to the State will hinge significantly on how well the consolidation is implemented. The proposed structure is relatively simple and sound. But there is broad

agreement that experienced leadership and management will be needed to fuse these functions in a way that minimizes glitches and captures efficiencies.

Earlier iterations of the plan were more ambitious, proposing a structure that would have given the new department more autonomy. As put forth in the reorganization plan, the department will be subject to the standard personnel, procurement and budget controls that more entrepreneurial states have altered to give their technology units the ability to act swiftly, expertly and with true accountability for outcomes. At the least, the new department's governing board should precisely assess whether those standard controls hinder the ability of the new department to provide high quality and competitively priced services.

In addition, to ensure that the consolidation does not interrupt essential services, the State should independently verify that the greatest risks are mitigated. In particular, officials should review the management of the Systems Integration Division, a critical welfare-related function that remains with the Health and Human Services Agency.

Importantly, even supporters of this plan say it does not go far enough to strengthen the State's structure for developing and using technology in ways that will meaningfully improve government performance. Indeed, the CIO's strategic plan outlines a new governance structure that has inspired internal debates that should now be public and resolved within the year.

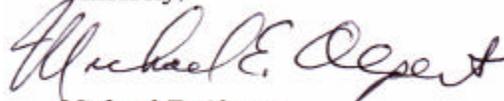
Most significantly, the State needs to create a mechanism for establishing enterprise-wide policies and standards that are essential if California is going to capture the efficiencies and the knowledge that comes from synching up data and aligning government functions. The CIO must be given statutory authority to hold individual departments to those government-wide policies. From that point, the CIO can work with departments to re-engineer operations, share technologies and truly transform the way government serves Californians.

Better management of existing technology can create savings. Combining the Teale and Health and Human Services Agency data centers, along with the Office of Network Services from the Department of General Services, is only the first step in that direction. Consolidating a broader array of applications can bring even greater efficiencies.

The new structure also must provide policy-makers, program managers and the public with the information needed to assess and improve policies and programs. While the State has entire centers full of data, that data is not used – as it is in high-performing states – to make decisions. The GRP will not by itself yield this necessary improvement and it should become a top priority for policy-makers and a primary purpose for additional reforms.

In short, to avoid computer-related failures, the State has failed to deploy technology in ways that can improve the accessibility, quality and efficiency of public services. California does not have to pioneer these innovations, but it must follow the leaders with greater determination.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Alpert". The signature is fluid and cursive, written over a vertical line that extends from the "Sincerely," above.

Michael E. Alpert  
Chairman

**Reconstructing Government:**  
*A Review of the Governor's Reorganization Plan  
To Create a Department of Technology Services*

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# Introduction

Under the law, the Governor has the obligation to periodically examine the organization of all agencies to determine the changes that are necessary to reduce expenditures, increase efficiencies and improve the management of public programs. The legal authority for the reorganization process is established in Article 5, Section 6 of the Constitution, and detailed in the Government Code.

The statute defines and limits the kinds of changes that can be made through the reorganization process. Plans, for example, can transfer, consolidate and even abolish functions that “may not be necessary to the efficient operation of the state government.” But plans cannot, for example, include agencies “whose primary function is service to the Legislature or judicial branches of state government or to any agency that is administered by an elected officer.” The law requires that plans make provisions for transferring civil service employees, property records, and fund balances of the agencies affected by a plan.

## ***The Reorganization Statute***

**Government Code Section 12080.1.** The Governor, from time to time, shall examine the organization of all agencies and shall determine what changes therein are necessary to accomplish one or more of the following purposes:

- (a) To promote the better execution of the laws, the more effective management of the executive and administrative branch of the state government and of its agencies and functions and the expeditious administration of the public business;
- (b) To reduce expenditures and promote economy to the fullest extent practicable consistent with the efficient operation of the state government;
- (c) To increase the efficiency of the operation of the state government to the fullest extent practicable;
- (d) To group, consolidate and coordinate agencies and functions thereof as nearly as possible according to major purposes;
- (e) To reduce the number of agencies by consolidating those having similar functions under a single head and to abolish such agencies or functions thereof as may not be necessary for the efficient operation of the state government;
- (f) To eliminate overlapping and duplication of effort.

The law provides for the Governor to pursue those changes through an accelerated and streamlined legislative process. The reorganization process calls for the Governor to propose a plan, for the Little Hoover Commission to review and make an advisory recommendation regarding the plan, and for the Legislature to either allow the reorganization to go into effect or to reject it by a majority vote in either house.

The Governor's Reorganization Plan proposing a Department of Technology Services was submitted to the Commission on March 31, 2005. A copy of the plan is contained in Appendix A. Under the reorganization statute, the Governor must submit the plan to the Commission 30 days prior to submitting it to the Legislature. The Commission, in turn, must make a recommendation regarding the plan within 30 days of the plan being submitted to the Legislature. On May 9, 2005, the Governor submitted the plan to the Legislature.

In reviewing the plan, the Commission conducted a public hearing on April 28, 2005. The Commission invited testimony from the State's Chief Information Officer and representatives of all of the state units involved, including the Department of Finance. The Commission heard from representatives from the California State Employees Association and the Legislative Analyst. Testimony also was received from a panel of technology experts with experience in the private and public sectors. The Commission consulted with a number of additional experts, and solicited testimony from, among others, the chairperson of the CIO's Technology Advisory Peer Group. A list of the witnesses is contained in Appendix B.

The Commission also relied on the advice it received in November 2004, when as part of a broader exploration of reorganizing government, a panel of technology experts described how large public and private sector organizations had used advanced technologies to improve performance. That analysis is contained in the Commission's report: *Historic Opportunities: Transforming California State Government*, which was published in December 2004. A list of those witnesses who participated in that hearing are contained in Appendix C. Additionally, the Commission drew from its previous work, including a comprehensive analysis of California's use of technology, which was published in November 2000, *Better.Gov: Engineering Technology-Enhanced Government*. The agendas, written testimony and the Commission's reports are available on its Web site: [www.lhc.ca.gov](http://www.lhc.ca.gov).

This introduction is followed by a summary of the plan, an analysis of the issues associated with the proposal, the Commission's conclusions and recommendations for pursuing additional reform opportunities.

**Governor's Reorganization Plan**

**Department of Technology Services**

The Governor's Reorganization Plan proposes to consolidate the State's two general purpose data centers and its telecommunications unit into a new Department of Technology Services. The Stephen P. Teale Data Center is currently within the Business, Transportation and Housing Agency and the Health and Human Services Agency Data Center (HHSDC) is within the Health and Human Services Agency. The Office of Network Services is within the Department of General Services, which is overseen by the State and Consumer Services Agency.

The new department would be placed within the State and Consumer Services Agency. It will be governed by a Technology Services Board comprised of the Chief Information Officer, the director of the Department of Finance, the state Controller and the secretaries of the major client agencies.

The plan is the result of more than a decade of planning and continues a trend that started more than three decades ago.

In the early 1970s, the State began consolidating technology into multi-purpose data centers to capture savings and improve the use of technology. SB 1503 in 1972 established a blueprint for consolidating data processing into four data centers aligned with service and regulatory functions – law enforcement, business and services, revenue, and human relations.<sup>1</sup> In conformance with SB 1503, the Teale Data Center was established to support state business and service programs. The Health and Welfare Consolidated Data Center (later renamed the Health and Human Services Agency Data Center) was established to support human service programs.

But over three decades later, the consolidation of large-scale computing activity is still not complete. In 1995, SB 1 (Alquist) directed the executive branch to evaluate the benefits of consolidating data centers and report back to the Legislature.<sup>2</sup> (The legislation also created the Department of Information Technology and a Chief Information Officer; the statutory authorization for both expired in 2002.)

***The Plan in Summary***

The GRP proposes to:

- Combine the data center functions at Teale and HHSDC along with the telecommunication network function at DGS, and consolidate them organizationally (but not physically) into a new Department of Technology Services.
- Create a Technology Service Board that is composed of the largest consumers of data center services. The board's mission is to review and make operational and fiscal policy decisions for the new Department of Technology Services.

Separately, the Governor is proposing through budget trailer language to move the acquisition, development and implementation of welfare-related automation projects, now administered by the Systems Integration Division in the HHSDC, to the Health and Human Services Agency.

### ***The State's Six Major Data Centers***

General-purpose data centers support any public agency's data center needs:

- The Stephen P. Teale Data Center
- The Health and Human Services Agency Data Center

Four other significant data centers support specific departments or programs:

- The Department of Justice Hawkins Data Center
- The Franchise Tax Board Data Center
- The Legislative Data Center
- The Public Employees Retirement System Data Center

Smaller data centers exist at the departments of Transportation, Motor Vehicles, Employment Development, Health Services and Social Services.

California Performance Review. 2004. *Issues & Recommendations*. Sacramento, CA. Page 1361.

In pursuing the 1995 directive, the CIO contracted with Deloitte & Touche, which identified \$50 million in cost savings that could be captured if the state consolidated its computer processing and networking into multi-purpose data centers. The study also estimated that just consolidating Teale and HHSDC could save approximately \$8 million annually.

In 2003, the Legislative Analyst recommended consolidating the two data centers. The Governor in the May Revision that year proposed that the consolidation be prepared for fiscal year 2004-05.

AB 1752 (Oropeza), Chapter 225, Statutes of 2003, required the Department of Finance to provide a conceptual plan for consolidating Teale and HHSDC. The plan, submitted in May 2004, called for a number of planning steps to be taken prior to consolidation. The 2004-05 Budget Act assumed that the data centers would be consolidated this fiscal year and diverted anticipated savings of \$3.5 million from Teale's budget into the General Fund.

In September 2004, the Governor directed the CIO to develop and submit a plan to consolidate the two data centers. Based on the CIO's work, the Governor's budget outlined a consolidation proposal but deferred action to the 2005-06 fiscal year. Similarly, in January the CIO issued a report describing the consolidation and proposing a new Department of Technology Services.

### ***The Purpose of the Plan***

In proposing the reorganization, Governor Schwarzenegger states that the plan "consolidates the State's two general purpose data centers and appropriately aligns telecommunications with data, recognizing the continual convergence of data, voice and video technologies." He further states, "This alignment correctly positions state government to deliver on the promise of technology to improve the lives of all Californians."

The proposal outlines a number of "advantages," including:

- More efficient, standardized systems capable of supporting multiple agencies;
- Reduced redundancy and variation within the State's technology infrastructure;

- Reduction in cost for common infrastructure services enhanced ability for data sharing;
- Improved ability to successfully leverage IT procurements;
- Enhanced security and privacy measures for the storage and distribution of electronic data;
- Improved core technology support for all state agencies and departments; and,
- More effective utilization and management of technology personnel.

The state CIO testified that a strong planning foundation has been laid to avoid the risk of a major system failure resulting from the reorganization. He also believes the State can capture annual estimated cost savings of \$2 million within three years. His analysis was supported by representatives of the Department of Finance and managers of the data center and telecommunications functions.<sup>3</sup>

He and other technology experts believe that much larger savings and service improvements can be captured once the new department is established and opportunities for consolidating and supporting state technology are identified.

Initially, the consolidation will not involve a physical integration of data center or telecommunication operations. As a first step, the CIO proposes merging the management team to capture savings that will be redirected to cover the costs of further integration. The new department will include a temporary “Consolidation Management Office” to shepherd the change and prevent the disruption of services to customers.

Previous consolidation discussions did not include the telecommunications network. However, several technology experts advised that including this function will enrich the data center services the new department offers its customers.

The CIO said the re-procurement of telecommunication services (CalNET) that is now underway will not be affected by the consolidation. That procurement is being overseen by the State and Consumer Affairs Agency, which also will be responsible for overseeing the new Department of Technology Services.

***On the Web***

Governor’s Reorganization Plan to Create a Department of Technology Services

<http://www.lhc.ca.gov/lhcdir/reorg/TechGRP.pdf>

Testimony from Little Hoover Commission’s hearing on April 28, 2005

<http://www.lhc.ca.gov/lhcdir/Apr05.html>

The Commission’s Report

<http://www.lhc.ca.gov/lhcdir/report180.html>



## ***Proposed Department Promises Improvement***

**Finding 1: The proposed Department of Technology Services has the potential to yield savings and improve the State’s use of technology, but expert leadership and effective management are needed to capture those benefits.**

A reorganization of this magnitude entails significant risks and costs that must be carefully planned for in advance and managed capably in the transition process. This plan appears doable, but the extent to which the plan is successful hinges on addressing several key issues. Successful implementation will require skilled leadership, expert advice and effective oversight.

### ***Hiring the Right Director***

As with any meaningful transformation, talented leadership will be a critical ingredient to successful implementation. In this instance, technology experts said success will hinge on whether the new director has the requisite technical as well as the managerial expertise.

The CIO empanelled a temporary Technology Advisory Peer Group from outside of state government to review and comment on the consolidation effort. The chairman of that group, a veteran reorganization expert, believes that only a handful of executives have the right skills and ability to successfully manage the transition. He stressed that hiring the right director should be given top priority.<sup>4</sup>

The single biggest concern is compensation. The advisory group believes a compensation package in the range of \$250,000 annually, with a \$25,000 to \$50,000 performance bonus, will be necessary to attract a qualified candidate. The state CIO believes a lower compensation level – in the \$175,000 to \$180,000 range with a bonus of 25 to 30 percent – will attract the right leader.<sup>5</sup>

The administration of technology is a dynamic, specialized and competitive field in which government directly competes with the private sector for talent. In turn, new technologies and new business practices

#### ***Fortifying Leadership***

The success of the reorganization plan to creating the new Department of Technology Services will rest largely on the quality of the leadership, especially the director, and the authority of the management to consolidate and modernize the State’s systems. The Commission’s specific recommendations in that regard are listed at the end of this finding.

But to fully deploy technology, state policy-makers must also create a CIO in statute, with the authority to align the efforts of the Department of Technology Services and individual state departments. The need for a statutory CIO is described in the following finding, which describes other aspects of the State’s technology-related governance structure that needs to be created.

are constantly emerging, offering the potential to reduce costs and improve service. The director of the new department will need to be highly skilled in both the application of technology, and a seasoned administrator capable of succeeding in the public and often antagonistic theater of government.

In addition to normal department head responsibilities, the new director must also lead a complex consolidation involving three technology functions with different organizational cultures and operational challenges. During the transition, the director will have to ensure the continuity of services to customers while engineering the merger of these functions.

Considering these special circumstances, the State may need to structure the compensation and employment package differently than for department heads administering existing and traditional agencies. The State may want to link compensation with performance benchmarks, as is the practice at the Public Employees' Retirement System.

### ***Improving Accountability & Oversight***

The compensation of the director is just one of many restrictive rules that will impact the ability of the new department to succeed.

Other states have worked creatively to align administrative controls – over budget, personnel and procurement – to make sure that technology units can act swiftly, expertly and with accountability to outcomes. The State of Georgia stands out for creating an independent technology authority with the flexibility to operate similar to a non-profit company.

Similarly, the 1997 consolidation study by Deloitte & Touche encouraged the State to consider “corporatizing” either Teale or HHSDC to gain flexibility needed to be more innovative to capture increased efficiencies and economies.

The CIO’s “white paper” in January 2005 modestly proposed giving the new department more autonomy than a typical state agency.<sup>6</sup> The Legislative Analyst raised concerns that these elements would reduce the Legislature’s traditional oversight mechanisms, and as a result those elements were not included in the reorganization plan as submitted. But certain issues should be given additional consideration if they hinder the performance of the new department. Among them:

***The selection of leadership.*** In addition to compensation, the proposal raises the issue of selection, direction and accountability of the new department’s leadership team. The CIO originally proposed that the

Technology Services Board have significant authority to set policy and hold the executive team accountable for success, including the selection and direction of the senior management team.

The State already uses that model when boards have broad administrative, fiscal and policy-making authority. The boards of the California Public Employees' Retirement System,<sup>7</sup> the California State Teachers' Retirement System<sup>8</sup> and the State Compensation Insurance Fund have full authority over management.<sup>9</sup> Even more traditional, but independent boards, such as the State Personnel Board and the Public Utilities Commission, have authority to hire and fire the executive officer.

But as with most departments, the reorganization plan calls for the director to be appointed by the Governor and confirmed by the Senate. Under the plan, the Technology Services Board will set the department's operational goals and policies. But selection, compensation and confirmation of the director will rest with the Governor and the Legislature. The arrangement blurs accountability and may limit the ability of the TSB to drive costs down and improve customer service.

Senate confirmation reviews are an important check that helps ensure that gubernatorial appointees have the character and qualifications to fill top policy-making positions. In cases where the executive officers are expected to have subject matter and managerial expertise – and not set policy – that authority often rests with the governing boards.

Under the arrangement proposed in the reorganization plan, the Governor's office will have to work closely with the Technology Services Board to make sure the director is achieving the department's goals.

***Budgetary discretion.*** The state budget process imposes unique challenges to departments delivering technology services. Policy-makers have already recognized that data center and telecommunications are unique functions that require greater flexibility.

Teale and the Health and Human Services data centers recoup their costs by charging fees to customer agencies. The revenue is deposited into revolving funds that the data centers tap to pay expenses. While the data centers have ongoing or continuous authority to spend the money in the account, those expenditures are approved annually as part of the budget process. The Legislature also controls the budgets of individual departments, including their expenditures on technology services provided by the data centers. Lawmakers also can compel reductions in the data center rates.

The CIO originally proposed giving the new department even more authority over both its budget and rates, limiting legislative oversight to the individual technology expenditures of the customer departments.

The chairman of the CIO's Technology Advisory Peer Group described how conventional state budget mechanics could hinder efficient and effective operation of the new department:

*"The director of the DTS will need to prepare a line item budget nearly a year in advance of the start of the year in which the expenditures will be made. Prices and capabilities for IT goods and services change materially in an 18-month time period. These budget constraints will force the DTS to be constantly behind the curve and unable to be as responsive to state departments and agencies as commercial operators with more responsive fiscal management policies. Giving the board and the director more flexibility while maintaining transparent reporting and accountability would be an important improvement."<sup>10</sup>*

To protect legislative oversight authority, the LAO also objected to an early proposal to give the Technology Services Board the authority to make budget decisions outside the normal budget review process.

The reorganization plan retains the revolving fund approach used by the data centers. The CIO testified that the administration has agreed that the new department also will be subject to the same budget review as the data centers.

Government incorporates restraints to prevent abuse of authority and misuse of public resources. But these rules also can limit the ability of agencies to respond quickly and efficiently to changing demands.

To capture the full potential of a unified technology unit, the State may want to rethink these mechanisms in ways that hold the department accountable for outcomes, while still protecting public resources from abuse.

### ***Refining the Implementation Strategy***

The \$2 million in anticipated savings from this reorganization is far below the estimate in earlier consolidation studies. A RAND study, for example, reported that some states have saved as much as 50 percent by consolidating data centers.<sup>11</sup> The Deloitte and Touche study projected approximately \$8 million in potential savings.<sup>12</sup> But those savings could only be achieved if the data centers were physically consolidated, and the

consultants identified substantial risks with that path. The LAO also anticipated approximately \$8 million in annual savings.<sup>13</sup>

The CIO concedes that a more rigorous assessment is needed to identify opportunities to reduce costs or improve performance. The new department's Consolidation Management Office will be assigned that task. A comprehensive assessment of additional technology functions that could be transferred to the new department could identify efficiencies beyond those included in the plan.

Simultaneously, some costs and risks are not sufficiently defined – a warning that identified savings may be offset by unidentified costs. The success of this proposal will largely rest on work the administration proposes to do after the plan goes into effect. A thorough exploration of the challenges that are reasonable to anticipate and how they will be overcome could avoid costly setbacks later.

The plan also leaves the task of establishing performance improvement objectives to the implementers. The new department will need to expeditiously benchmark costs and performance to establish a baseline from which to measure progress.

The plan also relies heavily on the Technology Services Board to force down costs and improve services. But without effective and continuous measurement, the board and the public will not know whether the department is succeeding or what changes are needed.

### ***Verifying Welfare-related Project Management***

The Health and Human Services Data Center manages the State's welfare automation projects. The Administration proposes to move the management of those projects to the Health and Human Services Agency.<sup>14</sup> Welfare automation has proven to be a major challenge for the State. There have already been significant and costly errors that delayed the benefits of automation. A decade ago, project management failures by the Department of Social Services resulted in welfare automation management being moved to the data center.

The public's investment in welfare automation, estimated at more than \$400 million annually, is too important to be given short shrift.<sup>15</sup> The State should be sure that transferring responsibility for these projects will not add new risks to these initiatives. The LAO recommends adding reporting requirements and additional oversight by the Department of Finance. The State may need a more independent and specialized assessment of the agency's management strategy and capacity.

**Recommendation 1: The Legislature should allow the reorganization plan to go into effect, but additional steps can help assure the new Department of Technology Services delivers the potential benefits. Specifically, policy-makers should:**

- ❑ **Ensure quality leadership.** The Governor should appoint an accomplished technology leader with the proven ability to administer a major technology services center while consolidating the data center and telecommunication functions. This leader should be appointed quickly to properly prepare for reorganization, which will go into effect on July 10, 2005. The administration should ensure that the compensation is adequate to hire and retain the right director, and seek legislative concurrence if necessary. The compensation package should include performance incentives linked to the new department lowering costs and improving services.
- ❑ **Enable success and accountability.** The Technology Services Board should ensure the new department has the flexibility to react quickly and effectively to capture cost savings and improve performance. If needed, the TSB should seek rule waivers or legislation to give the department budget, hiring, executive compensation and procurement authority in exchange for greater accountability for outcomes.
- ❑ **Ensure outside technological advice.** The Governor and the Legislature should ensure that the Technology Services Board has adequate technology expertise and advice from outside of state government. One option would be to formally establish the Technology Advisory Peer Group to ensure the State is employing new technologies and best business practices.
- ❑ **Benchmark performance.** The Technology Services Board should benchmark the new department's costs and services and compare its performance with similar service providers. Comparisons should be made routinely and made available to the public.
- ❑ **Review management of welfare-related projects.** The Department of Finance should ensure that proper project management practices are in place after the Systems Integration Division is transferred to the Health and Human Services Agency. The CIO should independently assess the technology strategies employed by SID and validate that best practices are applied. The review should be conducted at least twice over the next two years.

## ***Larger Governance Issues Must also be Solved***

**Finding 2: Weak enterprise-level governance and leadership limit the State’s ability to swiftly and successfully use technology to improve the performance of government.**

The policy discussion regarding consolidation of the State’s multi-purpose data centers spans three decades. But data center consolidation is one of many technology initiatives where progress has been painfully slow and marred by major debacles. Important programs and entire departments have become synonymous with computer failures: welfare automation, child support enforcement, the Department of Corrections and the Department of Motor Vehicles. Experts inside and outside government blame a lack of central leadership and enterprise-wide structure and authority for the State’s slow progress. To capture the full benefits of the proposed consolidation, the State must resolve several of these larger “governance” issues that are not resolved by the reorganization plan.

### ***Technology Governance***

Enterprise-wide governance is used to describe the management and application of technology across the full spectrum of functions and agencies that constitute state government.

Larry Singer, the former CIO for the State of Georgia, believes that good enterprise governance is critical for states because so many of their functions require processing and using data, and better integration of that data can improve the quality and reduce the costs of services.

### ***Governance Failure & the Interim System***

In 1995, policy-makers enacted SB 1, establishing a Department of Information Technology and a state CIO to strengthen enterprise-level governance.<sup>16</sup> As part of that legislation, the CIO was instructed to examine technology usage and consolidate data centers. But even after an extensive study found merit to consolidation, weak leadership hindered progress.

Dissatisfaction with the performance of the Department of Information Technology and the CIO was so great by 2002 that lawmakers allowed the statutory authority for both to expire. Since then, the State has operated under an “interim technology governance” system.

Under the interim system, the Department of Finance oversees and reviews the funding of technology projects and monitors the quality of project management. The Department of General Services provides oversight of procurements. Lacking statutory authority for a state CIO, Governors Davis and Schwarzenegger have used executive orders to

appoint a CIO to provide strategic leadership and advice on technology issues.

Meanwhile, efforts to improve enterprise-wide management of technology have proceeded at a snail's pace. The Commission has studied technology issues in a number of previous reports. Evidence from these studies and the testimony provided in regard to this reorganization plan, strongly substantiates that technology requires a strong enterprise-level structure with statutorily authorized leadership to compel the efficient and effective use of technology.

The state of Washington's governance structure stands out. Washington has an information technology governing board, which by statute sets technology policy and standards, and reviews procurement decisions. The board represents technology stakeholders – including legislators, state officials and local government representatives that rely on state technology services. The board provides fiscal oversight, sets policy and establishes goals that the state CIO is held accountable for achieving. The strong policy-making board and strong executive CIO complement each other.<sup>17</sup> This relationship is credited with helping Washington become a leader among state governments using technology effectively.

California does not have enterprise-wide standards or best practices. Technology projects are pursued and managed by individual departments. This diffused authority and responsibility often results in poor public outcomes and missed opportunities to share applications, share data, and consolidate similar business functions. This weak enterprise-level leadership also inhibits the transition to new technologies to replace inefficient legacy systems.

The former CIO of the federal Office of Management and Budget testified that technology decisions must be driven by how well technology will improve service to the public. Therefore the key to success is capable enterprise-level technology leadership and governance that facilitates the careful tailoring of technology to the work of government. Effective technology governance ensures that technology is procured, applied and replaced in a fashion responsive and accountable to delivering the highest return on investment to the public.

### ***Statutory Authority for State CIO Needed***

The state CIO testified that establishing the Department of Technology Services is a small, but vital step toward improving the overall governance of technology. The proposed department is one part of a strategic plan that proposes other structural changes. The CIO envisions

state agencies using the new department as a source of expert support and advice in developing new applications. While there is merit in creating a center of excellence, the potential of the new department will not be fully realized if the State's chronic enterprise-level leadership problems are not resolved. To capture the full benefits of technology, industry experts agree that the CIO must have statutory authority to compel agencies to use technology effectively and efficiently.

The studies by Deloitte & Touche and RAND point out that the biggest savings associated with data center consolidations come from centralizing technology that is dispersed in state agencies. Individual agencies will naturally resist such efforts unless they are convinced consolidation will improve their ability to fulfill their mission. A CIO with statutory authority to verify and validate that the Department of Technology Services is applying the best business practices will be needed to build confidence among state agencies and lawmakers that the promised benefits of consolidation will be achieved.

### ***Managing Technology***

In its December 2004 report, *Historic Opportunities: Transforming California State Government*, the Commission prescribed the following elements for technology governance:

*The appropriate application of technology can increase productivity and performance across state departments. For the State to benefit from technological advances, it should develop the following management structures:*

- *A Chief Information Officer (CIO) with statutory authority to enhance technological capacity. The CIO should be a cabinet-level position. The CIO should facilitate the strategic use of technology to promote improvements in all government initiatives.*
- *An independent council. The council should be granted the authority to set enterprise-level policies, review and approve major technology initiatives, and independently validate and verify state technology initiatives. The council should include stakeholders with an interest in the success of technology investments. The CIO should serve on, but not control, the council.*
- *A technology agency headed by the CIO. The agency should manage the State's enterprise technology assets, including all data centers, networks, state Internet portals, and telecommunication systems. The technology agency should compete with outside vendors to serve departments based on the value it offers. Departments should have the flexibility to purchase technology services from other vendors provided those vendors meet the enterprise requirements set by the technology policy body.*

Sources: Stuart McKee, National Technology Officer, U.S. Public Sector, Microsoft Corporation; former Chief Information Officer, State of Washington. November 18, 2004. Testimony to the Commission. Carolyn Purcell, Chief Information Officer, Purcell Ventures, LLC; former Chief Information Officer, State of Texas. November 18, 2004. Testimony to the Commission.

## ***Improve Access to Management Information***

As the State's multipurpose data center, the Department of Technology Services will store massive amounts of data collected and used by public agencies. But despite the volume of data, little information is actually accessible to inform high-quality management and sound policy-making.

The state CIO acknowledged that data is often not available to policymakers in a useful form. To take advantage of the data stored at the Department of Technology Services, the State needs to develop a management information system that gives managers, policy-makers and the public the information needed to set priorities, craft new policies and track public outcomes. That task will require leadership and authority on the part of the CIO to standardize data formats, ensure privacy and security requirements are met, and develop agreements for sharing data among the departments that collect related data.

The CIO already has started developing broad outlines for reengineering how data is collected and used along the State's "lines of business." As a next step, the CIO hopes to pilot an initiative involving business service functions – such as budgeting, personnel, procurement and facility management – to find ways to effectively collect, store and share data in ways that improve the management of these operations. The need for such a system is highlighted by reports that the recent attempts to capture millions in savings by "strategically sourcing" procurements are frustrated by a lack of usable state purchasing data.<sup>18</sup>

## ***The New Department Should Compete***

The reorganization plan anticipates that a customer-dominated Technology Services Board will keep the new Department of Technology Services focused on driving down costs and improving services. But reorganization experts agree that boards are less efficient than competition in accomplishing this objective.

The State's best course would be to use market forces to ensure that DTS is providing value to its customers. State agencies should be encouraged to buy data center services and support from any public or private data center or telecommunications provider that can offer better value than the DTS.

In the state of Washington, agencies can purchase technology services from providers other than the State's technology services department. State agencies that find a better deal, get approval to buy outside the state by making a request to the governing board that also sets

enterprise-level policy. Most of the time, the State’s technology services department offers the best price and quality of service. But because state agencies can buy elsewhere, the technology services department must strive to continuously find new ways to cut costs and improve service.<sup>19</sup> A former California CIO said he found that merely benchmarking Teale’s costs for common services against the price of other data centers prompted Teale to lower its rates.<sup>20</sup>

Similarly, the new Department of Technology Services needs to be given flexibility and capacity to compete. The State could explore chartering DTS to operate like a publicly owned corporation similar to Georgia’s Technology Authority, which has helped that state achieve savings and improve public services. Additional information regarding the Georgia Technology Authority is contained in the Commission’s *Better.Gov* and *Historic Opportunities* reports. In its 1997 study, Deloitte & Touche found merit in creating a state-owned corporation to increase the State’s ability to recruit capable technology personnel and become more customer responsive.

***Better.Gov***

In its 2000 report titled *Better.Gov*, the Commission recommended that the Governor and the Legislature hold the CIO and state agencies accountable for their role in building a competent IT workforce, procuring technology goods and services, and deploying new technology projects.

The Commission concluded that to hold a CIO accountable, that person also must have the authority and the political support necessary to streamline procedures and make other improvements needed to successfully develop technology projects. Specifically the CIO should:

- Develop standards and strategies.
- Assess performance and set goals.
- Continually improve procurement tools.
- Ensure citizen involvement and oversight.
- Provide public information about technology projects.
- Develop a comprehensive training effort.

The Commission’s report is available at its Web site: [www.lhc.ca.gov](http://www.lhc.ca.gov).

***Recommendation 2: Policy-makers should fortify the State’s technology governance, beginning with the creation of a Chief Information Officer with the authority to ensure that technology throughout state government – including the new Department of Technology Services – is deployed in ways that accelerates efforts to improve the performance of state operations. The new governance structure should include:***

- ❑ ***A strong Chief Information Officer.*** The CIO should have statutory authority and responsibility to provide enterprise-level leadership. The CIO’s duties should include verifying that the Department of Technology Services meets performance standards necessary to support additional consolidation of technology functions.
- ❑ ***A technology governing board.*** The board should include representation from legislative and executive branches, state and local agencies, and the private sector. It should set technology policy, approve technology spending and create accountability for performance.

- ❑ ***Provide for a management information system.*** The CIO should examine the data collection practices of state agencies and determine how to ensure that managers and policy-makers have access to information necessary to make informed decisions and create accountability for outcomes.
- ❑ ***Ensure competition.*** The State should streamline the ability of state agencies to purchase commodity data center and telecommunication services for any capable service provider that can offer better value than DTS. To ensure that DTS is competitive, the State should explore the benefits of restructuring the department along the lines of a public corporation.

## Conclusion

**T**here is complete agreement among the experts that the State can save money by consolidating its data centers. So why has it taken 30 years to develop a formal proposal?

There are two barriers to improvement.

First, consolidation must be done without compromising the operations of vital public services and combing technology after it is up and running can be tricky. Still, if agencies are convinced the phones will still work, the checks will get mailed, benefits will be paid and health care delivered – just faster, better and at less cost – resistance can be overcome.

The state CIO says the proposed Department of Technology Services will win the trust and support of its clients. It will take several years, but he plans to establish a center of technology excellence that allows the State to capture the long-deferred economies and performance improvements. The sooner the better, given that the State loses millions of dollars each year that it relies on its aging and dispersed technologies.

The Commission supports this reorganization, but with a caution. The plan leaves unanswered many of the specifics of when technology (as opposed to the management) will be consolidated, what savings will be captured, and when improvements will be realized. The CIO argues those questions are best answered after the department is established. He is asking the public to trust that the new department will work as promised. The Governor and Legislature should trust, but verify that the plan is implemented competently and on schedule.

The second barrier to improvement is the State's chronically ineffective structure for governing technology on an enterprise-wide basis.

The State needs a powerful governing board tasked with overseeing investments in technology and prescribing policies for wisely using technology. This board must be the surrogate – for consumers, taxpayers and lawmakers – that holds administrators accountable for delivering better government, at less cost, across the entire enterprise that constitutes state government.

To ensure the board's policies are pursued with vigor, the State needs a Chief Information Officer with statutory authority to bring government

officials and resources together and be a catalyst for using technology to improve public services.

The State needs to overcome both of these problems and quickly. The state CIO concedes that the new Department of Technology Services by itself will result in only small savings. He agreed that unless state government resolves its enterprise-wide problems, little progress will be made. The Commission agrees and encourages the Governor and Legislature to make sure the foot-dragging and missteps of the past do not continue.

# **Appendices & Notes**

- ✓ *Governor's Reorganization Plan*
- ✓ *April 2005 Public Hearing Witnesses*
- ✓ *Selection of November 2004 Public Hearing Witnesses*
- ✓ *Notes*



# Appendix A

## Governor's Reorganization Plan *To Create a Department of Technology Services*

### I. SUMMARY

Our world now exists in the Information Age. Rapid advances in technology have transformed every aspect of our personal and professional lives over the last 20 years.

Though California is the birthplace of most of the advances in information technology, state government has not kept pace with the rapid changes wrought by the technology revolution. The very ability of state agencies to manage their resources and deliver required services is inextricably linked to the effectiveness and efficiency derived from technology.<sup>1</sup> Despite massive investments in information technology, California state government can do more to reduce its operating costs through the deployment of technology.

For close to a decade, several authorities – including the Legislative Analyst's Office (LAO)<sup>2</sup>, the State Department of Finance (DOF), and the State Chief Information Officer (CIO) – have recommended consolidation of the State's data centers as a necessary step to leverage advancements in technologies, maximize employee resources, and to reduce state spending. Executive Order S-13-04 directs the consolidation of the Stephen P. Teale Data Center (Teale) and Health and Human Services Agency Data Center (HHSDC) under the management authority of a Department of Technology Services organization. As planning for that consolidation proceeded, it became clear that statewide voice telecommunications and data networking functions should also be transferred from the Department of General Services to the proposed Department of Technology Services in recognition of the ongoing convergence of voice and data networking technologies.

Creating the Department of Technology Services is an essential element as the state transforms itself in all other areas operations. The consolidation of the state's two general purpose data centers is a necessary step as the State continues to improve its ability to leverage economies of scale and in bringing together the systems and expertise necessary to realize the productivity focused organization envisioned in this Governor's Reorganization Proposal (GRP). The effective use of technology will enable the State to optimize the productivity of its workforce and integrate government's many enterprises to facilitate real-time, dynamic interaction between government and the people it serves. Leveraging this capacity is one of the primary goals of this new organization.

While the State CIO will provide the vision, framework and ongoing oversight of the state's technology investment, the Department of Technology Services will provide for the comprehensive management of common information technology infrastructure and services to best leverage the State's massive investment in these core business tools.

This combined approach to information technology management will align the state's technology functions with best practices and also offer the following advantages:

- More efficient, standardized systems capable of supporting multiple agencies;
- Reduced redundancy and variation within the state's technology infrastructure;
- Reduction in cost for common infrastructure services;
- Enhanced ability for data sharing;
- Improved ability to successfully leveraged IT procurements;

- Enhanced security and privacy measures for the storage and distribution of electronic data;
- Improved core technology support for all state agencies and departments; and
- More effective utilization and management of technology personnel.

Establishing this department will allow California to fundamentally change and improve the manner in which government delivers services.

## **II. THE CASE FOR REORGANIZATION**

### *Existing organizations*

Of the State's six data centers, only two are general purpose with broad service missions serving a wide array of customers. Teale was established within the Business, Transportation and Housing Agency, as a general-purpose data center for State government in 1972. It currently provides services to over 250 customers, including State agencies and local government entities. HHSDC was established in 1978 within the Health and Human Services Agency as a multi-purpose data center for health and human services departments. It currently serves over 200 State and local customers, including core customers from State health and human services departments and 140 customers whose sole or primary service is CALSTARS, the State's program cost accounting system. As such, some state agencies are customers of both data centers.

Combined, the two data centers have approximately 950 employees and slightly over \$400 million in expenditure authority. Excluding the welfare projects, each data center has about 400 employees and expenditures of about \$100 million annually. HHSDC's welfare projects involve about 150 employees, with expenditures of about \$200 million annually. HHSDC has one division, its System Integration Division, which is primarily devoted to the operation and/or management of five major welfare-related systems integration projects and is not included in the scope of this reorganization. .

### *Administrative and Legislative efforts*

The LAO recommended the consolidation of Teale and HHSDC in its February 2003 analysis of the fiscal year 2003-04 Budget Bill. The State's CIO incorporated the concept into a white paper issued on May 14, 2003, entitled "Re-Alignment of Responsibility for the Management of the State's IT [Information Technology] Resources and Infrastructure." The concept was further promoted by the Administration in the May Revision to the 2003-04 Governor's Budget, which requested the State's CIO develop a Governor's Reorganization Plan for consolidating the two data centers beginning in fiscal year 2004-05.

In response to that, the State's CIO appointed a working group to develop recommendations for the reorganization plan. The working group was comprised of representatives from the two data centers, customer departments, the LAO, the Department of Finance, and other State agencies with relevant experience and expertise. The group met over two months under the leadership of the Business, Transportation and Housing Agency, and discussed a variety of issues related to a consolidated data center, including mission, goals, operations and organizational structure. Unfortunately, budget-related legislation enacted on August 11, 2003 (Chapter 225, Statutes of 2003 [AB 1752]) temporarily preempted preparation of the State CIO's reorganization plan by requiring the convening of a specific working group to conduct the data center consolidation review.

After the legislation was enacted, consolidation efforts continued, building on the foundation established by the prior working group. A new staff group comprised of representatives from the Department of Finance and the data centers, as well as the State CIO, was formed pursuant to the legislation that then developed a vision statement with goals and operating principles. The group also identified a number of areas in which potential savings might be

realized, and began to research these areas. A public hearing was held on November 12, 2003, to solicit input from interested parties on the benefits, opportunities and concerns relative to data center consolidation, as well as on the role of a consolidated data center in State government.

*Outcome of Analysis*

The group's conclusion is that consolidating the data centers would fundamentally improve the state's information technology approach. A statewide data center would offer customers cost-effective access to a wider variety of advanced technology resources. Specifically, a combined data center would:

- 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.<sup>3</sup>

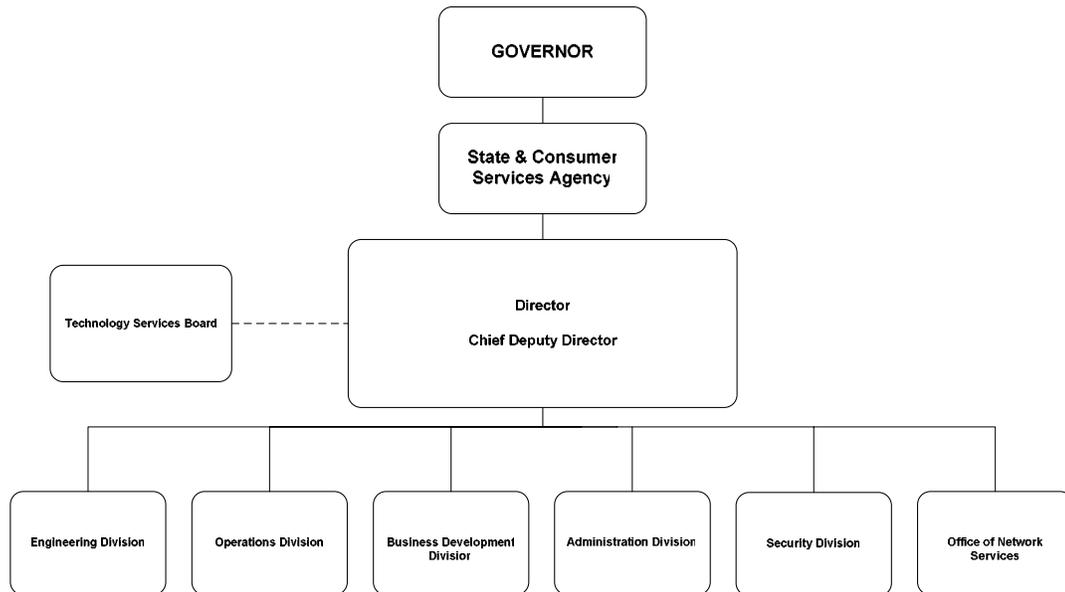
Research on data center consolidation efforts of other states and large organizations demonstrate that the benefits of data center consolidation are significant and support the outcome of the state's own internal analysis.<sup>4</sup>

**III. THE NEW ORGANIZATION**

The organizing premise for the concentration of information technology expertise and equipment in a centralized department offers customers cost-effective access to a wide variety of powerful information technology resources without requiring customers themselves to make expensive investments in hardware, software, and technical expertise. Concentrating these resources in a single organization allows customers to indirectly leverage investments and take advantage of economies of scale, technical expertise and experience. The consolidation of these organizations into a single, synergistic organization will streamline the structure and administration of functional activities to reduce duplication of effort, align the management of technology implementation, operations and maintenance into a more integrated lifecycle model, and increase the depth, flexibility and robustness of the services to customer agencies. By pooling the necessary physical, technical and human resources in this Department, the public will experience improved quality of government services.

The Department of Technology Services would be established as a service-based organization in the State and Consumer Services Agency, which shall exercise the power of general supervision over the department pursuant to Government Code § 12850. The proposed organizational structure of the Department of Technology Services is depicted below:

## Proposed Department of Technology Services



### **The Office of the Director**

The Director will report to the Secretary of State and Consumer Services Agency and serve as the primary point of accountability for providing technology services to state agencies. The Director is also charged with carrying out the vision, policies, and standards related to IT as promulgated by the State CIO, as they pertain to the operations of the Department of Technology Services. This position will be appointed by the Governor and subject to confirmation by the Senate.

### Transferred Functions:

The Director will fulfill all current responsibilities of the directors of HHSDC (excluding management of the Systems Integration Division) and Teale, as well as the Director of General Services' responsibilities related to the voice telecommunications and data networking functions.

### **Divisional Structure and Responsibilities**

The Department of Technology Services will be comprised of five divisions and one office – Engineering, Operations, Business Development, Administration, Security and the Office of Network Services. The consolidation would result in the transfer of all of the functions from Teale and HHSDC, as well as the voice telecommunications and data networking functions of the Telecommunications Division of the Department of General Services.

#### *Engineering*

This division will provide engineering services for software, network, platform and IT architecture. It also will assist customers in the development of project scope by providing the requisite expertise to identify the right technology solution to meet the operational needs of the client.

*Operations*

This division will provide the day-to-day operational support in client platforms, networks and applications, as well as provide support to a statewide help desk, and ensure continued service continuity and system reliability.

*Business Development*

This division will establish procedures and provide units focused on training IT professionals, customer management and marketing functions, and other professional services that will augment the day-to-day operational capacity of the department.

*Administration*

This division will consolidate administrative functions that cut across program areas including: finance, budgets, procurement and human resources.

*Security*

This division will maintain site specific security and risk prevention and mitigation plans. It will also be primarily responsible for ensuring continued data integrity and protection from contamination, loss or misuse.

*Office of Network Services*

The office will house all voice and data networking functions for the state, administer the CalNET contract and assist state agencies in identifying and meeting their telecommunications needs.

**Technology Services Board**

The Technology Services Board will be responsible for oversight and approval of the Department's budget, rate setting methodology and plan of operations. The governance structure of the Technology Services Board will consist of thirteen members, as follows:

- The State CIO, the Governor's designee, who will be the chair of the Board;
- The Director of Finance, who will be vice-chair of the Board;
- The State Controller;
- The Secretaries of the: Department of Food and Agriculture; Business, Transportation and Housing Agency; the Environmental Protection Agency; Health and Human Services Agency; Labor and Workforce Development Agency; Resources Agency; State and Consumer Services Agency; Department of Veterans Affairs; and Youth and Adult Correctional Agency; and
- The Director of the Office of Emergency Services.

One of the key features of this reorganization proposal is the creation of a customer-dominated board that is empowered to ensure that the Department provides the desired quality of services.

Transferred Functions:

This reorganization proposal would transfer the budget, rate setting and planning functions currently performed by the Business, Transportation and Housing Agency (with respect to Teale), the Health and Human Services Agency (with respect to HHSDC), the Department of Finance and the Department of General Services (with respect to voice telecommunications and data networking) to the Technology Services Board.

#### **IV. GENERAL PROVISIONS**

This Reorganization Plan is effective on July 1, 2005. On the effective date, the plan shall become operative.

##### **Transfer of Employees**

Pursuant to Government Code Sections 12080.3 and 19370, all employees serving in the State Civil Service, other than temporary employees, who are engaged in the performance of functions transferred to the Department of Technology Services or engaged in the administration of a law, the administration of which is transferred to the Department of Technology Services by this Reorganization Plan, are transferred to the Department of Technology Services. The status, positions, and rights of such persons shall not be affected by their transfer and shall continue to be retained by them pursuant to the State Civil Service Act, except as to positions the duties of which are vested in a position exempt from civil service. The personnel records of all transferred employees shall be transferred to the Department of Technology Services.

##### **Transfer of Property**

The property of any agency or department, related to functions transferred as part of this reorganization, is transferred to the Department of Technology Services. If any doubt arises as to where such property is transferred, the Department of General Services shall determine where the property is transferred.

##### **Transfer of Funds**

All unexpended balances of appropriations and other funds available for use in connection with any function or the administration of any law transferred by this Reorganization Plan shall be transferred to the Department of Technology Services for use for the purpose for which the appropriation was originally made or the funds were originally available. If there is any doubt as to where such balances and funds are transferred, the Department of Finance shall determine where such balances and funds are transferred.

#### **NOTES FROM GOVERNOR'S REORGANIZATION PLAN TO CREATE A DEPARTMENT OF TECHNOLOGY SERVICES**

1. California State Auditor, Bureau of State Audits, *Effective Use of Information Technology: Lessons about State Governance Structures and Processes*, by RAND Science and Technology (Santa Monica, California, 2003), p. 17 (Consultant's Report).
2. Legislative Analyst's Office, 2003-04 Budget Bill Analysis, February 2003.
3. Plan for Consolidating Teale Data Center and Health and Human Services Agency Data Center, December 2003.
4. California State Auditor, Bureau of State Audits, *Effective Use of Information Technology; Lessons about State Governance Structures and Processes*.

## Appendix B

### Little Hoover Commission Public Hearing Witnesses

*Witnesses Appearing at Little Hoover Commission Public Hearing on the Governor's Reorganization Plan to Create a Department of Technology Services  
April 28, 2005*

Bob Austin, Interim Director  
Health & Human Services Agency Data  
Center

Ann Barsotti, Acting Director  
Stephen P. Teale Data Center

Anna Brannen, Principal Fiscal and Policy  
Analyst  
Legislative Analyst's Office

John Thomas Flynn, Vice President  
Advisory Services  
Center for Digital Government

Mark A. Forman, Founder and Executive  
Vice President  
Worldwide Services  
Cassatt Corporation

Barry R. Hemphill, Deputy Director  
Telecommunications Division  
Department of General Services

Carol Henton, Vice President  
Western Region  
Information Technology Association of  
America

Mark Hill, Program Budget Manager  
Department of Finance

J. Clark Kelso, Chief Information Officer  
State of California

Margarita Maldonado, Bargaining Chair  
Unit 1, Local 1000  
California State Employees Association

Larry Singer, Senior Vice President  
Strategic Insight Officer  
Sun Microsystems

#### ***Written Testimony Received From:***

Tora Kay Bikson, Senior Behavioral  
Scientist  
RAND Science and Technology

T. Michael Nevens, Chairman  
Technology Advisory Peer Group



## Appendix C

### Little Hoover Commission Public Hearing Witnesses

*Selection of Witnesses Appearing at Little Hoover Commission Public Hearing on  
Organizing and Managing Executive Branch Functions  
November 18, 2004*

John M. Kamensky  
Associate Partner and Senior Fellow  
IBM Center for the Business of Government

Stuart McKee, National Technology Officer  
U.S. Public Sector, Microsoft Corporation  
former Chief Information Officer, State of  
Washington

Carolyn Purcell, Chief Executive Officer  
Purcell Ventures, LLC  
former Chief Information Officer, State of  
Texas

***Public Comment Received From:***

Margarita Maldonado, Bargaining Chair  
Unit 1, Local 1000  
California State Employees Association



## Notes

1. Deloitte & Touche Consulting Group. 1997. "Data Center Consolidation Study." Page 124.
2. Deloitte & Touche Consulting Group. See endnote 1.
3. Mark Hill, Program Budget Manager, Department of Finance. April 13, 2005. Written testimony to the Commission. Page 1.
4. T. Michael Nevens, Chairman, Technology Advisory Peer Group. May 3, 2005. Written testimony to the Commission.
5. J. Clark Kelso, Chief Information Officer, State of California. May 4, 2005. Written communication.
6. J. Clark Kelso, Chief Information Officer, State of California. January 10, 2005. "Report and Recommendation on Data Center Consolidation."
7. Government Code Sections 18801.1 and 20098.
8. Education Code Section 22212.5.
9. Insurance Code Sections 11770-11805.
10. T. Michael Nevens. See endnote 4.
11. Tora Kay Bikson, Senior Behavioral Scientist, RAND Science and Technology. April 2005. "An Assessment of the Governor's Reorganization Plan to Create a Department of Technology Services." Written testimony to the Commission.
12. Deloitte & Touche Consulting Group. See endnote 1.
13. Legislative Analyst's Office. 2003. "State Data Centers – Options for Savings." *Analysis of the 2003-04 Budget Bill*. Page F-48.
14. Department of Finance. April 1, 2005. "Trailer Bill Language to Transfer the Systems Integration Division." *Letter to Senator Wesley Chesbro and Assemblymember John Laird*. On file.
15. Legislative Analyst's Office. February 2005. "Office of System Integration, Health and Human Services Agency." *Analysis of the 2005-06 Budget Bill*.
16. Deloitte & Touche Consulting Group. See endnote 1.
17. Little Hoover Commission. November 2000. "Better.Gov: Engineering Technology-Enhanced Government. Page 23.
18. Governor's 2005-06 Budget, May Revision. May 13, 2005. "Strategic Sourcing." Page 72.
19. Little Hoover Commission. See endnote 17.
20. John Thomas Flynn, Vice President, Advisory Services, Center for Digital Government. April 28, 2005. Testimony to the Commission.

