



## STATE CHIEF INFORMATION OFFICER

J. Clark Kelso (ckelso@pacific.edu)  
1400 N Street  
Sacramento, CA 95814  
(916) 739-7302 / (916) 739-7072 (fax)

April 13, 2005

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

Dear Mr. Mayer:

I look forward to testifying at the public hearing regarding the Governor's Reorganization Plan to create a Department of Technology Services.

The plan submitted to the Little Hoover Commission is the culmination of many years of hard work and analysis by countless individuals from a number of different entities, both within and outside of government. Establishing the Department of Technology Services is an integral part of a larger information technology program that the administration is undertaking to improve both services to the public and internal State operations.

I am pleased to respond to the questions you submitted to me as follows:

- 1. How does the Governor's Reorganization Plan fit into the administration's larger vision for harnessing technology to improve the performance of California government?**
- 2. More specifically, how does this reorganization further goals and objectives in the California State Information Technology Strategic Plan?**

The administration's vision for harnessing technology to improve the performance of California government is set forth in the *California State Information Technology Strategic Plan* (November 2004) ("*IT Strategic Plan*"). Reduced to its essentials, the vision is to improve services and operations by going digital throughout the Executive Branch. The specific mission for the next five years as set forth in the *IT Strategic Plan* is as follows:

Information technology support for the Executive Branch of California State Government will operate as a seamless enterprise, delivering consistent, cost-effective, reliable, accessible and secure services that satisfy the needs of its diverse public and private customers, including the

People of California, its business communities and its public sector agencies. (*IT Strategic Plan*, p. 3).

The Governor's Reorganization Plan is viewed as a critical component of the overall governance of the Executive Branch's information technology program. The purpose of a technology governance structure is to improve the application of technology and its effective use across the entire Executive Branch. *IT Strategic Plan*, p. 23. Establishing the Department of Technology Services is a foundational step in rationalizing how we provide comprehensive technology services to the Executive Branch, including support for enterprise applications. *IT Strategic Plan*, p. 24. With the Department of Technology Services in place, we can execute more efficiently and effectively upon other aspects of our strategic vision.

For example, presently, much of the Executive Branch's information technology infrastructure is dispersed among our many agencies and departments. One of the strategies to achieve the administration's vision and mission involves the consolidation of the Executive Branch's common information technology infrastructure and services. Consolidation of the management of this infrastructure and services will make it easier to operate the Executive Branch's information technology as a "seamless enterprise, delivering consistent, cost-effective, reliable, accessible and secure services." The *IT Strategic Plan* calls for planning by the Department of Technology Services for consolidation of the following: email services, server consolidation, security consolidation and network consolidation. *IT Strategic Plan*, pp. 18-19. See also *Department of Technology Services: The Consolidation Approach*, pp. 4-5 (April 1, 2005) ("*Consolidation Approach*"). The Governor's Reorganization Plan will materially facilitate the execution of these other consolidation plans.

In addition, the Department of Technology Services will be a key partner in the *IT Strategic Plan's* goals relating to e-Government and implementing common business applications. Although final decisions have not yet been made, we would expect the Department of Technology Services would host a new state portal (*IT Strategic Plan*, p. 7) and many common, enterprise-wide business applications (*IT Strategic Plan*, pp. 11-12).

In general, we anticipate the Department of Technology Services will be an important facilitator and service supporter of many of the strategic initiatives set forth in the *IT Strategic Plan*.

**3. The State has more than two major data centers. Why is the consolidation limited to just the Teale and Health and Human Services Agency data centers?**

Teale and the Health and Human Services Agency data centers are the Executive Branch's only two, general-purpose data centers, each of which serves nearly all Executive Branch agencies and departments in one form or another. The State's other major data centers (e.g., at the Department of Justice, Franchise Tax Board, and

CalPERS) essentially have one client and primarily serve that one client's business needs. The transfer of these information technology resources into DTS might interfere with their support for the unique business needs of those entities without contributing to the enterprise-wide goals set forth above. At the very least, these are issues that deserve additional analysis and discussion before undertaking such a transfer.

Moreover, as the *Consolidation Approach* document amply demonstrates, merging Teale, the Health and Human Services Agency data center and the Office of Network Services is a major undertaking in and of itself. As noted above in response to Questions 1 and 2, we view the Governor's Reorganization Plan as a foundational first step. Other steps may follow once we have successfully established the Department of Technology Services.

**4. What improved public outcomes will result from this consolidation and how will these improved outcomes be measured and reported?**

As noted in response to Questions 1 and 2, the consolidation of the Executive Branch's common information technology infrastructure and the Governor's Reorganization Plan are foundational steps which will facilitate the achievement of many of the public services goals set forth in the *IT Strategic Plan*, as well as improving the cost-effectiveness of state operations.

For example, we anticipate that the Department of Technology Services will be a principal partner in developing additional e-Government services and in providing departments with enterprise-wide common business applications. These are likely to be high-profile initiatives which are also likely to be subject to multiple evaluations from a number of different perspectives. Outcome measures for e-Government include, but are not limited to, adoption rates by target audiences (e.g., number of hits or transactions), consumer satisfaction as measured by independent surveys, and cost-effectiveness as measured by total cost of providing a particular service. Outcome measures for common business applications include employee adoption and satisfaction and cost-effectiveness as measured by total cost of operations. The administration intends to build into each of these initiatives appropriate performance metrics that will be reported to the Legislature as part of routine budget and program oversight.

**5. Consolidation of Teale and HHSDC will create a data center monopoly. How will costs be minimized and quality levels improved for customers without competition between the two data centers?**

We disagree with the assertion that the Governor's Reorganization Plan creates a data center monopoly. As noted in Question 3, the State has more than just these two data centers. Although we do not currently plan on using this approach routinely, it is not unprecedented for these other data centers to take on projects for other departments (e.g., Franchise Tax Board is managing the Department of Child Support Services' major project to build a statewide child support services system). Moreover, departments often choose between utilizing a data center, developing their own technology infrastructure and employing external hosting services. Competition will continue to exist.

In addition, we believe the Technology Service Board, because it is composed of representatives from approximately 90% of the Department of Technology Services' customers, will have the appropriate incentive to aggressively pursue cost reduction consistent with desired levels of service and security.

**6. Why is the proposed Technology Service Board's membership best suited to drive down costs and improve services for all stakeholders and customers of the new Department of Technology Services? Why is there no representation from the Legislature, state programs outside the purview of state agencies, or local government?**

The composition of the Technology Service Board consists of three elements: (1) The State CIO (chair), representing the overall leadership for the Executive Branch's IT program; (2) The Director of Finance (vice-chair) and the Controller, representing fiscal and program accountability; and (3) Cabinet Secretaries, representing well over 80% of the Department's customers.

In terms of its numeric composition, it is appropriate to describe the Board as "customer dominated." We believe this board composition is best suited, in the long run, to result in cost reductions consistent with desired levels of service and security because the Board members themselves, who must vote to approve the Department's rates and in the process will review service offerings, are the Department's own customers. They will thus have the appropriate self-interest and incentive to maximize costs reductions and service improvements.

The Legislature does not need representation on the Board because the Legislature will be exercising its oversight through the budget process.

With well over 80% of the Department's customers represented on the board, we believe state programs outside the purview of state agencies will have their interests effectively represented in absentia by other board members. In addition, these other departments have access to the State CIO who is generally responsible for the entire IT program for the Executive Branch.

In our overall governance structure for information technology, the State CIO is reaching out to local government to seek their contributions and perspectives through other vehicles. For example, two members of the State CIO's Information Technology Council come from local government, and one of those members, Mr. Jon Fullinwider, the CIO for Los Angeles County, served on the Strategic Plan Committee responsible for producing the *IT Strategic Plan*. *IT Strategic Plan*, p. 41. We did not believe that local representation was necessary on the Technology Services Board because that board will be focused exclusively upon the operations of the Department of Technology Services and that Department's primary role is to provide services to state agencies. The board will *not* have broader policy-making powers, the exercise of which might impact local government.

**7. The California Performance Review (CPR) recommended consolidation of data center and telecommunication networks within a new Office of Management and Budget that would have responsibility for enterprise planning, acquisition and management authority for state technology. Why does this reorganization plan address only a portion of what the CPR proposed?**

The administration is proceeding in a step-by-step fashion, taking on the reorganization of the Executive Branch in a sequential, orderly process. The reorganization of the management of the Executive Branch's common information technology infrastructure is a prudent first step in anticipation of additional reorganization proposals. As fully documented in the *Consolidation Approach*, the merger of these entities is sufficiently complex in and of itself so that adding the complexity of other related organizational changes could add unnecessary risks. Nothing in this Governor's Reorganization Plan is necessarily inconsistent with CPR's other information technology recommendations, which remain under consideration.

If you have any further questions prior to the hearing, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Clark Kelso". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

J. Clark Kelso