Executive Summary

California's budget crisis has made plain that scarce revenues will put a premium on managing public resources better than ever if state government is to meet its obligations and realize its vision for serving its people.

The best management practices rely on sound information technology systems that can deliver streams of up-to-date data about operations to decision-makers, who can act upon them to improve programs and services.

In the eight years since the Little Hoover Commission first looked at how the state harnesses new information technology (IT), California has made great strides in delivering some of these critical information technology tools to its managers.

California's progress has been noted, but it is still far behind other states that are using data to drive performance. In California, state government has been slowed in its attempts to catch up by a culture of fear as well as a decentralized approach to technology planning that has defied attempts to capture the full potential of the state's investment in information technology.

The fear comes from two sources: fear of another big system failure and fear of repeating the Oracle debacle, a lobbying scandal, not a technology disaster.

It is time to push past those fears so that state leaders can begin changing the culture of government by building the state's technology capacity. This first step is critical to using data to drive improved program performance and make more informed decisions about how to deploy scarce state dollars.

Today, the state continues to rely on its legacy systems – expensive, aging information systems built on first generation database technologies around "green screen" user interfaces – to support many of its programs and services. In a 2007 report, the state chief information officer concluded the state is long overdue for an upgrade, which now is underway.

Due in large part to the efforts of the state's previous chief information officer, who created a strategic plan for California information technology, the state's reputation for technological sophistication has improved. In a few years, California has gone from the back of the pack to near the front. The Center for Digital Government placed California in the No. 5 position in its most recent ranking of tech-savvy states. The state's Web site also has improved dramatically, earning recognition and awards for its customer-service features.

But there is a world of difference between plans and the state's Web presence – the face it shows to the Internet – and the state's current IT infrastructure, which is fundamental to carrying out the daily tasks of government. In this too, California is moving forward, with complex projects that are showing promise – and success – such as the long-troubled $1.8 billion child support collection and disbursement system that rolled out in 2008. When finished, these projects will improve government operations, from modernizing the payroll and personnel system through the 21st Century project, to the Financial Information System for California (Fi$Cal), which will integrate the state business, accounting and procurement systems.

Another crucial step forward has been the elevation of the state chief information officer (CIO) to cabinet-level status, followed by the recruitment of a nationally recognized leader in 2008 to oversee the rebuilding effort: Teresa "Teri" Takai, a former Ford technology executive. As Michigan's CIO, Ms. Takai restructured and consolidated the state's technology resources into one centralized department with more than 1,700 employees. There, it was not a matter of choosing to change: Michigan's shrinking economy forced its state government to reengineer how it delivered services.

California's $6.8 billion portfolio of technology projects in state government rivals the budgets of its many large departments. Yet the management of those resources – mired in layers of oversight and red-tape – has been reactive, not proactive, shaped in response to crisis and designed to avoid pitfalls. Fears of failure and scandal have prevented California from fully implementing its technology overhaul.

The state's lack of strategic IT investment runs counter to California's reputation as the birthplace to the technology that can harness information and process and analyze it with lightning speed. State government has been slow to integrate the modern information technology systems that other states – and the federal government – have used to streamline administration, eliminate waste and serve the public more efficiently and quickly.

As the Commission noted in its 2000 study, *Better.Gov: Engineering Technology-Enhanced Government*, and repeated in 2005 when it endorsed the merger of state data centers into the Department of Technology Services, more consolidation of resources is needed. Real authority must be vested in the state chief information officer to finish the job of aligning computer systems across agencies to provide more seamless exchanges of information. To this end, the Commission focused on the governance structure of the state's technology activities in this report.

Once the state CIO is empowered to implement policy and coordinate activity, the state's leaders and managers will be able to use data to drive performance.

The Oracle scandal, centered on a single-source software contract, cost California the ability to create the technological environment to make this possible. Policy-makers must know the relationship between cost and performance, and the only way they can have that understanding is to have the right data in hand to make budget decisions and set state priorities. Agency managers must have the appropriate information required to make program management decisions. The public must have access to information about the performance of state programs and services so it can properly exercise oversight of its elected representatives.

This approach – performance measurement – has exploded across the country, but California is behind other states as policy-makers wrestle with decades-old issues of procurement hurdles and governance overlap. That is why the Pew Center on the States gave California a C+ for its use of performance data to make decisions and drive improvement.

This is an arena in which California should be the leader. Instead, states like Virginia and Washington are demonstrating the power and simplicity of reporting performance data to the public. Silos fall. Priorities are recast. Decision-making improves.

California's failure to embrace this approach is not for a lack of data. Through this and other studies, the Commission heard repeatedly from department leaders that they are data rich, but information poor. They lack the ability to organize and analyze data in a way that can help them make better decisions, anticipate trends and react more quickly to problems. Data collected by the state, whether patient claims or an inmate's history, often are organized in a way that makes them easy to store, though difficult to extract and analyze.

What is needed is the leadership and vision to cut across agencies' vast collections of data, forge connections that span programs, then link data to performance goals, question results and use the answers to correct course.

"Simply put, we must move from risk that paralyzes to risk that motivates."

Teresa "Teri" Takai

The state has tried this approach in the past, most recently with the performance-based budgeting exercises of the 1990s and the California Performance Review of 2004. Those projects may have been too ambitious, too early, but they planted roots that are showing areas of promise today.

During this study, the Commission heard from more than a dozen departments and agencies that have developed or are planning internal performance-tracking systems to drive improvement. The Business, Transportation and Housing Agency spearheaded a performance initiative in 2003 that tied together department strategic plans, performance measures and action plans. Through the process of tracking and regularly reviewing performance objectives, the Department of Motor Vehicles was able to reduce wait times in field offices, reduce phone waits and increase online license and vehicle registration renewals.

The Department of Corrections and Rehabilitation launched a performance measurement program in 2008, modeled on the successful CompStat program pioneered by the New York City Police Department. Equipped with performance data from each prison, department officials travel to facilities to meet with wardens and discuss how well prison management is meeting the closely-watched agency's goals. Corrections officials credit the process with helping guide day-to-day operations and high-level management decisions.

Despite their vastly differing missions, departments such as Social Services and Toxics Substances Control are embarking on self-generated performance projects – encouraging signs that the people within these entities see the value of such an approach, especially in a tough budget environment.

Empowering these enterprising employees to truly transform government requires leadership and support from the governor and the Legislature. Otherwise, these efforts will languish in isolated pockets.

Repeatedly, the Commission heard the need for a unifying approach to developing high-level goals linking data to performance, and tracking the state's progress toward meeting those objectives.

The arrival of Ms. Takai as the state's first cabinet-level chief information officer offers California the opportunity to discuss performance measurement again and in the context of real technology reform. The Office of the State Chief Information Officer must steer the state's technology investments to collect data and provide information that has been identified as necessary for improvement. Giant technology projects can no longer be an end to themselves.

To ensure the state CIO has the authority and tools to complete this ambitious task, a first step must be providing the state chief information officer with not only the authority, but the right tools to get the job done. The state must expand the resources available to the state CIO, including transferring to the Office of the State Chief Information Officer the Department of Technology Services, now located in the State and Consumer Services Agency, as well as the Office of Systems Integration, now located in the Health and Human Services Agency. These units represent project and services expertise that can be best deployed by the state CIO to meet the state's overall IT goals.

The Fi$Cal project, now the responsibility of four separate departments, needs a single point of accountability. The project to integrate the state's business, accounting and procurement systems is important to improving operations throughout state government. It properly belongs under the responsibility of the state CIO. This shift should improve communication to the Legislature about the project's progress, which is critical to continued support for Fi$Cal.

These changes will position the state to embark on the next step, which requires nurturing the existing efforts to measure and track performance using data from operations and expanding such efforts to all parts of state government. The state benefited tremendously from the work of its previous state chief information officer. California's new state CIO has vision, energy and a proven track record. To ensure continued momentum across administrations, the state CIO should be given a five-year term.

The Commission's research has shown that state workers on their own have started on the path to performance-driven government. The Commission was excited by their enterprise and encouraged by their progress. The value of this new culture is clear to them, but they need leadership. The governor and Legislature can lead by giving the CIO the appropriate tools and authority and championing the need for performance-driven government.

This cultural change, already underway in other states, is overdue in California. Now, given the budget crisis and difficult outlook, these reforms are essential.

Recommendations

Recommendation 1: The Legislature must empower the state chief information officer with tools and resources to oversee a generational transformation of information technology in state government.

- ❑ Consolidate resources.
  - ✓ Move the Department of Technology Services under the Office of the State Chief Information Officer (OCIO).
  - ✓ Move the information security component of the Office of Information Security and Privacy Protection under the OCIO.
  - ✓ Create a Geospatial Information Office within the OCIO.
- ❑ Take ownership of projects and strengthen the IT workforce.
  - ✓ Consolidate the state technology workforce under the OCIO.
  - ✓ Place the state CIO in charge of enterprise-wide efforts, such as Fi$Cal and the 21st Century Project.
  - ✓ Create a project management office under the state CIO. Move the Office of Systems Integration under the state CIO.
- ❑ Appoint the state CIO for a five-year term.
  - ✓ Restructure the state CIO position to serve under a five-year contract that overlaps gubernatorial administrations. The position would remain a cabinet-level post.

Recommendation 2: State agencies must use public money for technology projects responsibly and with transparency in order to rebuild the confidence of the Legislature and the public.

- ❑ Expand the scope of the Information Technology Council. The state needs a powerful, but lean, technology board to create accountability for performance.
  - ✓ Fold the Enterprise Leadership Council and the Technology Services Board into the IT Council, reduce membership for efficiency.
  - ✓ Add legislative members to the IT Council.
  - ✓ Hold regular, open meetings to review the status of large technology projects.

- Post more information online. The state CIO must make budgets and progress reports for technology projects available on a Web site.

Recommendation 3: The state must use technology to track, measure and improve performance.

- Foster and encourage growth of existing performance management efforts. Numerous agencies and departments have implemented or are in the process of developing performance measurement systems, creating a groundswell of interest and support for this data-driven management strategy.
  - ✓ Re-establish the technology innovation fund. Lawmakers authorized a technology innovation fund in 2000 that is not being used. The Legislature should direct savings from a new aggregated IT budget to be used as seed money to support this effort.
  - ✓ Engage leadership in performance reviews. The governor must hold regular public meetings with agency heads to evaluate data on state goals, devise action plans and follow up on previous improvement efforts.
  - ✓ Establish a Performance Measurement Forum. To build on existing efforts, an outside party from the academic or non-profit sector should coordinate regular meetings with practitioners of performance management to share best practices.