INFORMATION TECHNOLOGY WORK GROUP REPORT

NOVEMBER 30, 2007

TABLE OF CONTENTS

Page

EXECUTIVE SUMMARY

Section 962 of the 2007-09 Operating Budget created an Information Technology Work Group (Work Group) to examine opportunities to improve the administration and coordination of state information technologies and submit a report to the Governor and the Legislature by December 1, 2007.

This report summarizes the work and subsequent recommendations of the Work Group.
The Work Group identified several changes that could improve the efficiency and cost effectiveness of Washington's information technology (IT) investment strategy. The Work Group believes that further study may be necessary to develop a comprehensive response to some of the questions posed by the Legislature.

INTRODUCTION

During the 2007 Legislative Session, the House of Representatives divided the work of the Appropriations Committee into two subcommittees: the Appropriations Subcommittee on Education and the Appropriation Subcommittee on General Government & Audit Review. The Subcommittee on General Government & Audit Review (Subcommittee) spent several weeks reviewing agency budget requests. While reviewing those budget requests, the Subcommittee observed that Information Technology (IT) requests being made by state agencies appeared to strengthen existing silos within state government, and that there was a need for a business plan for the state to address and coordinate IT expenditures.

Section 962 of the 2007-09 Operating Budget created an Information Technology Work Group (Work Group) to examine opportunities to improve the administration and coordination of state information technologies and submit a report to the Governor and the Legislature by December 1, 2007. The Work Group consists of:

(1) the Director or designee of the Department Information Services (DIS) and the Director or designee of the Office of Financial Management;
(2) a member of the Information Services Board (ISB);
(3) two members of the Senate; and
(4) two members of the House of Representatives.

The Work Group is directed to invite participation by representatives of:

(1) a large state agency;
(2) a small state agency;
(3) the State Board for Community and Technical Colleges;
(4) the State Library;
(5) a research university;
(6) a regional university; and
(7) the public (two members).

The Work Group is directed to study:
(1) the development of a statewide information services strategy;
(2) the approval and oversight process of information technology projects;
(3) leveraging the expertise and purchasing power of the DIS;
(4) strengthening the role of the ISB in enhancing the utilization of services offered by the DIS; and
(5) opportunities to provide cost effective and equitable access to digital resources.

In conducting its studies the Work Group is directed to consider the approaches that other states have taken in the procurement of IT products and services. The Work Group must submit a report to the Governor and the Legislature no later than December 1, 2007.

BACKGROUND

Department of Information Services
The Department of Information Services (DIS) was created in 1987 under RCW 43.105. The DIS is a cabinet-level agency led by the agency director who is the state's Chief Information Officer (CIO). The DIS provides technology to state agencies, local governments, and qualified non-profit organizations. The use of the DIS services is not mandatory.

The stated legislative intent for creating the DIS was to provide for the coordinated planning and management of state information resources. The statute states that "services provided by the DIS are for discretionary use by customers and customers may elect other alternatives for service if those alternatives are more cost-effective or provide better service." (RCW 43.105.052).

Information Services Board
The Legislature created the Information Services Board (ISB) in 1987 under RCW 43.105 to provide coordinated planning and management of state information technology (IT) services. The ISB is a 15-member board that includes technology leaders from the executive, judicial, and legislative branches; the Office of the Superintendent of Public Instruction; a representative from higher education; a statewide elected official other than the Governor; and the private sector. The ISB reviews IT projects as required by Washington's investment and portfolio management policies, and provides spending authorization and oversight of larger, higher risk IT projects administered by executive branch agencies. Additionally, the ISB develops and approves state IT standards and the statewide IT strategic plan.

Major Policy Changes in the 2007-09 Operating Budget
Section 903
Section 903 of the 2007-09 Operating Budget requires agencies to consult with the DIS when making an investment in IT services. Agencies are not required to utilize the services provided by the DIS; however, they must submit a request for consultation to the DIS so that they may be advised of opportunities to acquire services through the DIS.

Section 1621
The process for approving requests for IT project funding was also modified in the 2007-09 Operating Budget. Section 1621 of the 2007-09 Operating Budget created an $83 million pool of funds for IT projects that were approved by the Legislature. The release of funds for these projects is subject to approval by the DIS and the Office of Financial Management (OFM). In evaluating projects, the DIS and the OFM seek opportunities to: (1) make use of common services; (2) ensure that state IT policies and best practices are being utilized; and (3) foster the development of applications that can be used by more than one department. Additionally, Section 1621 directs the DIS and the OFM to develop criteria to facilitate the coordination of technology and data solutions within the state.

RECOMMENDATIONS OF THE IT WORK GROUP

The IT Work Group recommends that the state take the following steps in order to improve management of IT investments. These recommendations were developed with the intent of improving both the effectiveness and cost-efficiency of the state's IT systems, with the ultimate goal of enhancing agencies' ability to achieve their individual missions.

For the purposes of this report, "state agency" refers to all offices, departments, agencies, institutions, boards, and commissions of state government, except institutions of higher education. The IT Work Group recommends that further study be conducted with respect to institutions of higher education to determine ways to enhance the cost effectiveness and delivery of their IT services.

The recommendations in this report reflect the general consensus of the IT Work Group members. These recommendations were developed by the IT Work Group over the course of four meetings held between September and November of 2007. The draft report was discussed by the Work Group at the November 14 meeting, with final approval given the week of November 26 after circulation for review by electronic mail.

Developing a Statewide Information Services Strategy

Recommendation #1:
While the Information Technology (IT) Work Group created in Section 962 of the 2007-09 Operating Budget has satisfied the intent of the budget proviso, the IT Work Group should reconvene in April of 2008 to continue to study these issues in a collaborative and open process with active engagement from stakeholders.

The Legislature should extend the IT Work Group's sunset date to allow the Work Group to meet longer. The IT Work Group should continue to meet for the remainder of 2008, and evaluate at the end of 2008 whether to continue meeting in 2009. The IT Work Group should submit a progress report to the Governor and the Legislature by December 1, 2008. If the IT Work Group decides to meet in 2009, it should complete its work by August of 2009.

The Legislature should expand the membership of the IT Work Group to include one state agency chief information officer (CIO).

The Legislature should appropriate funds to support the efforts of the IT Work Group. A consultant should be hired in early 2008 to evaluate the state's strategy for delivery and management of state IT services and report back to the IT Work Group. The overall goal of this process is to enhance the business effectiveness of state agencies and to improve citizen access to government in a cost efficient manner.

Recommendation #2:
A consultant should be hired to support the efforts of the IT Work Group. The consultant should conduct an evaluation of the state's current IT structure, including:
- an inventory of state agency IT assets, infrastructure, personnel, and budget;
- the state's current governing structure for IT; and
- other ways to provide IT services, including approaches taken by other states.

After conducting an evaluation of the state's current IT structure, the consultant should develop a statewide strategic plan regarding information technology and services. This plan should address the following:

- whether or not to consolidate IT services and which services are appropriate for consolidation;
- a strategy with incremental steps towards achieving IT consolidation;
- other ways to structure the state's IT business model in order to improve the efficiency and level of service to citizens; and
- what statutory changes are needed, if any, to the authority and structure of the Department of Information Services and the Information Services Board to achieve IT consolidation and to implement the recommended changes to the delivery and procurement of IT.

The consultant should report to the IT Work Group no later than the end of 2008.

<u>Recommendation #3:</u>
State agency web pages should be designed so that the public can interact seamlessly with multiple state and local agencies, similar to the Washington State Business Portal.

Providing cost-efficient and equitable access to digital resources

<u>Recommendation #4:</u>
The state should optimize its purchasing power by developing strategies to provide cost-efficient and equitable access to digital resources, such as online databases provided by libraries, for the citizens of Washington State.

The approval and oversight process of IT projects

<u>Recommendation #5:</u>
The state should revise its budgeting process for information technology (IT) projects.
All projects should be considered through a budget process that is similar to the capital budget model. This process should provide a more complete picture of the full life-cycle costs of IT projects, recognizing that the costs of many projects span multiple biennia.

A dedicated IT fund should be created with a sustainable revenue stream to support required upgrades and operational improvements in key enterprise systems over time.

Agency budget requests submitted to the OFM should clearly identify all IT expenditures and be required to include an investment plan and a Section 903 consultation.

The OFM should work with the DIS to prepare a summary report of IT investments included in the Governor's Budget submittal to the Legislature.

Recommendation #6:
The 2007-09 Operating Budget created an "IT Pool." This "pool" contained the funding increases for IT projects, and serves, in part, as a mechanism to increase the visibility and oversight of total IT expenditures as they relate to major projects. The IT Work Group recognizes the importance of visibility and oversight in IT spending, but believes that there may be a more effective budgeting approach that may provide better information on the total and anticipated future costs of a given IT project. This could lead to greater understanding and accountability of IT spending, and create a baseline from which cost improvements can be evaluated, which may lead to a better use of state tax dollars.

The budget for major IT systems, or projects, in which the investment of resources spans more than one biennium should be re-evaluated in their entirety during the legislative annual budget processes. This would entail an evaluation of a project's "base" budget in addition to any proposed incremental expenditure increases. When considering the budget of these IT projects, a life-cycle cost approach should be considered and include, but not be limited to: infrastructure investments, systems development and contracting, consumables, operations and ongoing maintenance, updates and replacement costs, and personnel related costs.

The OFM should work with the DIS and agencies to prepare a summary report of IT investments, predicated on each agency providing detailed IT budget packages that include past investment history to capture a projects' "base" budget and should be included as part of the Governor's Budget submittal to the Legislature.

It is recommended that the IT Pool be continued until such a budget process is fully implemented.

Recommendation #7:
The state has often used outside contractors to manage the development of the highest risk and most significant IT projects. The investments made in project management resources are not retained by the state once the projects are completed. Not retaining skilled, knowledgeable project management staff can result in reduced success rates and higher costs for IT projects.

The state should provide additional funds, subject to availability, to establish a recruitment and retention program for state IT project managers to include:
- adoption of a common project management methodology;
- incentives and opportunities for professional development; and
- development of a more competitive salary structure.

Recommendation #8:
In order to better track IT expenditures, an IT expenditure "object" should be created in the state's accounting system. This will allow for separate tracking from other consumables and contracted services.

Leveraging the expertise and purchasing power of DIS

Recommendation #9:
The Legislature should require state agencies to use state master contracts for the purchase of information technology products and services. The state Chief Information Officer may grant exemptions on a case-by-case basis.

Master contracts should be evaluated periodically to ensure that the contracts offer a competitive price.

Strengthening the role of the ISB in enhancing the utilization of services offered by DIS infrastructure

Recommendation #10:
The state should adopt a common systems approach for "back office systems" in state agencies, such as state e-mail, Enterprise Active Directory, and user authentication services. Common e-mail convention standards should be adopted for all state agencies.

In addition, the state should adopt a common set of data standards and a common approach to data management and archiving to allow state agencies to share data.

Recommendation #11:
A timeline should be developed for state agencies not currently operating on the State Government Network (SGN) to join the SGN. All state agencies should use state-managed local circuits.

Recommendation #12:
State agency mainframe computers and file servers should be located in a DIS-approved data center. The state Chief Information Officer may grant exemptions on a case-by-case basis. In addition, business continuity, disaster recovery and operational computer data services should be provided in a separate geographical area so that government services will continue to operate in case of service interruption or disaster.

APPENDICES

Appendix A - Section 903 of the 2007-2009 Operating Budget

Appendix B - Section 962 of the 2007-2009 Operating Budget

Appendix C - Section 1621 of the 2007-2009 Operating Budget

Appendix D - Information Technology Work Group Membership

APPENDIX A

Section 903 of the 2007-09 Operating Budget – Creation of the Consultation Process

NEW SECTION. Sec. 903   INFORMATION TECHNOLOGY ENTERPRISE SERVICES. Agencies may make use of the Department of Information Services when acquiring information technology services, products, and assets.

"Information technology services" means the acquisition, provisioning, or approval of hardware, software, and purchased or personal services provided by the Department of Information Services.

If an information technology enterprise service is provided by the department, or an agency has a specific requirement to acquire hardware, software, or purchased or personal services directly, the agency shall consult with the Department of Information Services.

APPENDIX B

Section 962 of the 2007-09 Operating Budget – Creation of the IT Work Group

(1) The Legislature intends to improve the administration and coordination of state information technology. The Legislature finds that opportunities are being missed to use the expertise in the Department of Information Services and to leverage the purchasing power of the department to drive down the cost of securing information services.

(2) The Office of Financial Management, the Department of Information Services, and the Legislature shall form a 2007 interim workgroup on improving state strategies, administration, and coordination of information technology. The workgroup shall consist of:

    (a) The director or designee of the Department of Information Services, and the director or designee of the Office of Financial Management;

    (b) A member of the Information Services Board;

    (c) Two members of the Senate, appointed by the President of the Senate, one member from each of the two largest caucuses of the Senate;

    (d) Two members of the House of Representatives, appointed by the Speaker of the House, one member from each of the two largest caucuses of the House of Representatives;

    (e) The workgroup shall invite representatives of the following to participate:

        (i) One large state agency;

        (ii) One small agency;

        (iii) The State Board for Community and Technical Colleges;

        (iv) The state library;

        (v) A research university;

        (vi) A regional university; and

        (vii) Two members of the public.

    (f) The workgroup shall choose its co-chairs from among its legislative membership.

(3) The workgroup shall review the following issues:

    (a) A statewide information services strategy;

    (b) The approval and oversight process of information technology projects;

    (c) Leveraging the expertise and purchasing power of the Department of Information Services;

    (d) Strengthening the role of the Information Services Board in enhancing the utilization of services offered by the Department of Information Services; and

    (e) Opportunities to provide cost efficient and equitable access to digital resources, including online databases, for faculty and students at public institutions of higher education, state employees, and the public.

Section 962 of the 2007-09 Operating Budget (continued)

(4) As part of its review, the workgroup shall consider approaches used in other states to achieve its goals.

(5) Staff support for the workgroup shall be provided by the Senate Committee Services, the House of Representatives Office of Program Research, the Office of Financial Management, and the Department of Information Services.

(6) Legislative members of the workgroup shall be reimbursed for travel expenses in accordance with RCW 44.04.120.

(7) The task force shall report its findings and recommendations to the Governor and the appropriate committees of the Legislature by December 1, 2007.

(8) This section expires December 31, 2007.

APPENDIX C

Section 1621 of the 2007-09 Operating Budget - Creation of the IT Pool

NEW SECTION. Sec. 1621. A new section is added to 2005 c 518 (uncodified) to read as follows:

FOR THE OFFICE OF FINANCIAL MANAGEMENT--TECHNOLOGY FUNDING
>   General Fund--State Appropriation (FY 2007) $26,277,000
>   Special Technology Funding Revolving Account
>   Appropriation (FY 2008) . . . .…………. $37,964,000
>   TOTAL APPROPRIATION . . . .……….. $64,241,000

The appropriations in this section are provided solely for deposit to and expenditure from the data processing revolving account and are subject to the following conditions and limitations:

(1) The appropriations in this section, for expenditure to the data processing revolving account, are to be known as the "information technology funding pool" and are under the joint control of the Department of Information Services and the Office of Financial Management. The Department of Information Services shall review information technology proposals and work jointly with the Office of Financial Management to determine the projects to be funded and the amounts and timing of release of funds. To facilitate the transfer of moneys from dedicated funds and accounts, the State Treasurer is directed to transfer sufficient moneys from each dedicated fund or account to the special technology funding revolving account, hereby created in the State Treasury, in accordance with schedules provided by the Office of Financial Management pursuant to LEAP Document ITA-2007 as developed by the Legislative Evaluation and Program Committee on April 20, 2007, at 13:01 hours.

(2) In exercising this authority, the Department of Information Services and the Office of Financial Management shall:

> (a) Seek opportunities to reduce costs and achieve economies of scale by leveraging statewide investments in systems and data and other common or enterprise-wide solutions within and across state agencies that include standard software, hardware, and other information technology systems infrastructure, and common data definitions and data stores that promote the sharing of information across agencies whenever possible;

> (b) Ensure agencies incorporate project management best practices and consider lessons learned from other information technology projects; and

> (c) Develop criteria for the evaluation of information technology project funding proposals to include the determination of where common or coordinated technology or data solutions may be established, and identification of projects that cross fiscal biennia or are dependent on other prior, current, or future related investments.

(3) In allocating funds for the routine replacement of software and hardware, the Information Services Board and Office of Financial Management shall presume that agencies should have sufficient funding in their base allocation to pay for such replacement and that any allocations out of these funds are for extraordinary maintenance costs.

(4) Funds appropriated in this section shall not be released for information technology projects with a risk-severity assessment level two or greater under the policies of the Information Services Board until a feasibility study has been completed and approved by the Information Services Board. If the feasibility study indicates a need for funding exceeding that allocated for the current biennium,justification of increased project costs shall be incorporated in an annual report from the Department of Information Services to the Information Services Board, the Office of Financial Management, and the Legislative Evaluation and Accountability Program Committee. Implementation funds shall not be released until the project is approved by the Legislature.*

(5) Funds in the 2007-09 biennium may only be expended on the projects listed on LEAP Document IT-2007, as generated by the Legislative Evaluation and Accountability Program Committee on April 20, 2007, at 13:01 hours. Future biennia allocations from the information technology funding pool shall be determined jointly by the Department of Information Services and the Office of Financial Management.

(6) Beginning December 1, 2008, and every biennium thereafter, the Department of Information Services shall submit a statewide information technology plan to the Office of Financial Management and the Legislative Evaluation and Accountability Program Committee that supports a consolidated funding request. In alternate years, a plan addendum shall be submitted that reflects any modified funding pool request requiring action in the ensuing supplemental budget session.

(7) The Department of Information Services shall report to the Office of Financial Management and the Legislative Evaluation and Accountability Program Committee by October 1, 2007, and annually thereafter, the status of planned allocations from funds appropriated in this section.

(8) State agencies shall report project performance in consistent and comparable terms using common methodologies to calculate project performance by measuring work accomplished (scope and schedule) against work planned and project cost against planned budget. The Department of Information Services shall provide implementation guidelines and oversight of project performance reporting.

(9) The Information Services Board shall require all agencies receiving funds appropriated in this section to account for project expenses included in an information technology portfolio report submitted annually to the Department of Information Services, the Office of Financial Management, and the Legislative Evaluation and Accountability Program Committee by October 1st of each year. The Department of Information Services, with the advice and approval of the Office of Financial Management, shall establish criteria for complete and consistent reporting of expenditures from these funds and project staffing levels.

Section 1621 of the 2007-09 Operating Budget (continued)

(10) In consultation with the Legislative Evaluation and Accountability Program Committee, the Department of Information Services shall develop criteria for evaluating requests for these funds and shall report annually to the Office of Financial Management and the Legislative Evaluation and Accountability Program Committee by November 1st the status of distributions and expenditures from this pool.

* Veto message: Section 1621(4), page 506, for the Office of Financial Management, Technology Funding

This proviso would prohibit the release of funds to pay for at least 35 projects with a risk severity assessment of level 2 or greater until a feasibility study is completed and the project is approved by the Information Services Board. While I agree that these projects need careful review and scrutiny before they proceed, I am vetoing Section 1621(4) because of the added workload and complexity introduced by these requirements. However, I direct the Department of Information Services and the Information Services Board to use their existing authority to provide the review and analysis desired in this proviso so that future costs and risks are better understood before the projects are allowed to move forward.

In addition, I share the intention expressed by the Legislature in Section 903 of this bill to better manage technology investments to achieve more common and coordinated technology and data solutions. Therefore, I also direct the Department of Information Services and Information Services Board to use their existing authority to review and strengthen investment planning for information technology projects to include, at a minimum, a review of the ability of projects to better use common services and solutions. Doing so can help reduce costs and risks for individual projects and can help the state realize greater economies of scale across multiple projects.
(http://www.governor.wa.gov/billaction/2007/veto/1128.pdf)

APPENDIX D
INFORMATION TECHNOLOGY WORK GROUP

WORK GROUP MEMBERS

Representative Mark Ericks, Co-Chair
Senator Dan Swecker, Co-Chair
Representative Larry Crouse
Senator Chris Marr

Earl Heister, Information Services Board
Wolfgang Opitz, Office of Financial Management
Gary Robinson, Department of Information Services

WORK GROUP INPUT MEMBERS

Large Agency Representative
    Robin Arnold-Williams, *Secretary,* Department of Social and Health Services

Small Agency Representative
    Lowell Porter, *Director,* Washington Traffic Safety Commission

State Board of Community and Technical Colleges Representative
    Michael Scroggins, *Director of Information Technology*, State Board of Community and Technical Colleges

State Library Representative
    Jan Walsh, *State Librarian,* State Library

Research University Representative
    Clare Donahue, *Assistant Vice President, Network Architecture & Engineering, Computing and Communications,* University of Washington

Regional University Representative
    Aaron Powell, *Director, Computing and Communications*, The Evergreen State College

Member of the Public
    Scott Griffin, *Boeing Vice President & Chief Information Officer, Retired*

Member of the Public
    Matt Miszewski, *Managing Director for eGovernment, Worldwide Public Sector*, Microsoft Corporation
_____
Legislative Staff:
        Kara Durbin*, Counsel,* House Office of Program Research
        Owen Rowe, *Fiscal Analyst*, House Office of Program Research
        Erik Sund, *Fiscal Analyst*, Senate Committee Services

Agency Staff:
        Tamara Jones, *Government and Association Liaison*, Department of Information Services