

2006 State of IT in California Address

By

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Introduction

Good morning, my friends. Another year has now passed since I last stood before you to deliver my annual State of IT in California address.

Because we all manage to get together fairly frequently during the year, and because this last year seems to have gone by so quickly, perhaps a sign of my rapidly advancing age, it is all too easy for us to forget how much progress we actually have made in the last 12 months.

As is often the case, when you are actually living and experiencing organizational change from the inside on a day to day basis, the pace of change may really seem quite incremental and slow, if not absolutely frustrating. And yet, if you are able to step outside of your day to day activities for a brief moment, and compare where you were 12 months ago with where you are today, you may see a very different picture.

That has been my experience in drafting my remarks for this morning, and I hope to convey to you the same sense of wonder and awe that I feel about our recent progress, progress that is being noticed by independent observers. The Digital States Survey results have just been released, and California has moved up from 27th in the rankings to 16th in the rankings. We find ourselves in a grouping of large states along with Texas at 17th and New York at 18th. We are now tied with Washington state at 16th, a very good place to be, and the trend line for us is very positive.

So let's begin my presentation by giving ourselves a much deserved round of applause! I want to congratulate each of you on your success at turning the State's IT program around.

Setting the Stage: A Brief Review of Where We Have Been

Now, let's all take a step back from our daily to-do lists, and take a look at our progress over the last several years from a 300,000 foot perspective.

If you back up to the time of my original appointment, now almost 4 and one half years ago, you will recall that we had suffered a near total meltdown in the State's IT program because of a serious procurement scandal and crisis.

During my first year in office, we reestablished and reengineered somewhat our oversight, security and procurement programs, with a primary objective of putting the procurement crisis behind us. By May of 2003, when I delivered my first State of IT address, we could already see the crisis receding in the rear-view mirror.

When the Legislature failed to enact an IT governance proposal that was before it in 2003, we turned our attention to building, without statutory or budget support, a collaborative IT governance model and to developing a strategic vision and plan for the State's IT program. Our success in establishing this governance model and plan we owe entirely to all of you, for your willingness to be part of something outside of your own organizations and bigger than your own internal interests.

The collaborative IT governance model began to take shape in March of 2004 with the creation of the IT Council and its committees. The strategic vision and plan took shape that same year, first during the California Performance Review process, and subsequently in planning activities led by the IT Council's Strategic Planning Committee. The first version of our strategic plan was approved by the IT Council in November of 2004.

This plan was very different from what had come before because of its nearly exclusive focus on enterprise-wide initiatives, goals and actions. It was a plan that held out the promise of enterprise-wide returns on investment.

During 2005, we took the first few steps towards implementing a few of the initiatives identified in the strategic plan, and we engaged in a substantial amount of planning for other initiatives. When I delivered my annual address in October of 2005 – just one year ago – I declared that “we have turned the corner, shaken off the fears of the increasingly distant past, and are moving forward now with renewed confidence and competence.”

More important than that generalization are the examples that I gave of our progress. In October 2005, I was able to announce a newly-established strategic sourcing program. You will recall that DGS had only recently completed the PC goods category, and work was still underway in other categories.

One year ago, our enterprise architecture team had just been formed. Thanks to the good work of the IT Council's Enterprise Architecture Committee, we had adopted in 2005 an Enterprise Architecture Framework that pretty well defined the deliverables we needed to produce to create an architecture, but none of those deliverables had yet been produced.

On the topic of common business systems, I reported that the 21st century project remained on track, and that we had begun to try to coordinate the planning activities of a number of departments that had department-wide ERP systems under consideration.

With regard to the State's web pages, I reported that a few departments had begun systematic and comprehensive improvements of their websites, and that we had made progress on a general approach and plan for an enterprise-wide refresh.

Finally, on the consolidation front, you will recall that the Department of Technology Services had just recently been formed, and PK Agarwal had just been nominated to serve as its first permanent director shortly before my October 2005 speech.

Overall, I concluded that “the State of the State’s IT is strong, and we are once again accelerating our efforts. We are beginning to step on the pedal and we are gaining speed.”

The Year in Review: 2005-2006

Well what a difference one year can make. Our progress on each of these initiatives has really been breathtaking.

Strategic Sourcing

Strategic sourcing, which was just beginning to get started a year ago, is now a mature and extraordinarily successful program. We estimate \$105 million in state spend for IT items under the strategic sourcing program, with an estimated savings against historical cost of just over 40%, for a total estimated cost avoidance of \$43 million. That, my friends, is a program worth continuing and expanding into new areas. I am so pleased at the work being done here by the Department of General Services and the IT Council’s Acquisitions Committee, which has worked hand-in-hand with DGS to make sure that strategic sourcing was properly and flexibly implemented to serve our IT needs.

Enterprise Architecture

The Enterprise Architecture team and committee have been very hard at work this last year, producing key deliverables in the areas of Service Oriented Architecture, Web Services, the Technical Architecture Framework, and the California Enterprise Architecture Principles. These documents are all available on my website. Detailed work is now beginning on network architecture, and I am very hopeful we will be able to turn to other elements of the architecture project this coming year.

One of the most significant advances is very recent work on a federated, shared services architecture for identity management and authentication. This is going to set the foundation for vastly improved security and much more efficient data management and data sharing.

Next Generation Business Management Systems

On the topic of common business systems for state agencies, you will hear later this morning that we are doing much more than just trying to coordinate a small armada of independent development efforts by multiple departments. We now are closing in on an enterprise-wide vision for next generation ERP systems, and in the process, we are close to establishing a collaborative business-side, executive-level governance model for IT-related efforts that mirrors what we have been doing in the IT Council for IT governance.

I consider this business and executive side engagement in governance to be one of the most significant developments during my four-year tenure. We have not only made sure that IT is at the enterprise table. We are now making sure that the right business and program executives are at the table as well. That is when exciting things can really start to happen.

Consolidation and DTS Services

On the consolidation front, PK and his team concluded the first phase of consolidation earlier this year, in the process already saving the State millions of dollars that will be returned to departments in the form of reduced rates or rebates. And DTS is now making plans for phase 2, which will involve consolidation of networks and servers.

DTS is also now starting to roll out new services, and I am confident the speed with which new services can be developed will accelerate as DTS rationalizes its rate-making process. The Technology Services Board at its most recent meeting established a Services Committee to assist DTS in deciding which new services to develop, and I have asked Ben Williams of the Department of Water Resources to Chair a new IT Council committee on DTS Services, which will function in parallel with the Technology Services Board.

DTS is also poised to issue its intent to award the Calnet II contract, and we all are waiting with great anticipation for that new telecommunications and network contract. It promises, among other things, to give us much easier access to the newest telecommunications and network technologies.

The State's Web Presence

With regard to the State's web pages and the portal, the Portal Steering Committee, with extraordinary assistance from the California Research Bureau and the State Library, have given us a solid set of policy recommendations and principles upon which to build a substantially improved State web presence. This work is being cited nationally for its comprehensiveness and its clear focus on customer-orientation and usability.

I am pleased to announce that I have appointed Andrew Armani, the Agency Information Officer at State and Consumer Services Agency, as our enterprise Director of e-Services. My thanks to Secretary Rosario Marin for agreeing to spare some of Andrew's time for this important leadership position. Andrew will reveal later this morning some of our most recent developments. For now, suffice it to say that we are moving very quickly to the point where departmental energies can be unleashed to offer to our public customers more useable and accessible web services. This is very good news indeed.

Classification, Testing and Training

We also have witnessed this last year a most remarkable development. Peace has broken out between the State Personnel Board, the Department of Personnel Administration, SEIU, the Administration and the Legislature. This peace among previously warring factions has led to new statutory authority for the State Personnel Board to conduct skills-based testing, and when this new testing methodology is combined with a new classification structure that we have agreed upon, the end result will be a very dramatically improved capacity to hire the right talent for the job.

During the coming year, we need to fully implement this new scheme and take advantage of its benefits through newly reinvigorated recruitment of IT talent. We are going to need every talented person we can find to help lead and manage the heavy load of IT projects coming our way.

I am also very pleased to report the co-sponsorship by the Director of the Department of Personnel Administration, the Undersecretary of State and Consumer Services Agency and myself, of a newly-developed “Leadership for the Government Executive Certificate Program” offered by Sacramento State University. This program is specifically designed to help us build both IT and business-side executive leadership in state government, leadership that is attuned to the 21st century’s digital environment. Applications for this program are by nomination only, and I want to encourage all of you to take a look at the program and think about who in your organization might benefit the most from this unique educational experience. There is a link from my website to detailed information about the program and nomination form. Please take a look and give it some serious attention.

Security and Privacy

On security issues, as you know, we spent most of the last year focusing much of our attention on developing more robust continuity of operations and continuity of government plans. That planning process continues through this fall and into next year.

We also devoted quite a bit of attention to strengthening our policies and our training on some of the most ordinary and common security incidents that we see, which most often involve data stored on mobile media such as laptops. The State ISO and Office of Privacy Protection have offered a substantial training program this year on security and privacy issues. But more remains to be done here. We still see far too many security incidents resulting from poor practices. It is not the technology that is failing us here. It is our own casual approach to the way we handle our data.

State CIO’s Office and IT Governance

Last but not least, we have finally secured legislative passage of a statute that formally reestablishes the position of State Chief Information Officer for the State of California. This of course has been one of the personal goals I set for myself when I assumed this office four and a half years ago. From the very beginning, I have believed that the job of putting the 2002 procurement crisis behind us would not be totally complete until we had reestablished in statute a state CIO.

Now I must readily admit that the statute which was enacted this year is not everything that I had hoped for. We did not get this year legislative endorsement of a comprehensive IT governance bill with a fully empowered State CIO. Instead, we got half a loaf - an important half a loaf, but a half a loaf nevertheless. As I noted before, sometimes change takes place incrementally, and at times you have to be satisfied with small steps forward even when you would prefer larger leaps.

Under the new statute, the State CIO is appointed by the Governor subject to Senate confirmation. Most important, the statute expressly provides that the State CIO shall be a member of the Governor's cabinet. For the first time in California, this makes the State CIO the statutory peer of cabinet secretaries and directors, including the Director of the Department of Finance. This makes sure that IT is present at the highest levels of the Executive Branch.

That is the strong part of the statute. The weak part of the statute is that it does not give the State CIO clear powers to make decisions that bind anyone. No power to set standards, no power to control expenditures, no power to set policy. Instead, the statute only gives the State CIO limited duties, and those duties are, by and large, advisory. In particular, the statute provides that the State CIO has duties that include, but are not limited to, the following:

1. Advising the Governor on the strategic management and direction of the state's information technology resources;
2. Minimizing overlap, redundancy, and cost in state operations by promoting the efficient and effective use of information technology;
3. Coordinating the activities of agency information officers, agency chief information officers, and the Director of the Department Technology Services for purposes of integrating statewide technology initiatives, ensuring compliance with information technology policies and standards, and promoting alignment of information technology resources and effective management of information technology portfolios;
4. Working to improve organizational maturity and capacity in the effective management of information technology; and
5. Establishing performance management and improvement processes to ensure state information technology systems and services are efficient and effective.

If you were listening closely, you probably have realized that this list of duties pretty well states my current job description. That was our deliberate choice in drafting the language. We believed, correctly as it turned out, that the Legislature would go along with a statute that pretty much codified the existing duties of the State CIO's Office, including its essentially advisory role.

In summary, although we didn't make much progress in terms of express statutory powers, we did manage to get the Office created, and we got it created as part of the Governor's cabinet. So that is a significant first step.

The bill that created the State CIO's Office also did not come with a budget or any staff. However, the good news is that we will be proposing in the Governor's 2007-2008 budget to provide the new office with staffing, and I am currently in discussions with the Governor's Office and the Department of Finance about those staffing levels. As I am sure all of you know, this is not a year when there is much tolerance for new general fund spending or positions, so the office's new staffing is going to be rather limited, and that is appropriate given the limited duties found in the statute.

We also are very actively considering the next step in reestablishing statutorily-based IT governance within the state. This first statute does not go as far as I think it needs to in creating a fully empowered State CIO. As a result, I am also working with the Governor's Office and the

Department of Finance on a budget and statutory proposal that, if enacted by the Legislature, would establish a State CIO's Office with clear authority over IT planning, policy, enterprise architecture, enterprise activities, and project review and oversight.

Of course, nothing will be happening on this proposal in the absence of a complete vetting of the proposal with the Legislature during next year's legislative session, and we don't know at this point what the Legislature itself might have in mind; therefore, this remains a work under development. Until such time as the Legislature endorses any changes along these lines, we will continue to follow our existing processes pursuant to existing statutory and regulatory authorities. We are not going to get ahead of the Legislature on this subject.

Concluding Remarks on the Year

Well that concludes our brief 300,000 foot survey of enterprise-level developments during the last year. I think you can all readily agree it has been an eventful year for us, with lots of enterprise-level improvements in our IT program. We have successfully changed the direction of the State's IT program, and we are moving forward with increasing speed, gathering momentum along the way.

A Few Final Comments

Before I close my remarks, I do want to make a few observations about a handful of specific project successes during the year, because we have had a really good string of successful project developments.

First, we saw the successful re-hosting or in-hosting at the Department of Technology Services of CWS-CMS. This marked a very significant change in our contractual relationship with IBM, which had been hosting the application, and a substantial expansion in DTS's mainframe environment. The cutover to DTS occurred without incident. I consider this a very good sign about the capacity and maturity of our Department of Technology Services.

Second, no summary of this year's accomplishments would be complete without mentioning the statewide child support system. As you all know, the State has been paying penalties to the federal government in the amount of \$220 million annually because of our failure to have a statewide child support system. I am pleased to report that we hit the first major milestone in our child support project last month, a milestone that permits us to seek from the federal government alternative certification of our system, a certification that will relieve us for the time being of the federal penalty.

This is really an enormous accomplishment. We still have about 18 more months of hard work on phase 2 to complete the project, but hitting our first major milestone is worthy of note and celebration. Anyone who thinks we can't do big IT, in this case, very, very big IT, anyone – whether in the Legislature or in the media – needs to take a look at what we have accomplished here. With the combined efforts of the Department of Child Support Services, the Franchise Tax Board, the Health and Human Services Agency, and the Department of Finance, all focused on project success, we have shown that we can get the job done. The system has been running live

for some time now, and well over a billion dollars have already been processed through the system.

Our success on child support services strongly suggests the benefits from collaborative engagement on major projects, and we are following that collaborative model with the next mega-project we face, DMV's Real ID project. This project involves major reengineering and very significant changes to virtually all of DMV's systems and many of its partner systems, on a very short, federally mandated time-frame.

We have two other major initiatives facing us in the near future, both of which you will hear much more about later today. First, you will hear more about a possible vision for building out the next generation of our enterprise business management systems, systems ranging from budgeting and accounting, to procurement, to asset management, and beyond. Second, you will hear more about our efforts to work with the health care industry in planning for its inevitable conversion from siloed, paper-record-based environments, to a comprehensive digital environment where records are sharable electronically. The goals here are affordability, greater patient control and choice, and improved quality of service. This is a major initiative which ultimately will require the modernization of many of our major health and welfare systems.

Conclusion

My friends, there is really so much going on right now in the State's IT program, that it is almost unimaginable to me that anyone would decide to retire from the field this year, or for the next couple of years. So those of you out there who have given some passing thought to retirement, I strongly suggest that you put those thoughts out of your mind entirely. The next three to five years promise to be the most exciting times in the State's IT program for at least the next generation. We have exciting developments happening in virtually every aspect of our IT portfolio.

On a purely personal note, this job continues to fascinate me. There are new challenges every day, of course. But we are making very good, forward progress. And I am constantly impressed with the commitment that I see in all of you, and the quality of work that I am privileged to experience.

We have another fantastic year ahead of us, and I hope you share my unbridled enthusiasm about the journey upon which we are all jointly engaged. You all have my best wishes and prayers. Thank you for your attention this morning and your support throughout the year.